"Sovereign Wealth Fund "Samruk-Kazyna" JSC

(a joint stock company incorporated in the Republic of Kazakhstan)

Legal entity identifier (LEI): 213800N83GBAZJ4ER974

U.S.$500,000,000 2.00 per cent. Notes due 2026

Issue Price: 98.824 per cent.

Application has been made to the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**FCA**") for the U.S.$500,000,000 2.00 per cent. Notes due 2026 (the "**Notes**") of "Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "**Issuer**") to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's regulated market (the "**Market**"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (as amended, the "**UK MiFIR**").

This Prospectus has been approved by the Financial Conduct Authority as competent authority under Regulation (EU) 2017/1129 as it forms part of English law by virtue of the EUWA (as amended, the "**UK Prospectus Regulation**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

In addition, applications have been made to list and admit the Notes to (i) the "bonds" category of the "debt securities" sector of the "main" platform of the official list of JSC Kazakhstan Stock Exchange (the "**KASE**") and (ii) the official list of the Astana International Exchange ("**AIX**"). On 13 October 2021, the KASE granted its consent to list the Notes on the KASE. No Notes may be issued, placed or listed outside of the Republic of Kazakhstan ("**Kazakhstan**" or the "**State**") without the prior permissions of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (the "**ARDFM**") for issuance and placement of the Notes outside of Kazakhstan (the "**Agency Permissions**"). The Agency Permissions in respect of the Notes were obtained on 15 October 2021 and are not a recommendation or endorsement by the ARDFM of the Notes. Simultaneously with offering of the Notes outside of Kazakhstan, the Notes must be offered through the KASE and will also be offered on the AIX on the same terms on which the Notes are being offered in a foreign state. Subject to sufficient demand, investors' orders submitted through the KASE must be satisfied in a volume of not less than 20 per cent. of the total volume of the Notes to be placed. If the total volume of investors' orders submitted through the KASE is less than 20 per cent. of the total volume of the Notes to be placed, such orders will be satisfied in full and all and any Notes remaining after the satisfaction of the investors' orders submitted through the KASE may be offered and placed outside of Kazakhstan and inside Kazakhstan through AIX. If the total volume of investors' orders submitted through the KASE is more than 20 per cent. of the total volume of the Notes to be placed, such orders will be satisfied subject to the Issuer's decision. In connection with the listing of the Notes on the KASE and the AIX and the offer and sale of the Notes in Kazakhstan, First Heartland Securities JSC and Freedom Finance JSC will act as managers (the "**Kazakhstan Lead Managers**") and the Joint Lead Manager(s) (*as defined below*) will not be involved in such process.

The AIX does not accept responsibility for the content of the information included in this Prospectus including the accuracy or completeness of such information. Liability for the Prospectus lies with the Issuer of the Prospectus and other persons such as experts whose opinions are included in the Prospectus with their consent. Nor has the AIX assessed the suitability of the securities to which the Prospectus relates for any particular investor or type of investor. If you do not understand the contents of this Prospectus or are unsure whether the securities are suitable for your individual circumstances, you should consult an authorised financial advisor.

Interest on the Notes is payable semi-annually in arrear on 28 April and 28 October in each year. Payments on the Notes will be made without deduction for or on account of taxes of Kazakhstan to the extent described under "*Terms and Conditions of the Notes - Taxation*".

The Notes mature on 28 October 2026 but may be redeemed before then at the option of the relevant holder on the Redemption Date (as defined in the "*Terms and Conditions of the Notes*") at 100 per cent. of their principal amount, together with accrued interest, if a Change of Control/Status Event (as defined in the "*Terms and Conditions of the Notes*") occurs. The Notes are also subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of Kazakhstan. The Issuer may also at its option redeem the Notes at any time (i) in whole but not in part, at their principal amount together with accrued interest and Make Whole Premium (as defined in the "*Terms and Conditions of the Notes*") and (ii) in whole or in part at 100 per cent. of their principal amount, together with accrued interest. See "*Terms and Conditions of the Notes - Redemption and Purchase*".

Notes which are offered and sold in reliance on Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") will be represented by beneficial interests in a permanent global certificate (the "**Unrestricted Global Certificate**") in registered form, without interest coupons attached, which will be registered in the name of Citivic Nominees Limited as a nominee for, and shall be deposited on or about 28 October 2021 (the "**Closing Date**") with a common depositary for, Euroclear Bank SA/NA ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Notes which are offered and sold in reliance on Rule 144A ("**Rule 144A**") under the Securities Act will be represented by beneficial interests in one or more permanent global certificates (the "**Restricted Global Certificates**" and, together with the Unrestricted Global Certificate, the "**Global Certificates**") in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with Citibank, N.A., London Branch, as custodian for, and registered in the name of Cede & Co. as nominee for The Depository Trust Company ("**DTC**"). Notes sold (i) to non-U.S. persons (as defined in Regulation S) located outside the United States in offshore transactions in reliance on Regulation S will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof and (ii) to qualified institutional buyers within the meaning of Rule 144A under the Securities Act who are also qualified purchasers as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended, in reliance on Rule 144A will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. See "*Terms and Conditions of the Notes - Form, Denomination and Title*". Interests in the Restricted Global Certificates will be subject to certain restrictions on transfer. See "*Form of the Notes and Transfer Restrictions*". Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, definitive certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificates.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR ANY STATE SECURITIES LAW, AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. SEE "FORM OF THE NOTES AND TRANSFER RESTRICTIONS".

It is expected that the Notes will be rated BBB- by S&P Global Ratings Europe Limited ("**S&P**") and BBB by Fitch Ratings CIS Limited ("**Fitch**"). The Issuer's current long-term rating by S&P is BBB- (outlook stable) and Fitch is BBB (outlook stable).

S&P is established in the European Economic Area and is registered under Regulation (EC) No. 1060/2009 (as amended, the "**EU CRA Regulation**"). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the EU CRA Regulation. S&P is not established in the United Kingdom (the "**UK**") and has not applied for registration in accordance with the Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the EUWA (as amended, the "**UK CRA Regulation**"). Ratings issued by S&P have been endorsed by S&P Global Ratings UK Limited, which is established in the UK and included in the list of registered credit rating agencies published by the FCA on its website (https://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras) in accordance with the UK CRA Regulation. As such, the credit ratings issued by S&P may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation.

Fitch is established in the UK and is registered under the UK CRA Regulation. Fitch is not established in the European Economic Area and has not applied for registration under the EU CRA Regulation. The credit ratings issued by Fitch have been endorsed by Fitch Ratings Ireland Limited in accordance with the EU CRA Regulation and have not been withdrawn. Fitch Ratings Ireland Limited is an entity established in the European Economic Area and registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by ESMA on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the EU CRA Regulation. Therefore, the credit ratings issued by Fitch may be used for regulatory purposes in the European Economic Area in accordance with the EU CRA Regulation. Any change in the rating of the Note may adversely affect the price that a purchaser may be willing to pay for the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. There is no guarantee that any rating of the Issuer and/or the Notes assigned by any such credit rating agency will be maintained by the Issuer following the date of this Prospectus.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 5.

Joint Lead Managers				*Kazakhstan Lead Managers*	
Citigroup	**MUFG**	**UBS Investment Bank**	**VTB Capital**	**"First Heartland Securities" JSC**	**"Freedom Finance" JSC**

This Prospectus is dated 26 October 2021

This Prospectus constitutes a prospectus for the purpose of Article 6 of the UK Prospectus Regulation and for the purpose of giving information with regard to the Issuer and its subsidiaries and affiliates (together, the "**Group**") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Group and of the rights attaching to the Notes. The Issuer accept(s) responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer the information contained in this Prospectus is in accordance with the facts and this Prospectus does not omit anything likely to affect the import of such information.

Neither the Managers nor any of their directors, affiliates, advisers or agents has made an independent verification of all of the information contained in this Prospectus in connection with the issue or offering of the Notes and no representation or warranty, express or implied, is made by the Managers or any of their directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. To the fullest extent permitted by law, no responsibility is accepted by the Managers or any of their directors, affiliates, advisers or agents for any act or omission of the Issuer or any other person (other than the relevant Manager) in connection with the issue and offering of the Notes. Nothing contained in this Prospectus is, is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Managers or any of their respective directors, affiliates, advisers or agents in any respect. The contents of this Prospectus are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

No person is authorised to give any information or make any representation not contained in this Prospectus in connection with the issue and offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer, or the Managers or any of their directors, affiliates, advisers or agents. The delivery of this Prospectus does not imply that there has been no change in the business and affairs of the Issuer or the Group since the date hereof or that the information herein is correct as of any time subsequent to its date.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. In particular, this Prospectus does not constitute an offer of securities to the public in the UK. Consequently this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Prospectus may come are required by the Issuer and the Managers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Prospectus and other offering material relating to the Notes is set out under "*Subscription and Sale*" and "*Form of the Notes and Transfer Restrictions*".

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. In connection with the listing of the Notes on the KASE, the Issuer will furnish the KASE with a Russian translation of this Prospectus (the "**Translation**"). The Translation has been prepared by the Issuer solely for the purpose of listing the Notes described in this Prospectus on the KASE and obtaining the relevant consents and permissions of the KASE and the ARDFM. None of the Managers nor any of their affiliates has verified, makes any representation or warranty, or takes any responsibility for the accuracy or completeness of the Translation. The English-language version of this Prospectus should be used in connection with any investment decision. In the event of any conflict or discrepancy between the English version of this Prospectus and the Translation, or any dispute regarding the interpretation of any statement in the English version or the Translation, the English version shall prevail. For the purpose of the listing of the Notes on the KASE and the AIX and the subsequent offer and sale of the Notes in Kazakhstan, First Heartland Securities JSC and Freedom Finance JSC will act as Kazakhstan Lead Managers, and Citigroup Global Markets Limited, MUFG Securities

EMEA plc, UBS AG London Branch and VTB Capital plc (the "**Joint Lead Managers**" and, together with the Kazakhstan Lead Managers, the "**Managers**") will not be involved in such process.

STABILISATION

In connection with the issue of the Notes, UBS AG London Branch (the "**Stabilising Manager**") (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

THE NOTES HAVE NOT BEEN REGISTERED WITH, RECOMMENDED BY OR APPROVED OR DISAPPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION IN THE UNITED STATES, NOR HAS THE SEC OR ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY REVIEWED OR PASSED UPON OR ENDORSED THE MERITS OF THIS PROSPECTUS OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Prospectus is being furnished only to a limited number of investors in the United States who are persons reasonably believed to be qualified institutional buyers (each, a "**QIB**"), as defined in Rule 144A and are also qualified purchases (each, a "**QP**"), as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**") and to investors outside the United States who are non-U.S. persons (as defined in Regulation S under the Securities Act). Any reproduction or distribution of this Prospectus, in whole or in part, in the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than in considering an investment by the recipient in the Notes, is prohibited. Each potential investor in the Notes, by accepting delivery of this Prospectus agrees to the foregoing and each purchaser or holder of interests in Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain acknowledgements, representations and agreements as set out in "*Subscription and Sale*".

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more of): (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or

regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investors in the UK may be unlawful under the UK PRIIPs Regulation.

UK MIFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

SINGAPORE SFA PRODUCT CLASSIFICATION

Solely for the purposes of its obligations pursuant to Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in Singapore Monetary Authority (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"); however, this Prospectus is not entitled to the benefit of the safe harbour created thereby. Such statements, certain of which can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "could", "would be", "seeks", "approximately", "estimates", "predicts", "projects", "aims" or "anticipates", or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions, involve a number of risks and uncertainties. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised. Such forward-looking statements include statements regarding the Issuer's intentions, beliefs or current expectations concerning, amongst other things, the Issuer's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Group operates. Factors that might affect such forward-looking statements include, among other things, overall business and government regulatory conditions; changes in tariff and tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); interest rate fluctuations and other capital market conditions, including foreign currency exchange rate fluctuations; economic and political conditions in Kazakhstan and other emerging markets; and the timing, impact and other uncertainties of future actions. See "*Risk Factors*".

The Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

AVAILABLE INFORMATION

The Issuer is not currently required to file periodic reports under Sections 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") with the SEC. To permit compliance with Rule 144A in connection with resales and transfers of Notes, the Issuer has agreed that, for so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will provide to any holder or beneficial owner of such restricted securities, or to any prospective purchaser of such restricted securities designated by a holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act, if at the time of such request the Issuer is not a reporting company under Section 13 or Section 15(d) of the Exchange Act or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. See "*Terms and Conditions of the Notes – Provision of Information*".

ENFORCEMENT OF AWARDS

The Issuer is a joint stock company organised under the laws of Kazakhstan and certain of its directors and all of its officers and other persons referred to in this Prospectus are residents of Kazakhstan. A substantial portion of the assets of the Issuer and of each of such persons are located in Kazakhstan. As a result, it may not be possible (a) to effect service of process upon the Issuer or any such person outside Kazakhstan, (b) to enforce against any of them, in courts of jurisdictions other than Kazakhstan, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (c) to enforce against any of them, in Kazakhstan's courts, judgments obtained in jurisdictions other than Kazakhstan, including judgments obtained in respect of the Notes or the Deed of Covenant in the courts of England and judgments obtained in the United States predicated upon the civil liability provisions of the federal securities laws of the United States.

The Notes, the Fiscal Agency Agreement and the Deed of Covenant are governed by English law and the Issuer has agreed in the Notes, the Fiscal Agency Agreement and the Deed of Covenant that disputes (save for any dispute solely between the Issuer and any Noteholder(s) resident in Kazakhstan, which shall be resolved by the courts of the Republic of Kazakhstan) arising thereunder are subject to arbitration in London, England. See "*Terms and Conditions of the Notes - Governing Law and Arbitration*".

The Civil Procedure Code of Kazakhstan, which became effective on 1 January 2016, provides that Kazakhstan courts should recognise and enforce foreign court judgments only if provided for by Kazakhstan law or an international treaty to which Kazakhstan is a party (based on reciprocity). Kazakhstan is not a party to any multilateral or bilateral treaties with the UK (or most western jurisdictions) for the mutual enforcement of court judgments, and, accordingly, there is a risk that a judgment obtained from a court in England would not be enforceable in Kazakhstan courts. Each of Kazakhstan and the UK are, however, parties to the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards (the "**Convention**"), and, accordingly, an arbitral award under the Convention should generally be recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in the Convention and applicable Kazakhstan laws are met. The Civil Procedure Code of Kazakhstan establishes the procedure for the enforcement of foreign arbitral awards.

The Law "On Arbitration" (№ 488-V, dated 8 April 2016) (the "**Arbitration Law**") was signed by the President of Kazakhstan on 8 April 2016. The introductory language to the Arbitration Law, as well as other provisions of the Arbitration Law, imply that the Arbitration Law should apply only where the matter involves dispute resolution in Kazakhstan (i.e., in respect of arbitration bodies with a seat in Kazakhstan). In particular, the preamble to the Arbitration Law states that: "*This [l]aw regulates social relations arisen in the process of arbitration activity on the territory of the Republic of Kazakhstan as well as the procedure and terms of recognition and enforcement of arbitral awards in Kazakhstan*…" There are, however, certain provisions in the Arbitration Law, which may have implications (as described below) in respect of the arbitration provisions contained in the Notes, the Fiscal Agency Agreement and the Deed of Covenant. In particular, the provisions of the Arbitration Law do not clearly differentiate between domestic and foreign arbitration. In particular:

- Article 8.8 of the Arbitration Law restricts the trying of disputes involving quasi-sovereign companies by arbitration. The Issuer falls under the definition of a quasi-sovereign company. More specifically, Article 8.8 provides that a dispute between quasi-sovereign companies cannot be resolved by arbitration. While there is no established practice in relation to Article 8.8 of the Arbitration Law, the Issuer's management (the "**Management**") believes that this requirement only applies when two or

more quasi-sovereign companies are involved in a dispute as adverse parties. Accordingly, Article 8.8 should not apply if two or more quasi-sovereign companies are not adverse parties to the dispute, which would be the case in respect of the Notes, the Fiscal Agency Agreement and the Deed of Covenant.

- Article 8.10 of the Arbitration Law requires state-controlled companies to obtain consent from the competent authority of a relevant industry in order to enter into an arbitration agreement with Kazakhstan legal entities or individuals. The Issuer falls under the definition of a state-controlled company. Although, there is no established practice in relation to Article 8.10 of the Arbitration Law, the Management believes that the Arbitration Law does not govern conduct of arbitration proceedings outside of Kazakhstan and that, accordingly, no consent of the competent authority is required for the Issuer to enter into arbitration agreements under the Notes, the Fiscal Agency Agreement and the Deed of Covenant.

Given that the Arbitration Law has not been tested in practice, there can be no assurance that Kazakhstan courts would support the above interpretation of the Arbitration Law and that an award against the Issuer in arbitral proceedings in London under English law would be enforced in Kazakhstan. See "*Risk Factors— It may be difficult to effect service of legal process and enforce judgments obtained outside of Kazakhstan against the Issuer and its management*."

In February 2010, the Parliament of Kazakhstan (the "**Parliament**") passed legislation amending Kazakhstan law to provide for certain immunities to government entities in the context of arbitration and foreign court judgments. While companies, such as the Issuer, are not considered to be government entities and, thus, do not have such immunity, arbitral awards and foreign court decisions in respect of the Issuer, including in relation to the issuance of the Notes, may not be recognised and enforced on the grounds that they affect the interests of the State. Notwithstanding these concerns, although no assurance can be given that a Kazakhstan court would give effect to such provisions, under the Fiscal Agency Agreement, the Issuer has, to the full extent permitted by applicable laws, waived any immunity that may be attributed to it in respect of the Notes.

In addition, certain of the assets owned by the Issuer or its subsidiaries, as well as certain of the shares in the Issuer's subsidiaries, are considered to be strategic assets of Kazakhstan. Kazakhstan law provides that the State shall have a priority right to purchase the strategic assets of Kazakhstan in the event of their disposition (whether through sale, bankruptcy or receivership).

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Statements

In this Prospectus, the Issuer presents the historical consolidated financial information for the Group as of and for the years ended December 31, 2020, 2019 and 2018, which are derived from the Group's audited consolidated financial statements as at and for the year ended December 31, 2020 (the "**2020 Financial Statements**"), the Group's audited consolidated financial statements as at and for the year ended 31 December 2019 (the "**2019 Financial Statements**", and the Group's audited consolidated financial statements as at and for the year ended 31 December 2018 (the "**2018 Financial Statements**" and, together with the 2020 and 2019 Financial Statements, the "**Consolidated Annual Financial Statements**"). The Consolidated Annual Financial Statements included in this Prospectus have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standard Board and have been audited by Ernst & Young LLP ("**EY**"), independent auditors, in accordance with International Standards on Auditing.

The Group's unaudited interim condensed consolidated financial statements as of and for the three months and six months ended 30 June 2021 (the "**Interim Consolidated Financial Statements**") included in this Prospectus have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and have been reviewed by EY, independent auditors, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

EY's independent auditor's report in respect of the 2020 Financial Statements appears on page F-58 of this Prospectus, EY's independent auditor's report in respect of the 2019 Financial Statements appears on page F-179 of this Prospectus, EY's independent auditor's report in respect of the 2018 Financial Statements appears on page F-288 of this Prospectus and EY's report on review of interim financial information in respect of the Interim Consolidated Financial Statements appears on pages F-4 of this Prospectus. Unless otherwise indicated, the financial information presented herein is extracted without material adjustment from the Consolidated Annual Financial Statements and the Interim Consolidated Financial Statements and the notes thereto contained in this Prospectus beginning on page F-1 (collectively, the "**Consolidated Financial Statements**"), except that all financial information as of and for the year ended December 31, 2019 in this Prospectus is derived from the restated comparative column in the 2020 Financial Statements, and all financial information as of and for the year ended December 31, 2018 in this Prospectus is derived from the restated comparative column in the 2019 Financial Statements.

The financial information included in this Prospectus is not intended to comply with the applicable accounting requirements of the Securities Act and the related rules and regulations which would apply if the Notes were being registered with the SEC.

Restatements and Reclassifications

The Group changed the presentation of its consolidated statement of cash flows for the six months ended 30 June 2020 included in the Interim Consolidated Financial Statements in accordance with the presentation adopted in the 2020 Financial Statements. The Group believes this re-presentation had no effect on the Group's net profit or comprehensive income for the six months ended 30 June 2020 or equity as at 30 June 2020.

Comparative amounts for 2019 and as at 31 December 2019 have been restated in the 2020 Financial Statements to account for the following changes. As a result, financial information as at and for the year end 31 December 2019 included in this Prospectus has been taken from the 2020 Financial Statements.

- As at 31 December 2020, an independent professional appraiser finalised fair value assessment of acquired assets and liabilities in connection with two entities that the Group obtained control during 2019.

- In 2020, a subsidiary of the Group revised the calculation of income tax recognised in its consolidated financial statements for the years 2015-2018 and identified certain adjustments in the calculation of income tax related to the periods 2015-2018.

- Certain amounts in the consolidated statements of financial position as at 31 December 2019 and 1 January 2019, consolidated financial statements of comprehensive income for the year ended 31 December 2019 and consolidated statements of cash flows for the year ended 31 December 2019 were restated to reflect the effect of changes in the accounting policy as a result of adoption of the IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements.

- Certain amounts in the consolidated statement of financial position as of 31 December 2019 were reclassified from other assets to other financial assets in accordance with the presentation adopted in the 2020 Financial Statements. The Group changed the presentation of its consolidated financial statements as the new presentation provides information that is more relevant to users of the consolidated financial statements.

- Certain amounts in the consolidated statement of cash flows for 2019 have been presented in separate lines in accordance with the presentation adopted in the 2020 Financial Statements. The Group changed the presentation of its consolidated financial statements as the new presentation provides information that is more relevant to users of the consolidated financial statements.

In addition, as at 31 December 2019, an independent professional appraiser finalised fair value assessment of acquired assets and liabilities in connection with two entities that the Group obtained control during 2018. In 2019, the Group reclassified investments in a subsidiary from assets classified as held for sale to the investments in associates, and also reclassified the assets and liabilities of another subsidiary as a result of application of IFRS 5 requirements for the assets ceased to be classified as held for sale. Accordingly, comparative amounts for 2018 and as at 31 December 2018 have been restated in the 2019 Financial Statements.

See Note 2 to the Interim Consolidated Financial Statements, the 2020 Financial Statements and the 2019 Financial Statements for further details of these changes and restatements, including the effect on the Group's consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows.

Third Party Information

Statistical data and other information appearing in this Prospectus have, unless otherwise stated, been extracted from documents and other publications released by the Ministry of National Economy of Kazakhstan, Statistics Committee of Kazakhstan, the Ministry of Finance of Kazakhstan, the National Bank of Kazakhstan and other public sources in Kazakhstan, including the World Bank and the International Monetary Fund, as well as from Kazakhstan press reports and publications, edicts and resolutions of the Government and estimates of the Issuer (based on its management's knowledge and experience of the markets in which the Group operates). In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Any discussion of matters relating to Kazakhstan in this Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information. See "*Risk Factors—The Issuer cannot ensure the accuracy of official statistics and other data in this Prospectus published by Government authorities*".

The Issuer confirms that, where information included in this Prospectus has been sourced from a third party, the source is identified, that information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Presentation of Alternative Performance Measures

In this Prospectus, the Group uses the following metrics in the analysis of its business and financial position, which the Group considers to constitute Alternative Performance Measures ("**APMs**"), as defined in the

European Securities and Market Authority Guidelines on Alternative Performance Measures dated 5 October 2015 (the "**ESMA Guidelines**").

Set out below is a summary of the APM metrics used, the definition, methods of calculation and reconciliation of such metrics and the rationale for the inclusion of such metrics.

Metric	Definition, method of calculation and reconciliation to financial statement line item	Rationale
EBITDA	Calculated as revenue plus Government grants, minus cost of sales, minus general and administrative expenses, minus transportation and selling expenses, plus share in profit of joint ventures and associates and plus depreciation, depletion and amortisation.	Performance measure
Interim LTM EBITDA	Interim LTM EBITDA for the 12 months ended 30 June 2021 is calculated by adding the EBITDA for the six months ended 30 June 2021 to the EBITDA for the year ended 31 December 2020 and subtracting the EBITDA for the six months ended 30 June 2020.	Performance measure
Debt	Calculated as the sum of borrowings, loans from the Government, lease liabilities, derivative instruments and guaranteed principal amount of liabilities of entities outside the Group.	Liquidity measure
Net debt	Calculated as Debt *minus* cash and cash equivalents.	Liquidity measure
Debt / EBITDA	Calculated as the ratio of Debt divided by EBITDA.	Performance measure
Debt / Equity	Calculated as the ratio of Debt divided by total equity.	Liquidity measure
Net debt / EBITDA	Calculated as the ratio of Net debt divided by EBITDA.	Performance measure
Net debt / Interim LTM EBITDA	Calculated as the ratio of Net debt divided by Interim LTM EBITDA.	Performance measure
Current liquidity	Calculated as the sum of cash and cash equivalents, amounts due from credit institutions (current portion) and other current financial assets.	Liquidity measure
EBITDA / Interest cost	Calculated as the ratio of EBITDA divided by interest expense from loans.	Liquidity measure
Capital expenditure	Defined as capital additions over the relevant reporting period.	Liquidity measure

The above APMs have been included in this Prospectus to facilitate a better understanding of the Group's historic trends of operation and financial condition. The Group uses APMs as supplementary information to its IFRS operating results or financial position. The APMs are not defined by, or presented in accordance with, IFRS. The APMs are not measurements of the Group's operating performance and/or liquidity under IFRS and should not be used instead of, or considered as alternatives to, any measures of performance and/or liquidity under IFRS. The APMs relate to the reporting periods described in this Prospectus and are not intended to be predictive of future results. In addition, other companies, including those in the Group's industry, may calculate similarly titled APMs differently from the Group. Because companies do not calculate these APMs in the same manner, the Group's presentation of such APMs may not be comparable to other similarly titled APMs used by other companies.

For a reconciliation of the APMs used in this Prospectus to the most directly comparable IFRS measures, see "*Selected Consolidated Financial Information—Alternative Performance Measures*".

Certain Definitions

In this Prospectus, the "**Issuer**" refers to "Sovereign Wealth Fund "Samruk-Kazyna" JSC, and the "**Group**" refers to the Issuer together with its subsidiaries.

In addition, "**KMG**" refers to Joint Stock Company "National Company "KazMunayGas"; "**Kashagan**" refers to KMG Kashagan B.V.; "**KTG**" refers to Joint Stock Company "KazTransGas"; "**Kaztomprom**" refers to Joint Stock Company National Atomic Company "Kazatomprom"; "**Tau-Ken Samruk**" refers to National Mining Company "Tau-Ken Samruk" Joint Stock Company; "**KTZ**" refers to Joint Stock Company "National Company "Kazakhstan Temir Zholy"; "**Air Astana**" refers to Joint Stock Company Air Astana; "**Qazaq Air**" refers to Qazaq Air JSC; "**Kazakhtelecom**" refers to Kazakhtelecom JSC; "**Kazpost**" refers to Kazpost JSC; "**Samruk-Energy**" refers to Samruk-Energy JSC; "**KEGOC**" refers to Kazakhstan Electricity Grid Operating Company Joint Stock Company; "**EGRES-2**" refers to Stantsiya Ekibastuzskaya GRES-2 Joint Stock Company; "**United Chemical**" refers to United Chemical Company LLP.

Currency Information

Unless otherwise specified or the context so requires, references to "**U.S. Dollars**" and "**U.S.$**" are to United States dollars, references to "**euro**", "**EUR**" and "**€**" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, references to "**RUB**" are to Russian Roubles, references to "**CHF**" are to Swiss Francs and references to "**Tenge**" and "**KZT**" are to the Kazakhstan tenge, the official currency of Kazakhstan.

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OVERVIEW OF THE ISSUER AND THE GROUP

The following is an overview of certain information contained elsewhere in this Prospectus. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Prospective investors should also carefully consider the information set forth in "Risk Factors" below prior to making an investment decision. Capitalised terms not otherwise defined in this overview have the same meaning as elsewhere in this Prospectus.

"Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "**Issuer**", and together with its subsidiaries, the "**Group**") is a joint stock company established in November 2008. The Government (the "**Government**") of Kazakhstan is the sole shareholder of the Issuer. The Government's overall objective in establishing the Issuer was to increase management efficiency and to optimise organisational structures for them to successfully achieve their strategic objectives as set in the respective Government programmes. The Group's mission is to improve the national welfare of Kazakhstan and to ensure long-term sustainability for future generations.

The Group's portfolio companies represents a cross-section of Kazakhstan's most recognised and significant companies in sectors which the Government has deemed to be strategic for the continued development and growth of Kazakhstan, including oil and gas, mining, transportation, communication, energy and industrial.

As at 30 June 2021 and 31 December 2020, the Group had total assets of KZT 28,719.4 billion and KZT 27,482.8 billion, respectively, with a total equity value of KZT 16,066.8 billion and KZT 15,151.6 billion, respectively. The Group generated KZT 5,334.7 billion and KZT 928.2 billion of revenue and net income, respectively, for the six months ended 30 June 2021, and KZT 8,556.0 billion and KZT 582.5 billion of revenue and net income, respectively, for the year ended 31 December 2020.

The Issuer's registered office is 17/10 Syganak str., Nur-Sultan, Kazakhstan.

OVERVIEW OF THE OFFERING

This overview does not purport to be complete and must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole. Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this overview. See "Terms and Conditions of the Notes" for a more detailed description of the Notes.

Issuer:	"Sovereign Wealth Fund "Samruk-Kazyna" JSC
Legal Entity Identifier ("LEI") of the Issuer:	213800N83GBAZJ4ER974
Fiscal Agent, Paying Agent and Transfer Agent:	Citibank, N.A., London Branch
Registrar:.....	Citibank Europe Plc
The Issue:	U.S.$500,000,000 2.00 per cent. Notes due 2026
Joint Lead Managers.....	Citigroup Global Markets Limited, MUFG Securities EMEA plc, UBS AG London Branch and VTB Capital plc
Kazakhstan Lead Managers	First Heartland Securities JSC and Freedom Finance JSC
Issue Price:	98.824 per cent. of the principal amount of the Notes.
Issue Date:	28 October 2021
Maturity Date:	28 October 2026
Interest Rate:	The Notes will bear interest at the rate of 2.00 per cent. per annum from (and including) 28 October 2021 to (but excluding) the Maturity Date.
Yield:.....	2.25 per cent. per annum
Interest Payment Dates:.....	Interest will be payable semi-annually in arrear on 28 April and 28 October in each year, commencing on 28 April 2022.
Ranking:.....	The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5(a) (*Negative Pledge*)) unsecured obligations of the Issuer. The Notes will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Cross-acceleration:.....	The Notes will have the benefit of a cross-acceleration provision, as further described in Condition 12 (*Events of Default*).
Negative Pledge:.....	The Notes will have the benefit of a negative pledge provision, as further described in Condition 5(a) (*Negative Pledge*).
Certain Other Covenants: ...	The Notes will contain covenants relating to limitations on disposal of Core Assets (as defined in "*Terms and Conditions of the Notes*") and limitation on Reorganisations (as defined in "*Terms and Conditions of the Notes*"). See Condition 5(b) (*Limitation on Disposal of Core Assets*) and Condition 5(d) (*Limitation on Reorganisations*).
Redemption for Taxation Reasons:.....	The Issuer may at its option redeem the Notes, in whole but not in part, at their principal amount, plus accrued interest, in the event of certain changes affecting taxation in Kazakhstan, as further specified in Condition 9(b) (*Redemption for Tax Reasons*).

Redemption at the Option of Noteholders:	Noteholders shall have the option, in the event of a Change of Control/Status Event (as defined in "*Terms and Conditions of the Notes*"), to require the Issuer to redeem or purchase the relevant Notes at 100 per cent. of their principal amount, plus accrued interest, as further specified in Condition 9(c) (*Redemption at the option of Noteholders (Put Option)*).
Other Redemptions:	The Issuer may at its option redeem the Notes at any time in whole but not in part in accordance with Condition 9(d) (*Make Whole Redemption at the Option of the Issuer*) and in whole or in part in accordance with Condition 9(e) (*Optional Redemption at Par*)**.**
Taxation:	All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Republic of Kazakhstan to the extent provided in Condition 10 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 10 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
Use of Proceeds:.....	The net proceeds of the issue of the Notes, amounting to approximately U.S.$492,000,000 after the deduction of expenses in connection with the issuance of the Notes, will be used by the Issuer for refinancing of existing indebtedness under syndicated and bank loans and for general corporate purposes, which may include funding its portfolio companies' ordinary course of business.
Form of the Notes	Notes which are offered and sold in reliance on Regulation S will be represented by beneficial interests in the Unrestricted Global Certificate in registered form, without interest coupons attached, which will be registered in the name of a nominee for, and shall be deposited on or about the Closing Date with a common depositary for and in respect of interests held through Euroclear and Clearstream, Luxembourg. Notes which are offered and sold in reliance on Rule 144A will be represented by beneficial interests in the Restricted Global Certificates in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with Citibank, N.A., London Branch, as custodian for, and registered in the name of Cede & Co. as nominee for DTC. Notes sold (i) to non-U.S. persons (as defined in Regulation S) located outside the United States in offshore transactions in reliance on Regulation S under the Securities Act will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof and (ii) to qualified institutional buyers within the meaning of Rule 144A under the Securities Act who are also qualified purchasers as defined in Section 2(a)(51) of the Investment Company Act in reliance on Rule 144A will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. See Condition 1 (*Form, Denomination and Title*). Interests in the Restricted Global Certificates will be subject to certain restrictions on transfer. See "*Form of the Notes and Transfer Restrictions*". Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, definitive certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificates.

Listing and Clearing: ..... Application has been made for the Notes to be admitted to the Official List and to be admitted to trading on the Market. In addition, applications have been made to list the Notes on the KASE and the AIX. On 13 October 2021, the KASE granted its consent to list and admit the Notes to the "bonds" category of the "debt securities" sector of the "main" platform of the official list of the KASE.

The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg with the following ISIN, Common Code and CUSIP:

Regulation S Notes:

ISIN: XS2399149694

Common Code: 239914969

CUSIP: Y9000C AA5

Rule 144A Notes:

ISIN: US84612WAA18

Common Code: 240186535

CUSIP: 84612W AA1

Governing Law: ..... The Notes and any non-contractual obligations arising out of or in connection with them, will be governed by, and shall be construed in accordance with, English law.

Selling Restrictions: ..... The offering and sale of Notes is subject to applicable laws and regulations including, without limitation, those of the United States, the UK and Kazakhstan. See "*Subscription and Sale*".

Ratings: ..... The Notes are expected to be rated BBB- by S&P and BBB by Fitch. The Issuer's current long-term rating by S&P is BBB- (outlook stable) and Fitch is BBB (outlook stable).

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Risk Factors: ..... Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 5.

RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Prospectus prior to making any investment decision with respect to the Notes. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Group, which, in turn, could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Notes. In addition, each of the risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

The risks described herein represent those risks which are considered to be material to the Notes and which may affect the Issuer's ability to fulfil its obligations under the Notes. Prospective investors should note that the risks described below are not the only risks the Group faces. There may be additional risks that the Group currently considers not to be material or of which the Group is not currently aware, and any of these risks could have the effects set forth above.

Prospective investors should read the entire Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.

Investing in the Notes involves certain risks. An investment in the Notes is suitable only for sophisticated investors who have sufficient financial resources to sustain any losses from such investment and who are in a position to commit funds for a considerable period of time. Prospective investors should consider, among other things, the following:

Risk Factors Relating to the Group

A. Operational Risks

Impact of the Covid-19 pandemic

A novel strain of the coronavirus, Covid-19, was discovered in Wuhan, China in December 2019 and on 11 March 2020 was declared by the World Health Organisation to be a global pandemic. The pandemic has adversely affected and continues to affect the economies and financial markets of many countries, including Kazakhstan. Covid-19 has spread rapidly, infecting people around the world and causing a substantial number of deaths. Almost all countries that were significantly affected introduced measures to try to contain the spread of the virus, including border closures and restricting the movement of their citizens. These measures resulted in the closure of numerous businesses in those countries (particularly those related to the travel and hospitality industries) and widespread job losses. To address these factors many governments introduced significant support programmes for qualifying citizens and businesses.

The Government has implemented measures, including periods of lockdown and quarantines in an effort to combat the spread of the virus in Kazakhstan and alleviate the negative effects of the pandemic. A state of emergency was declared in Kazakhstan between 16 March 2020 and 12 May 2020. During this period, regional authorities gradually introduced additional measures to enhance social distancing, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities.

Starting from the fourth quarter of 2020, Kazakhstan and many other countries across the world have been facing a new wave of the Covid-19 pandemic, as evidenced by a significant rise in the number of Covid-19 cases and deaths. Although the infection rates have been relatively stable during the first quarter of 2021, the second quarter of 2021 saw a considerable increase in infection rates across the country. Since June 2021, Kazakhstan has experienced a further wave of the Covid-19 pandemic that was largely associated with the more virulent "Delta variant" first identified in India, evidenced by a drastic increase in the number of Covid-19 cases and deaths. In Kazakhstan, infection rates continued to accelerate significantly into summer 2021, peaking in mid-July and beginning of August 2021. During this latest resurgence of the virus, most of the regions in Kazakhstan have been designated as "red zones" although the number of such zones has been falling. The epidemiological situation has been stabilizing during August and September 2021 and most of the restrictions mentioned above have been removed. In addition, in February 2021, the Government launched a large-scale Covid-19 vaccination for high-risk groups of people (such as medical workers and teachers), subsequently expanding this programme by offering free vaccination to the whole population as part of the guaranteed free medical care.

The ongoing Covid-19 pandemic is having an adverse impact on the world economy, including the Kazakhstan economy, as well as on the customers of the Issuer's portfolio companies and, in turn, the Group's business and financial results. The pandemic has affected investment sentiment and resulted in sporadic volatility in the global capital and financial markets. In 2020, real GDP in Kazakhstan contracted by 2.5 per cent. (as compared to growth of 4.5 per cent. in 2019), as a result of the impact of the Covid-19 pandemic. In particular, the Kazakhstan economy was significantly impacted by the sharp decrease in oil prices following the outbreak of the Covid-19 pandemic. The occurrence and future spread of the pandemic, as well as the response of the Government, is beyond the Group's control and the impact of the Covid-19 pandemic on the Kazakhstan economy, or the resulting impact on the Group's business, financial condition or results of operations cannot yet be fully assessed.

The Group's portfolio companies have been affected by the Covid-19 pandemic in a number of ways, primarily due to the general weakening of economic conditions, volatility on the financial and currency markets and operational instability in Kazakhstan and globally. In particular, some of the Group's largest portfolio companies were particularly affected by the lower demand for commodities and resulting slump in commodities prices, primarily oil and gas. See "*Operating and Financial Review—Key Factors Affecting Results of Operations—Commodities Prices*" for further details. Some of the portfolio companies that are less exposed to commodities prices were nevertheless impacted by the downturn or disruptions caused by Covid-19 in their respective economic sectors, such as transportation (including airline), industrial, and construction sectors. Furthermore, a number of portfolio companies experienced production suspensions, some companies implemented temporary working from home regimes, reduced staff attendance due to social distancing and quarantine regimes and/or experienced shutdowns either voluntary or imposed by the relevant local authorities. In addition, there were instances of localised outbreaks of the virus at certain production sites resulting in full or partial suspension of construction work and operations for limited periods of time. Any further or worsening outbreaks may result further suspensions and project schedule overruns.

There remains significant uncertainty regarding the impact and duration of the Covid-19 pandemic in Kazakhstan and globally, which could be exacerbated by disruptions or delays in the rollout of Covid-19 vaccines and by vaccine-resistant or more virulent mutations of Covid-19. If the spread of Covid-19 persists for a significant period of time or the infection rates stagnate or further increase, this could lead to renewed nationwide lockdowns and other restrictions, which could have a material negative impact on the Kazakhstan economy and other economies worldwide. Should the Covid-19 pandemic continue to adversely affect the global or Kazakhstan economies, lead to further deterioration of macroeconomic indicators or instability in the sectors of the economy to which the Group is exposed, it may also have the effect of heightening or aggravating many of the other risks described in this "Risk Factors" section.

The Issuer is wholly-owned by the Government of Kazakhstan, which may exercise significant influence over its operations

The Issuer is wholly-owned by the Government. As the sole shareholder of the Issuer, the Government is in a position to influence the Issuer's activities and exercise control over all matters requiring shareholder approval, including the ability to appoint and remove the members of the Boards of Directors and Chairman of the Management Board of the Issuer and approval of significant corporate transactions and related party transactions. Moreover, through the Issuer the Government may influence the activities of the Issuer's portfolio companies. The Issuer may be asked by the Government to work on important strategic projects for Kazakhstan, which are expected to contribute to the overall economy of Kazakhstan, but which may not be expected to deliver suitable investment returns for the Issuer or the relevant portfolio company. The Issuer's subsidiaries may also be required to finance various social projects, including the construction of social facilities, or the Government may determine that an asset in the Issuer's portfolio needs to be placed under control of another state or municipal authority, including on non-market terms. For example, on 14 April 2021, in accordance with the resolution of the Government dated 17 March 2021, the Issuer transferred shares of KOREM JSC free of charge to the State property and privatisation committee of the Ministry of Finance of Kazakhstan with net assets of KZT 312 million. In addition, involvement in such projects could divert the Issuer's management attention and resources.

There can be no assurance that the Government will not exercise significant influence over the commercial affairs of the Issuer. The Government's interests may also conflict with those of the Issuer or the Noteholders. As most of the Issuer's current portfolio consists of quasi-sovereign enterprises of strategic and national

importance, key decisions with respect to these assets may be political in nature. Thus, the outcome from any such decision making processes may not always be strictly commercial or transparent or made on a timely basis which in turn may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Government may alter its economic development strategy or its relationship with the Issuer

In December 2012, President Nazarbayev presented a strategy for the development of Kazakhstan through to 2050 (the "**Kazakhstan-2050 Strategy**"), which is a long-term development strategy with seven main focus areas that aims for Kazakhstan to become one of the 30 most developed countries in the world by 2050. The implementation of the Kazakhstan-2050 Strategy is being carried out through a series of 10-year plans developed by the Government. By his decree dated 15 February 2018, the President approved the Strategic Development Plan through 2025 (the "**Strategic Plan 2025**") (which constitutes part of the Kazakhstan-2050 Strategy). Among other things, the Strategic Plan 2025 envisages achieving a qualitative and sustainable recovery of the economy, leading to an increase in the living standards to the level of the OECD countries. The Strategic Plan 2025 is based on seven major systemic reforms that include development of human capital, technology and business, the rule of law, development of regions, the society and the public sector. The Kazakhstan-2050 Strategy is the most important state planning document that the Issuer considers in developing its development strategy. Following that, the Issuer's development strategy is also based on other state planning documents, which include, in the order of hierarchical important, the national priorities of Kazakhstan, the national development plan and national security strategy of Kazakhstan, territorial development plan for Kazakhstan, low-carbon development plan and national projects of Kazakhstan, as well as quasi-government sector development strategies. In the event that the Government alters its strategy in any of these state planning documents, the Issuer's development strategy will be impacted.

In addition, any action by the Government which limits the Issuer's mandate, limits the amount of financial support the Issuer receives from, or assets granted by, the Government, and/or leads the Government to reclaim assets previously granted to the Issuer without the payment of any compensation for such reclaimed assets could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

No Government / State Guarantee

The Issuer is wholly-owned by the Government. However, the Government is not obligated to provide financial support to the Issuer and the Issuer's obligations under the Notes are not guaranteed by the Government. The Government has no direct or indirect obligations to Noteholders in relation to the Notes. There can be no assurance that the Government will provide financial support to the Issuer in the event that the Issuer is unable to meet its obligations under the Notes. See further "*—The Issuer is wholly-owned by the Government of Kazakhstan, which may exercise significant influence over its operations*."

The Issuer and its portfolio companies may not be able to implement their business strategies successfully

The Issuer's strategy is described in this Prospectus in "*Business of the Group—Strategy*". The future prospects of the Issuer are dependent on its ability to implement its business strategy successfully, which is in turn dependent on a variety of factors, many of which are beyond the Issuer's control. The success of this strategy will depend on a number of factors, including the Issuer's ability to:

- Implement sustainable development initiatives;
- Carry out responsible investments; and
- Achieve efficient and active portfolio management.

In addition, there can be no assurance that even if the Issuer successfully implements its strategy, it would result in an improvement of its results of operations. Furthermore, in addition to the Issuer's strategy, its portfolio companies have their own strategies the success of which depend on numerous factors, many of which are beyond the control of the respective portfolio companies. Failure of any portfolio company to execute its strategy may lead to lower dividend flows or decrease in the value of the Issuer's investment in the respective portfolio company. The Issuer may decide to alter or discontinue aspects of its business strategy and may adopt alternative or additional strategies in response to the Group's operating environment or competitive situation or factors or events beyond the Issuer's control.

The Issuer's failure to execute its business strategy, on a timely basis or at all, as well as the failure of the portfolio companies to implement their individual strategies, could materially adversely affect the Group's business, financial condition and results of operations.

The Issuer and its portfolio companies are dependent on senior management and key personnel

While the Issuer and its portfolio companies currently have strong senior management teams, such senior management and key personnel may voluntarily terminate their employment with the Issuer or its portfolio companies or leave their positions due to reasons beyond the Issuer's or its portfolio companies' control. The Group's success depends upon its ability to identify, hire, develop, motivate and retain highly qualified senior management and key personnel for the Issuer and its portfolio companies. If the Group experiences a large number of retirements or departures of its senior management and key personnel in a relatively short period of time, attracting and retaining a sufficient number of replacement personnel may be challenging. If the Group is unable to hire and retain senior management and key personnel with requisite skills and expertise, it could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group's operations are dependent on the reliability and security of its IT systems

The industries in which most of the portfolio companies operate are subject to fast evolving risks from cyber threat actors, including criminals, terrorists, activists and insiders. The Group relies on the security of critical information and operational technology systems for, amongst other things, the exploration, development, production, storage and distribution of its portfolio company products; the processing, use and security of financial records, proprietary information, intellectual property, personal information and operating data; and communications with management, personnel and business partners. Despite precautions taken by members of the Group and their respective subsidiaries, a breach or failure of IT systems due to intentional actions such as attacks on its cyber security, power outages, disruptions or other factors, could seriously disrupt the respective member's operations and could result in the loss or misuse of data or sensitive information, injury to people, disruption to the business, harm to the environment or respective member's assets, legal or regulatory breaches and potentially legal liability. Breaches of other portfolio companies or joint ventures could also result in significant costs or reputational consequences. Any future disruptions, breaches or failures could result in significant costs or reputational consequences and could adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

Certain customers and business associates of some of the Group members are subject to U.S. and EU sanctions

The U.S. government imposes economic sanctions and trade embargoes with respect to certain countries in support of its foreign policy and national security goals. These laws and regulations are administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") and, in certain instances, by the U.S. State Department. U.S. economic sanctions impose restrictions on U.S. persons and, in certain circumstances, non-U.S. persons with respect to activities or transactions with certain countries, governments, entities or individuals that are the target of the relevant U.S. economic sanctions. Under applicable U.S. economic sanctions, U.S. persons also are prohibited from facilitating such activities or transactions, and non-U.S. persons are prohibited from causing other persons to violate applicable prohibitions. The United Kingdom, the EU and various other countries (such as Australia, Canada, Japan and Switzerland), as well as the United Nations, have also implemented measures aimed at prohibiting or restricting engagements in financial and other dealings with sanctioned countries, entities and individuals.

In 2014, the U.S. and the EU (and other nations, such as Canada, Switzerland, Australia and Japan) imposed sanctions on certain Russian persons and entities, including certain sanctions restrictions, but not a complete ban on doing business, on Gazprom (a Russian state-owned oil and gas company restricted under U.S. sanctions from transfers of products and technologies relating to certain types of oil exploration and production projects), Transneft (a Russian state-owned pipeline company restricted under U.S. and E.U. sanctions from transactions involving its new debt and/or equity) and Lukoil (a publicly-traded Russian energy company restricted under U.S. sanctions from transfers of products and technologies relating to certain types of oil exploration and production projects). The scope of these sanctions restrictions could potentially change in the future. KMG and various of its subsidiaries have business relationships with each of Transneft, Lukoil and Gazprom and, in particular, generate significant revenues from the volumes of natural gas transported by Gazprom through KMG's pipelines. In addition, KMG is party to joint venture Zhenis Operating LLP along with Lukoil and is

also party to joint venture KazRosGas with Gazprom, and these joint ventures could create sanctions risk in future. Furthermore, under Section 225 of the Countering America's Enemies Through Sanctions Act (CAATSA), certain significant investments in certain types of crude oil extraction projects (i.e. deepwater, arctic offshore, or shale deposits) in Russia can trigger sanctions even in the absence of any involvement by U.S. persons.

In addition, in 2016, Kazatomprom entered into a uranium supply contract with an Iranian counterparty (the "**Iran Agreement**") pursuant to the Iran nuclear deal prior to the United States' withdrawal from such deal. Starting from 7 August 2018, the United States began re-imposing certain nuclear-related sanctions on Iran that had previously been lifted as part of the United States' implementation of the Joint Comprehensive Plan of Action as endorsed by United Nations Security Council Resolution 2231. While the Iran Agreement has become dormant, there can be no assurance that there will be no public criticism of Kazatomprom or Kazakhstan officials by United States officials in connection with the Iran Agreement, or that there will be no economic sanctions imposed by the United States on Kazatomprom in relation to the Iran Agreement.

Whilst neither the Issuer nor any of its portfolio companies are subject to sanctions by any U.S., EU and UK authorities, there can be no assurance that the Issuer, any of its portfolio companies, their customers or business associates will not be sanctioned in the future. If the Issuer were to be sanctioned in the future, some of its investors, in the U.S., EU, UK and in other jurisdictions where sanctions similar to the U.S. economic sanctions apply, may be required (by operation of law or regulations or under internal investment policies, or both) to divest their interests in the Notes, and some potential investors may forgo the purchase of Notes. Moreover, under such circumstances, other counterparties to the Issuer, both U.S. and non-U.S. and including various sources of funding for the Issuer, may be required, or may decide for reputational reasons or otherwise, to cease their business relationships with, or divest their investments in, the Issuer. Any of these factors could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows or results of operations.

The Issuer and other members of the Group may become subject to legal proceedings which could materially and adversely affect the Group

The Group is exposed to legal disputes and litigation with competitors, operators and joint venture partners, among others. These actions may seek, among other things, compensation for alleged losses, civil penalties or injunctive or declaratory relief. In addition, the Group is subject to regulatory investigations and examinations relating to, amongst other things, administrative, environmental, labour and tax claims. These claims could involve a wide range of issues and in certain instances substantial amounts could be claimed.

In the event that any such action or proceeding is ultimately resolved unfavourably at amounts exceeding the Group's accrued liability, or at material amounts, the outcome could materially and adversely affect the Group's results of operations. The closure of any legal dispute or litigation can be time consuming and expensive which can create significant uncertainty in relation to the outcome for a sustained period of time. Further, the ability of the Group to obtain a favourable decision could be impacted by the jurisdiction as well as the domicile of its counterparty in any litigation or proceedings.

From time to time the Issuer's portfolio companies may be involved in litigation with joint venture partners which is not only likely to impact the performance of the joint venture concerned but may also mean that the Group may experience difficulty in exiting the joint venture should it wish to following closure of the dispute.

The Government and the Issuer are also subject to legal proceedings from time to time which may impact the Issuer's business and financial condition. For example, in January 2018, the Amsterdam District Court issued a judgment in which it upheld an earlier ex parte attachment granted with respect to 50 per cent. shareholding in KMG Kashagan B.V., which is owned by the Issuer and under trust management by KMG (the "**Stati Attachment**") which was imposed as part of the claim for recognition and enforcement of the arbitral award on the matter of Anatolie Stati, Gabriel Stati, Ascom Group SA and Terra Raf Trans Trading Ltd (the "**Stati Parties**") against the Republic of Kazakhstan issued in 2013 by the Arbitration Tribunal at the Arbitration Institute of the Stockholm Chamber of Commerce (the "**Stati Arbitral Award**"). Although Stati Attachment has no effect on the day to day management of the Issuer's stake in KMG Kashagan B.V., it does impose a restriction on the payment of dividends by KMG Kashagan B.V. to the Issuer.

On 7 May 2019, the Amsterdam Court of Appeal confirmed the Stati Attachment. On 14 July 2020, the Amsterdam Appeal Court issued a decision recognizing the Stati Arbitral Award on the territory of the Netherlands, though the court rejected enforcement of this award in relation to the Issuer on technical grounds. On 18 December 2020, the Supreme Court overturned the decision of the Amsterdam Court of Appeal to maintain the Stati Attachment and sent the case to the Court of Appeal in The Hague. It is currently expected that the hearing at the Court of Appeal in The Hague will take place in April 2022.

In addition, on 7 December 2017 the Stati Parties filed another claim with the District Court of Amsterdam seeking to recognise the Issuer as part of the Republic of Kazakhstan and oblige the Issuer to comply with the Stati Arbitral Award (the "**Main Stati Proceedings**"). A number of hearings were held in relation to this claim and on 28 April 2021 the District Court of Amsterdam satisfied the Issuer's motion to postpone the Main Stati Proceedings pending the decision of the Court of Appeal in The Hague regarding the Stati Attachment. Notwithstanding that the Court of Appeal in The Hague may rule in favour of the Issuer and determine that the Stati Attachment is unlawful, there is a risk that the Main Stati Proceedings would continue and the prospects of these proceedings, as well timeframe for their resolution, remain uncertain.

Although the Issuer intends to continue vigorously defend its rights and believes its case to be strong, there is a risk that the Issuer's stake in KMG Kashagan B.V. may remain under the Stati Attachment in the foreseeable future and, ultimately, may be enforced upon in satisfaction of the Stati Arbitral Award.

It is possible that the Stati Parties may also seek to assert rights over the proceeds of the Issuer's capital markets transactions, including the proceeds of the Notes, the scheduled payments under the Notes or other outstanding debt, which may affect the settlement process in relation to the issue of the Notes or have a material adverse impact on the price or trading of any issue of Notes in the secondary market. Any such action would need to be sanctioned by relevant courts or other authorities in accordance with applicable legal procedures and the Issuer will vigorously defend its rights in such circumstances.

No assurance can be given that the claimants in the current or future proceedings will not seek to attach assets owned by the Issuer or that such proceedings will not otherwise adversely affect the Issuer's business, prospects, financial condition, cash flows or results of operations.

The Issuer and other members of the Group have conducted and are considering further internal reorganisations

The Group has reorganised certain aspects of its corporate structure in order, inter alia, to improve operational efficiency and achieve cost savings. Such reorganisations have required, and may continue to require, the use of significant internal resources and attention from the Issuer's management, both of which could otherwise be deployed on other matters and projects. There can be no assurance that any future reorganisations, if implemented, will be successful at improving efficiency or achieving savings or will not face other barriers to completion that have not yet anticipated. For example, since 2020, the Government, the Issuer, KMG and KTG (a wholly owned subsidiary of KMG) have been involved in discussions to explore the possibility of transferring KTG directly under the management of the Issuer. The potential transfer is in the process of obtaining corporate and government approvals and creditor waivers and there is no guarantee that such transfer can be completed within the contemplated timeframe. In addition, the Issuer is also in the process of exploring the transfer of certain subsidiary of one portfolio company to another portfolio company. Failure to successfully implement any such reorganisations may materially adversely affect the Issuer's business, prospects, financial condition, cash flows or results of operation.

The Group could be materially adversely affected by natural disasters or interruptions in the supply of utilities in the locations in which it has material operations or in which its material customers or suppliers operate

The Group has assets in locations subject to natural disasters, such as severe weather, flooding and earthquakes as well as interruptions or shortages in the supply of utilities (such as water and electricity) that could disrupt operations. In addition, certain of the Group's material suppliers and customers also have operations in such locations. A natural disaster or interruption in the supply of utilities that results in a prolonged disruption to any of the Group's material operations, or the operations of its material customers or suppliers, could materially adversely affect the Group's business.

The Group's insurance policies may not be sufficient to cover all risks that it faces

The Group maintains a range of insurance policies, which indemnify either the relevant policyholder or third parties for loss or damage to assets and any associated liabilities. The Group believes that its many insurance programmes provide coverage in amounts and on terms that are generally consistent with relevant industry practice. There is, however, no assurance that the Group's insurance coverage will continue to be available in the market from either capacity or commercial standpoints. Further, the Group or a third party could be subject to a material loss to the extent that a claim is made against the Group which is not covered in whole or in part by insurance and for which third party indemnification is not available.

B. Portfolio and Investment Risks

Almost all of the Issuer's portfolio companies and other assets are based in Kazakhstan

As at 30 June 2021, predominantly all of the Group's aggregated assets were represented by portfolio companies domiciled in Kazakhstan. The concentration of the Issuer's assets in Kazakhstan exposes the Issuer to the prevailing economic and political conditions in Kazakhstan and Central Asia (see further "*—Risks Factors Relating to Kazakhstan*", "*Operating and Financial Review—Key Factors Affecting Results of Operations—The Current Economic Environment in Kazakhstan*"). Should economic growth or performance in Kazakhstan decline, or should Kazakhstan be affected by political or social instability in the future, or should any decline in business, industrial, manufacturing or financial activity occur, this could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to the industry and business-specific risks faced by its portfolio companies

The Issuer is a holding company and as such is dependent on the operations, revenues and cash flows generated by its portfolio companies. The Issuer's portfolio companies are involved in a diverse range of businesses and operations and are subject to differing risks and challenges, largely depending on the industries in which they operate. The Issuer is also exposed to the specific risks affecting the projects or assets of its portfolio companies. In addition, the Issuer's exposure to these industry and business-specific risks will continue if the Issuer does not develop or maintain a diversified portfolio.

Examples of the industry and business-specific risks to which the Issuer's largest, in terms of assets and revenue, portfolio companies are exposed include the following.

Oil and gas

Portfolio companies in the oil and gas segment, such as KMG and Kashagan, are primarily exposed to the following industry and business-specific risks:

- price fluctuations in crude oil, gas and refined products markets and related fluctuations in demand for such products. Historically, world crude oil and gas prices have been highly volatile and are generally characterised by significant fluctuations that are determined by the global balance of supply and demand, geopolitical and regional conditions, conflicts and many other factors. In particular, prices of crude oil and refined products have dropped significantly since the outbreak of Covid-19 pandemic (see "*Operating and Financial Review—Key Factors Affecting Results of Operations—Commodities Prices*");

- portfolio companies may require substantial ongoing capital expenditures. The oil and gas industry is capital intensive and requires capital expenditures related to maintenance, exploration and development, production, transportation, refining and trading and compliance with environmental laws and regulations;

- risks associated with project delays and operations. The oil and gas industry in general and the portfolio companies in particular may be exposed to delays and cost overruns in development projects and operations;

- risks associated with developing replacing and growing current oil and gas reserves. A number of production fields operated by the portfolio companies are mature, and portfolio companies may be

unable to successfully develop, replace and grow their current oil and gas reserves in order to maintain stable production levels;

- natural gas transportation revenue generated by the portfolio companies is heavily dependent upon the volumes of natural gas transported by Gazprom, a Russian state-owned oil and gas company, which volumes are, in turn, dependent on international demand for natural gas, natural gas prices and certain other factors;

- risks associated with incidents or conditions affecting the export of crude oil and gas. The portfolio companies rely heavily on oil and gas transportation systems to transport their products and their customers products to markets outside Kazakhstan and any disruption or unavailability of such transportation systems would adversely affect the ability to do so;

- the reported quantities or classifications of crude oil and gas reserves may be lower than estimated because of inherent uncertainties in the calculation of reserves and because of the use of Kazakhstan methodology, which methodology differs from international standards;

- Government policies and regulations on the oil and gas sector, including in respect to pricing and domestic supply requirements, may affect the business of the portfolio companies. These companies face risks associated with regulated oil and gas transportation tariffs, some of which have been and may be set by the Government at below cost. In addition, the operations of these companies and their subsidiaries, joint ventures and associates are regulated by and must be conducted in compliance with governmental regulations as well as the obligations under their respective licences, contracts and field development plans;

- risks relating to the loss, or change in, the status of national operator or national company;

- environmental risks are inherent in virtually all aspects of oil and gas business, including oil and gas exploration, production, transportation and refining. The portfolio companies are required to comply with environmental laws and regulations which may continue to develop and change. There are environmental issues with current and past sites of operations caused by the portfolio companies, joint ventures and associates and their predecessors. The primary environmental liabilities include land contamination, gas flaring, the disposal of waste water and oil spills;

- risks relating to climate change. Climate change and sustainability concerns and impacts could require the portfolio companies to incur costs or invest additional capital, could reduce global demand for oil and gas and could negatively affect the portfolio companies' ability to obtain financing;

- portfolio companies face competition from other suppliers of oil and gas. The sale of crude oil and gas internationally is very competitive. The portfolio companies' primary competitors for the sale of crude oil include international oil companies, many of which have substantial crude oil reserves and financial resources.

Mining

Portfolio companies in the mining segment, such as Kazatomprom and Tau-Ken Samruk, are primarily exposed to the following industry and business-specific risks:

- the portfolio companies engage in open-pit mining, underground mining and in-situ recovery and these activities are subject to hazards and operational risks associated with the exploration, development and production of natural resources, any of which could result in production shortfalls, accidents, disruptions or damage to persons, property or the environment. The output of the portfolio companies' mines may also be adversely affected by unforeseen geological conditions;

- risks relating to the volatility in the price of uranium, polymetallic ores and other natural resources and any prolonged reduction in market prices, including as a result of any major accidents affecting the nuclear industry, could have a material adverse effect on the relevant portfolio companies (see "*Operating and Financial Review—Key Factors Affecting Results of Operations—Commodities Prices*");

- risks relating to shifts in public opinion on nuclear energy and its safety;
- the uranium market is highly consolidated and Kazatomprom is currently dependent on a small number of customers that purchase a significant portion of its uranium, and this customer concentration may increase;
- risks relating to the inability to maintain a reserves and resource base for stable production or discovering new ore reserves;
- risks relating to the loss, or change in, the status of national operator or national company; and
- the imposition of tariffs or quotas by uranium importing countries.

Transportation

Portfolio companies in the transportation segment, such as KTZ, Air Astana and Qazaq Air, are primarily exposed to the following industry and business-specific risks:

- KTZ has historically experienced liquidity problems and relied on various forms of Government support, either directly or through the Issuer. Such support, which KTZ has historically received, and continues to rely on, may be delayed, reduced or discontinued. There can be no assurance that KTZ will continue to receive the same or a sufficient level of support from the Government or that Government support, if any, will be given in a timely fashion. Moreover, any delay in the receipt of Government support may result in an inability of KTZ to complete key capital expenditure and investment projects on time or at all;
- the results of operations and financial condition of portfolio companies operating in the transportation segment are influenced by general economic conditions in Kazakhstan, which, in turn, are influenced by global economic conditions;
- the railway and logistics infrastructure owned by the portfolio companies requires continuing funding (including the risk of insufficient supply of, or increases in the prices, of locomotives or rolling stock may limit KTZ's investment in its infrastructure);
- risks associated with the portfolio companies being monopolies, dominant entities or members of the market of public importance, which may result in adverse interference in their operations;
- the railway transportation is dependent on economic conditions in the countries bordering Kazakhstan and maintaining good relations with neighbouring countries to have open access to international commodities markets; and
- risks associated with the cyclical nature of the aviation industry and its dependence on the local and global tourism industry. Furthermore, a global economic downturn and/or regional political upheaval may also affect the aviation and tourism industries. In particular, the unprecedented disruption to air travel and related businesses caused by Covid-19 has resulted in a significant decrease in revenue and operating losses for airlines in Kazakhstan and abroad, including Air Astana and Qazaq Air. Covid-19 is also expected to have longer-term consequences on the airline and airport industry as well as travel demand. Declining demand for air travel due to the perceived risk of health impacts, the cancellation of a broad range of public events, the closure of popular tourist destinations and the increased use of videoconferencing, have resulted in a significant decline in business and leisure travel.

Energy

Portfolio companies in the energy segment, such as Samruk Energy and KEGOC, are primarily exposed to the following risks:

- demand for electricity and heat in Kazakhstan, as well as demand for electricity transmission services, depends on economic activity and is subject to fluctuations, and the portfolio companies may be unable to obtain expected levels of revenue and/or address daily, seasonal or yearly fluctuations in demand for

electricity and heat. In addition, hydropower-generated electricity output depends significantly on the water flow in the rivers as well as on the operating regimes of reservoirs;

- operations on the electricity and heat markets, including electricity transmission services, are subject to price setting and tariff regulation. If tariffs established by regulatory authorities fail to provide adequate economic returns or are set at rates that are not sufficient to cover related expenses due to social or political reasons, the portfolio companies' business, financial condition, results of operations may be materially adversely effected;

- Samruk Energy relies on a single source of coal supply for its coal-fired power stations and any disruptions, including any major accident or labour strike, may interrupt the supply of coal and result in increases production costs as well as suspension of operations at its coal-fired power stations;

- maintenance and modernisation of the production and distribution infrastructure requires significant ongoing investment, and there can be no assurance that the portfolio companies will be able to obtain funding necessary to make such investments. A significant portion of the segment's plant and equipment requires replacement, repair or modernisation and may be susceptible to technical failures or emergencies, increased maintenance costs and reduced reliability and efficiency; and

- risks associated with the portfolio companies being monopolies, dominant entities or members of the market of public importance, which may result in adverse interference in their operations.

Communications

Portfolio companies in the communications, such as Kazakhtelecom, segment are primarily exposed to the following risks:

- Kazakhtelecom offers a variety of telecommunications services to its customers. Therefore, its revenue and profit in the future depends on the development and state of the telecommunications market in Kazakhstan which, in turn, depends on economic factors such as inflation, exchange rate, unemployment, interest rates and others operating conditions;

- risks associated with developing, providing and expanding telecommunications products and services, including risks relating to the operation, expansion or roll-out and benefits of 3G, 4G/LTE and 5G networks or other networks, broadband services and integrated products and services, such as fixed-mobile convergence, as well as spectrum limitations;

- risks associated with the ability to meet license requirements, to obtain, maintain, renew or extend licenses, frequency allocations and frequency channels and to obtain related regulatory approvals; and

- risks associated with tariff regulation applicable to Kazakhtelecom because it is recognised as a natural monopoly in certain markets.

Industrial

Portfolio companies in the industrial segment, such as United Chemical Company LLP, are primarily exposed to the following risks:

- risks associated with the ability to complete investment projects on time according to the planned timeline;

- risks associated with lack of energy provision;

- risks associated with liquidity and compliance with covenants under loan agreements;

- risks associated with asset impairments of the investment projects; and

- risks associated with shortage of staff, especially during the Covid-19 pandemic.

Exposure of the Issuer's portfolio companies to these and other industry and business-specific risks, may have an adverse effect on the business, financial condition, result of operations and prospects of these portfolio

companies, which, in turn, may have an adverse effect on the Group's business, financial condition, results of operations and prospects. Any of the foregoing could cause the value of the Issuer's affected portfolio companies to decline.

The Group has invested and may continue to invest in joint ventures and companies over which the Group has only joint or no control exposing the Group to additional risks

A number of portfolio companies currently invest in, and expect to make additional investments in, joint ventures and companies that they do not control or over which they only have joint control. The Group also currently holds minority investments in non-public companies and may in the future also dispose of shares in its portfolio companies in a manner that results in it retaining only a minority interest.

Many of the joint venture projects are long-term arrangements and the interests of the different consortium members may diverge over the life of project resulting in competing business strategies and priorities. The relevant portfolio company cannot fully control the operations or the assets of these entities, nor can it unilaterally make major decisions with respect to such entities. This lack of control constrains the portfolio company's ability to cause such entities to take action that would or might be in the best interests of the portfolio company or, in limited cases, to refrain from taking action that would or might be materially adverse to the interests of the Issuer. Even though the vast majority of them are global majors or national champions, the Group is also exposed to the credit risk of its joint venture partners. Many of these projects are capital intensive and require significant investments from the partners to fund initial project costs and any cost overruns. If one of the partners is unable or refuses to fund its proportion of such investments, the joint venture may be unable to complete the project on time and on budget, if at all. In addition, if one of the Group's partners in a joint venture were to suffer an insolvency event, it could lead to the liquidation of that partner's investment in the project, which could, in turn, adversely affect the joint venture operations.

Although relations between the Group and its joint venture partners are generally positive and management of the relevant portfolio companies does not foresee any deterioration in its relationship with its joint venture partners, the Issuer cannot be sure that relations will remain so in the future. Any deterioration in the relationship with joint venture partners or a deterioration in the Government's relationship with the governments of such joint venture partners, such as the Chinese or Russian governments, could have a material adverse impact on these various joint ventures and, accordingly, the Group's business. If any of the risks described above materialise, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Risks relating to divestments under the Privatisation Plan and other divestments and investments

In accordance with the 2021-2025 Privatisation Plan, the Issuer intends to continue fulfilling the Government's goal of gradually decreasing state ownership in key economic sectors by disposing of equity stakes in some of its portfolio companies (see "*Business of the Group—Privatisation Plans*" for details). Such disposals can be conducted in a number of ways, including initial public offerings, tenders (auctions) and private sales and the specific method of disposal shall be determined by the Issuer on an individual basis.

The Issuer's ability to successfully consummate disposals contemplated by, and achieve the goals of, the 2021-2025 Privatisation Plan is subject to numerous uncertainties and risks, including macro-economic conditions, geopolitical considerations, regulatory review, market and pricing conditions, the ability of prospective buyers or investors to obtain financing and numerous other factors specific to the business or assets being disposed. There is no assurance that such disposals will ultimately yield a profit or have a positive impact on the Issuer's financial condition and/or results of operations, including reducing outstanding debt. There are also risks associated with the use of proceeds generated from disposals pursuant to the 2021-2025 Privatisation Plan as it may be difficult to reinvest such proceeds in assets that generate comparable returns or may be challenging to identify appropriate investment opportunities. Pursuant to the Government Resolution No.323 dated 4 June 2018, as amended, 50 per cent. of the proceeds generated from disposals pursuant to the 2021-2025 Privatisation Plan shall be transferred to the National Fund of the Republic of Kazakhstan and the remaining 50 per cent. percent shall remain at the disposal of the Issuer for the purpose of their further reinvestment in the manner determined by the Management Board of the Issuer. The proceeds from the sale of subsidiaries and other legal entities affiliated with the Issuer are not subject to transfer to the National Fund of the Republic of Kazakhstan and remain at the disposal of the Group in full.

Moreover, the Issuer could be exposed to post-transaction liabilities under legal documentation, including indemnity payments. In addition, any disposition, even if announced, may be subject to significant delays and may not be completed for various reasons, including changes in market conditions (such as the global economic downturn caused by Covid-19), regulatory requirements or review, failure to satisfy closing conditions or other factors, such as a re-evaluation of the Issuer's strategic priorities or other unexpected developments, including potential reputational impact.

In addition to divestments under the Privatisation Plan 2021-2025, the Issuer may from time to time make divestments of other non-core assets, as well as investments in new assets for purposes of expanding and diversifying its portfolio. Such transactions expose the Issuer to numerous risks, including:

- diversion of management attention and financial resources that would otherwise be available for the on-going development of its portfolio;
- challenges in managing the increased scope, geographic and asset class diversity and complexity of the Issuer's investments;
- difficulties in obtaining financing on commercially acceptable terms necessary to support the growth of new investments; and
- challenges in effectively redeploying capital raised through the divestment of the Issuer's existing investments.

The Issuer conducts due diligence, sometimes with the assistance of outside consultants, by evaluating a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with a new project or make a new investment. Nevertheless, when conducting due diligence and making an assessment regarding a project or an investment, the Issuer can only rely on resources available to it at the time, including information provided by the target of the investment where relevant and, in some circumstances, third party investigations. In some cases, information cannot be verified by reference to the underlying sources to the same extent as the Issuer could for information produced from its own internal sources. The Issuer can offer no assurance that any due diligence investigation it carries out with respect to any project or investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity. Any failure by the Issuer to identify relevant facts through the due diligence process may cause it to make inappropriate business decisions.

Significant investments and divestments could thus prove to be costly in terms of the Issuer's time and resources and may impose risks, which, if unsuccessfully managed, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may pursue investment opportunities in countries or sectors in which it has no previous investment experience or in markets that are subject to greater social, economic and political risks

Majority of the Group's current investments and assets are based in the Kazakhstan. However, as part of the Group's 2022-2031 Development Strategy, the Group may in the future seek new investments internationally and in new sectors. It may consider projects and make investments in countries or sectors in which it has little or no previous investment experience. As a result, the Group may not be able to assess the risks of investing in such countries or sectors adequately, notwithstanding advice from its advisers, and may be unfamiliar with the laws and regulations of such markets applicable to its projects and investments. The Group cannot guarantee that its strategy will be successful in such markets and it could lose some or all of the investment value in its international projects and investments.

In addition, investments made by the Group in emerging markets may involve a greater degree of risk than investments in developed countries and, in some cases, may carry significant legal, economic and political risks. Investment opportunities in certain emerging markets may also be restricted by legal limits on foreign investment.

If any of the foregoing risks were to occur or if the Group fails to correctly identify the risks associated with an investment, the Group's business, results of operations, financial condition or prospects could be materially and adversely affected.

C. Financial Risks

Substantially all of the dividends and distributions the Issuer receives come from a small number of its portfolio companies

As a result of its holding company structure, the Issuer's ability to meet its operating and investment requirements and to service its debt, including payments of amounts due under the Notes, depends on the dividends and distributions it receives from its portfolio companies. Dividends from Kazatomprom, KMG and Tauken-Samruk represented in the aggregate 83 per cent. and 86 per cent. of the Issuer's total dividends received in the year ended 31 December 2020 and for the six months ended 30 June 2021. Therefore, the Issuer's financial condition is principally exposed to the economic sectors where these portfolio companies operate. In particular, the Issuer is substantially exposed to the oil and gas segment, as dividends from KMG represented 33 per cent. and 38 per cent. of the Issuer's total dividends received in the year ended 31 December 2020 and for the six months ended 30 June 2021. The ongoing ability of these and other portfolio companies to pay dividends or make other distributions or payments will be subject to, among other things, the availability of profits or funds (which in turn may depend on macro-economic conditions, commodity prices, business cycles, capital expenditures and business operations in Kazakhstan, other countries and globally), restrictions, if any, on payments of dividends set forth in covenants given in connection with financial indebtedness and applicable laws and regulations. For example, certain of the Issuer's portfolio companies, such as KMG, have significant debt and will continue to use a large portion of their cash flow to pay principal and interest on their debt which will reduce the cash flow they can use for other purposes, including dividend payments to the Issuer. Further, some of the portfolio companies have significant investment projects (See "*Business of the Group—Investment Activities*"), which may reduce the amounts available to pay dividends to its shareholders. While the Issuer has imposed certain dividend policies in the portfolio companies which require them to pay certain percentage of their free cash flows as dividends to the Issuer (depending on which category they are classified based on certain financial stability indicators), such free cash flows and indicators will nevertheless depend on the aforementioned factors. For information on the dividend policy for portfolio companies, see "*Operating and Financial Review—Liquidity and Capital Resources—Dividend Policy for Portfolio Companies*".

While the Issuer is able to manage the business of its portfolio companies by exercising shareholder rights and appointing members to the boards of directors at the portfolio companies, the Issuer's subsidiaries ultimately act as independent companies run by their boards of directors (with, in some cases, independent non-executive directors) and have control of their own bank accounts. The Issuer may not be able to control the timing or amount of dividend payments from certain entities and may therefore face risks related to the upstreaming of cash by way of dividends to the Issuer in the future.

The inability of the Issuer's portfolio companies to pay dividends or make distributions to the Issuer could have a material adverse effect on the Issuer's business, results of operations, financial condition, liquidity position and prospects, and the Issuer may not be able to meet its payment obligations. Furthermore, the sale, transfer or disposition by the Issuer of its interest in a portfolio company that makes substantial dividends and distributions to the Issuer may also have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects, as well as the Issuer's ability to perform its payment obligations.

The Group is exposed to liquidity risks and financing risks

The Issuer's liquidity could be impaired by operating losses of its portfolio companies, low free cash flow and capital requirements, any of which could lead to reduced or zero dividend payments. The Issuer may also be unable to monetise assets, and a fail to obtain financing on a timely basis or at a reasonable cost as well as other factors. In addition, the Issuer's portfolio companies are also subject to liquidity and financing risks that may be exacerbated by circumstances associated with their respective industries (see "*—The Group is subject to the industry and business-specific risks faced by its portfolio companies*").

The availability of financing is dependent on a number of factors, such as market conditions, the general availability of credit and the Issuer's credit profile. For example, any disruption in the global credit markets or re-pricing of credit risk may impact the Issuer's ability to fund its business in a similar manner, and at a similar cost, to the funding raised in the past. If the Issuer is unable to obtain financing in a timely fashion and on acceptable terms, it may be forced to delay or reduce investment needs, sell certain of its assets on disadvantageous terms and/or forego business opportunities, including investments and joint ventures. In addition, the Issuer may not be able to refinance, extend or pay existing financial obligations. The occurrence

of any of the foregoing events could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

No assurance can be given that the Issuer will be able to raise the financings required, or that it will maintain sufficient liquidity, for its operations and its financial obligations. In addition, failure to comply with financial covenants specified under certain of the Issuer's credit facilities could cause lenders to accelerate the repayment of the Issuer's borrowings. Further, SSAP LLP has obtained waivers in the past for continuing breaches resulting from SSAP LLP's non-compliance with its financial ratios under its existing loan agreement with the Eurasian Development Bank. No waiver is currently in place for any such continuing default. Any such default, including on financial covenants or otherwise, on any existing loans which the Issuer or its subsidiaries fail to cure, or fail to receive waivers in respect of, could result in a default under the Notes. Any deficiency in liquidity could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer has paid and will continue to pay dividends to the Government in the future

The Issuer pays out dividends to its sole shareholder, the Government, pursuant to a dividend policy adopted by the Government (the "**Dividend Policy**"). The Issuer is required to pay 50 per cent. of the dividends received from its portfolio companies to the Government. The Issuer has imposed certain dividend policies in the portfolio companies which require them to pay certain percentage of their free cash flows as dividends to the Issuer (depending on which category they are classified based on certain financial stability indicators). For information on the dividend policy for portfolio companies, see "*Operating and Financial Review—Liquidity and Capital Resources—Dividend Policy for Portfolio Companies*". The Issuer has paid out dividends of KZT 12,732 million in 2018, KZT 63,750 million in 2019 and KZT 120,000 million in 2020 to the Government. In addition, the Issuer may be expected to contribute, financially or otherwise, to the Government's budget by other means. Any dividend payment or budget contribution to the Government could be made out of the Issuer's revenues, retained earnings or proceeds from sales of its investments and, as such, this may have an adverse effect on the Issuer's ability to perform its financial obligations including to make payments on the Notes and its ability to capitalise on investment opportunities.

The Issuer and the Government may be required to provide financial support to its portfolio companies

Given the Issuer's mission and strategic objectives (see "*Business of the Group—Strategy*"), it may from time to time provide financial support to some of its portfolio companies. For example, the Government, through the Issuer, regularly provides and intends to continue providing financial support to KTZ, which support includes, among other things, capital contributions, grants and subsidies, tax relief, loans and bonds granted on concessional terms. KTZ relies on such support to finance its operations and fund capital expenditures. The continued provision of financial support and the need to increase the extent of such support may strain the Issuer's finances and put pressure on available cash flows, as well as restrict its investment capabilities. In addition, the Government has from time to time directly provided financial support to some of the Group's principal portfolio companies. There can be no assurance that such support will be available in the future, which could result in additional financial burden on the Issuer and could have an adverse impact on the value of the portfolio companies.

The Group may continue to have material funding requirements

The Issuer anticipates that its portfolio companies will continue to incur capital and investment expenditure in future years and may have material funding needs in relation to particular projects or to refinance existing indebtedness. In the past three years, the Group's largest capital expenditures have been in the oil and gas industry, industrial and transportation operating segments. Portfolio companies typically fund their future capital and investment expenditures and financial obligations through operating cash flow, borrowings from third parties (including by way of bond issues, project financing and bank financing) and asset monetisation where appropriate.

The Group's ability to obtain external financing and the cost of such financing are dependent on numerous factors including general economic and market conditions in Kazakhstan and globally, international interest rates, credit availability from banks or other lenders, investor confidence in the Group and the success of the Group's businesses. There can be no assurance that external financing, either on a short-term or long-term basis and whether to fund new projects or investments or to repay existing financing, will be available or, if available, that such financing will be obtainable on terms that are not onerous to the Group.

In the event that appropriate sources of financing are not available or are only available on onerous terms and the portfolio companies do not have sufficient operating cash flow or cash generated from asset sales or do not receive additional capital from the Issuer, this could adversely affect the Group's business through increased borrowing costs and reductions in capital and investment expenditure. In addition, any affected member of the Group may be forced, amongst other measures, to do one or more of the following:

- delay or reduce capital expenditures;
- forgo business opportunities, including acquisitions and joint ventures;
- sell assets on less than optimal terms; or
- restructure or refinance all or a portion of its debt on or before maturity.

The Group is affected by exchange rate fluctuations

Although the Tenge is convertible for current account transactions, it is not a fully convertible currency for capital account transactions outside Kazakhstan. Since the National Bank of Kazakhstan (the "**NBK**") adopted a floating rate exchange policy for the Tenge in April 1999, the Tenge has fluctuated significantly and the NBK has adopted a number of exchange rate policies. The Tenge had generally appreciated in value against the U.S. Dollar over the previous decade until its devaluation by the NBK in February 2009. In February 2009, the NBK established a trading band of KZT 150: U.S.$1.00 +/- 3 per cent. This trading band was widened in February 2010, and set at an asymmetric KZT 150/U.S.$1.00 +10/-15 per cent. In February 2011, the trading band was officially abolished, and the formal exchange rate arrangement was changed from a pegged exchange rate within horizontal bands to a managed floating exchange rate regime. On 11 February 2014, the NBK devalued the Tenge by 18.3 per cent. against the U.S. Dollar to KZT 184.50 per U.S.$1.00, stating that such devaluation was made in light of the situation in the global financial and commodity markets and the depreciation of the Russian Rouble in 2013 and 2014, as well as the overall situation in the global financial and commodity markets. In September 2014, the NBK re-established the trading band at KZT 170-188: U.S.$1.00. In August 2015, the NBK announced the adoption of a free-floating exchange rate and medium- term inflation targeting policy, which resulted in a 26.2 per cent. depreciation against the U.S. Dollar. As at 31 December 2020, the official KZT/U.S.$ exchange rate reported by the NBK was KZT 420.91 per U.S.$1.00, as compared to KZT 382.59 per U.S.$1.00 as at 31 December 2019 and KZT 384.20 per U.S.$1.00 as at 31 December 2018. As at 30 September 2021, the official KZT/U.S.$ exchange rate reported by the NBK was KZT 425.67 per U.S.$1.00.

Because a majority of the Group's revenue is denominated in U.S. Dollars, while a significant share of its costs is Tenge denominated, the Group generally benefits from an appreciation of the U.S. Dollar against the Tenge, which consequently has a positive effect on the Group's results of operations; however the appreciation of the Tenge will increase the Group's cost and negatively affect profitability. The Group has significant outstanding U.S. Dollar denominated liabilities. Decreases in the value of the U.S. Dollar relative to the Tenge have reduced, and will continue to reduce, the value of the Company's U.S. Dollar-denominated liabilities when measured in Tenge, whereas increases in the value of the U.S. Dollar relative to the Tenge have increased, and will increase, the value of the Company's U.S. Dollar denominated liabilities when measured in Tenge. Because the Company's reporting currency is Tenge, the Company has suffered, and will continue to suffer, foreign currency translation losses when the U.S. Dollar increases in value against the Tenge.

In addition, there can be no assurance that the NBK will maintain its managed exchange rate policy. Any change in the NBK's exchange rate policy could have an adverse effect on Kazakhstan's public finances and economy, which could, in turn, have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group is exposed to interest rate risk

The Group is exposed to interest rate movements through its floating rate financing arrangements. As at 30 June 2021, the Group had KZT 1,400 billion in loans and borrowings that bear interest at floating rates and had KZT 6,265 billion in loans and borrowings that bear interest at fixed rates. As a result, the Group is sensitive to changes in interest rates. Interest rates are sensitive to numerous factors not within the Group's control, including Government and the monetary policies of the NBK and globally. The Group cannot give any assurance that any current or future hedging activities will sufficiently protect it from the adverse effects of interest rate

movements. An increase in interest rates would cause the Group's debt service obligations to increase and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Significant judgment is involved in the preparation of the Group's consolidated financial statements for any period

The preparation of the Group's consolidated financial statements requires management to make certain judgments, including, for example, the estimation of impairment losses, in particular goodwill, equity-accounted investments and available-for-sale investments that are not publicly traded.

The exercise of this judgment may have a material effect on the Group's results of operations as presented in its consolidated financial statements, and the results of operations could be materially different from those which would have been presented if different assumptions and/or estimates had been used. In addition, there can be no assurance that any assumptions made by management will necessarily prove to have been accurate predictions of future events.

Some of the portfolio companies financial reporting processes are not fully automated

Some of the portfolio companies do not have a fully integrated automated accounting system for the preparation of IFRS financial data, as well as for consolidation. Therefore, the preparation of the relevant IFRS financial information is partially a manual process that involves the consolidation of the relevant subsidiaries into consolidated IFRS schedules through accounting adjustments. Although the Issuer believes that the current systems at the respective portfolio companies are adequate to permit the preparation of IFRS financial reports on a timely and accurate basis, this process is complex and time-consuming, and requires significant attention from senior accounting personnel. Lack of fully developed financial reporting processes may adversely affect Group's reported business data, results of operations and financial condition.

The Group's results of operations could be materially adversely affected by changes in tax-related matters

The Group conducts operations and sell products in various countries and, as a result, is subject to taxation and audit by a number of taxing authorities. Tax rates vary in the jurisdictions in which the Group operates. Changes in tax laws, regulations and related interpretations in these countries may adversely affect the Group's business and results of operations.

In addition, the Group is subject to laws and regulations in various jurisdictions that determine how much profit has been earned and when such profit is subject to taxation in that jurisdiction. Changes in these laws and regulations could affect the locations where the Group is deemed to earn income, which could in turn adversely affect its business and results of operations.

The Group has significant deferred tax asset balances, in particular those relating to its petroleum and petrochemical businesses, the recoverability of which is contingent upon satisfying certain conditions and the Group being able to generate profits in future years to utilise these deferred tax balances. Until such time as the recovery is complete, the Group is exposed to changes in tax laws in multiple jurisdictions in relation to the recovery of its deferred tax assets. Further the Group may have tax positions which may differ to those adopted by the tax authorities. The resolution of these differences could be time consuming and expensive and could expose the Group to potential significant future tax exposure.

Risks Factors Relating to Kazakhstan

A. Macroeconomic and Geopolitical Risks

The Kazakhstan market, being an emerging market, is subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment is only suitable for sophisticated investors who fully appreciate the significance of therisks involved.

The Group is dependent on the economic conditions prevailing in Kazakhstan

As Kazakhstan produces and exports large quantities of commodity products (primarily oil and gas), its economy is particularly vulnerable to fluctuations in the prices of such commodities in the international markets.

While the Government has been promoting economic reform to diversify the economy, Kazakhstan's revenue continues to depend on the prices of export commodities. Weak demand in its export markets and low commodity prices, especially within the oil and gas industry, may adversely affect Kazakhstan's economy in the future, which may in turn have a material adverse effect on the Group's business, financial condition, results of operations or prospects. For example, the decline in world prices for oil and other commodities in 2014 and subsequent devaluation of the Tenge against the U.S. Dollar in 2015 affected the public finances and resulted in revisions of the State budget of Kazakhstan. The State budget for 2021 - 2023 reflects an assumed world oil price in 2021, 2022 and 2023 of U.S.$35 per barrel, significantly below budgeted amounts of U.S.$55 per barrel in the 2020-2022 State budget and U.S.$90 per barrel in 2013 and U.S.$95 per barrel in each of 2014, 2015 and 2016.

Due to business disruption and lockdowns in many countries as a result of the Covid-19 pandemic, global oil demand has substantially decreased, leading to oversupply and a significant decrease in oil prices. On 12 April 2020, major global oil producers, including Kazakhstan, agreed to a record cut in crude oil production aimed at stabilising the market. Such actions have not, however, reversed the downward pressure on the oil market. Such decreases in oil prices and production volumes have resulted in corresponding decreases in oil producers' income and payments to the State budget, which could, in turn, have a material adverse effect on the Kazakhstan economy and public sector spending. In April 2020, the Minister of Finance reported a further increase of the State budget deficit by KZT 840.7 billion and, in October 2020, the Kazakhstan parliament adopted amendments to the State budget for 2020-2022, which reflected an increase in State budget expenditures in 2020 by approximately KZT 1.5 trillion to KZT 13.9 trillion. State budget expenditures in 2021 are budgeted at KZT 13.8 trillion.

There can be no assurance that further revisions of the State budget will not be required in light of continuing oil price volatility and continuing impact of the Covid-19 pandemic. An oversupply of oil or other commodities in world markets, a general turndown in the economies of any significant markets for oil or other commodities or a weakening of the U.S. Dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy, which, in turn, could indirectly have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Kazakhstan's economy and finances have and continue to experience slower levels of growth since the global financial crisis of 2008 to 2009 and, most recently, due to the impact of the Covid-19 pandemic. Real GDP in Kazakhstan, according to statistics published by the National Statistics Office, contracted by 2.5 per cent. in 2020 and grew by 4.5 per cent. in 2019 and 4.1 per cent. in 2018. According to the National Statistics Office, annual consumer price inflation for 2018, 2019 and 2020 was 5.3 per cent., 5.4 per cent. and 7.4 per cent., respectively.

Additionally, any disruption of oil and gas production, transportation or refining in Kazakhstan for any reason, including as a result of terrorism, natural disaster, industrial accident, public health threats and global pandemics or change in national government policy, could have a material adverse effect on the Issuer's business, financial condition or results of operations.

In September 2021, S&P confirmed Kazakhstan's sovereign credit rating at "BBB-" (outlook stable), Fitch Ratings agency confirmed Kazakhstan's sovereign credit rating at the level of "BBB" (outlook stable) and Moody's confirmed Kazakhstan's sovereign credit rating at "Baa3" and changed Kazakhstan's outlook on the rating from stable to positive. Any future negative changes to the outlook or rating downgrade is likely to result in a rating downgrade of the Issuer's ratings. Any future downgrade of Kazakhstan's sovereign credit rating and liquidity problems in Kazakhstan's economy could adversely affect its economic development, which could, in turn, materially and adversely affect the Issuer's prospects, business, financial condition and results of operations.

There can be no assurance that either the economic performance of Kazakhstan can or will be sustained. To the extent that economic growth or performance in Kazakhstan slows or begins to decline, there is a return to high or sustained inflation, or political conditions deteriorate materially the Group's business, financial condition, results of operations and prospects may be adversely affected.

The Group is dependent on the political climate in Kazakhstan

Kazakhstan became an independent sovereign state in 1991, as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan under two presidents, Nursultan Nazarbayev and, from June 2019, Kassym-Jomart Tokayev, has experienced significant changes as it has emerged from a centrally controlled command economy to a market-oriented economy. The transition was initially marked by political uncertainty and tension, a stagnant economy marked by high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment. However, Kazakhstan actively pursued a programme of economic reform designed to establish a free market economy through privatisation of government-owned enterprises and deregulation and it is more advanced in this respect than some other countries of the former Soviet Union. Under President Nazarbayev's leadership, Kazakhstan moved toward a market-oriented economy.

In March 2019, President Nazarbayev announced his retirement as President (although he remains head of the ruling Nur Otan party and the Security Council). Kassym-Jomart Tokayev, who was at the time the chairperson of the Senate, was appointed as acting President. The latest presidential election took place on 9 June 2019 and Kassym-Jomart Tokayev, who competed with six other candidates, won the election with 71 per cent. of the vote.

Prior to this transfer of presidential power from Nursultan Nazarbayev to Kassym-Jomart Tokayev, Kazakhstan's constitutional succession processes had never been tested. If this recent transfer of presidential power, for whatever reason, encounters difficulties in the near future or there is a reversal of reform policies, Kazakhstan's socio-political situation and economy could become unstable and the investment climate could change, which could have a material adverse effect on the economy of Kazakhstan, which could, in turn, have a material adverse effect on the Group's financial condition and results of operations. In particular, any change to the current administration's outlook, which effect the economy, including in property, tax or regulatory regimes or other changes could have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

The Government may also be subject to litigation from time to time, including for example the Stati case, which could impact its reputation or have an impact on Kazakhstan's economy and political conditions. See also *"— The Group is subject to legal proceedings from time to time*".

Currency control laws affect the Group's foreign currency dealings.

The Law of Kazakhstan "On Currency Regulation and Currency Control" dated 13 June 2005 (the "**2005 Currency Law**") empowered the Government, by special action and under circumstances when the economic stability of Kazakhstan is threatened, to introduce a special currency regime that would (i) require the compulsory sale of foreign currency received by Kazakhstan residents; (ii) require the placement of a certain portion of funds resulting from currency transactions into a non-interest bearing deposit in an authorised bank or the NBK; (iii) restrict the use of accounts in foreign banks; (iv) limit the volumes, amounts and currency of settlements under currency transactions; and (v) require a special permit from the NBK to conduct currency transactions. Moreover, the Government is authorised to impose other requirements and restrictions on currency transactions when the economic stability of Kazakhstan is threatened.

On 2 July 2018, the President signed a new Law on Currency Regulation and Currency Control (the "**2018 Currency Law**") that replaced the 2005 Currency Law with effect from 1 July 2019. The 2018 Currency Law retained the Government's power to impose restrictions under the special currency regime. As at the date of this Prospectus, the Government has not invoked such restrictions.

In response to the low oil price environment, the adverse impact of the Covid-19 pandemic and the volatility of the Tenge, on 19 March 2020, the NBK decreased the amount of foreign currency that Kazakhstan companies can buy in the domestic foreign exchange market without supporting documents from U.S.$100,000 to U.S.$50,000. On 21 December 2020, the NBK and the Minister of National Economy of the Republic of Kazakhstan jointly limited the amount of cash that Kazakhstan companies can withdraw from their accounts. In particular, large businesses cannot withdraw more than KZT 150 million from their accounts per calendar month. Withdrawal of any amount in excess of such limit must be backed up with supporting documents and is subject to approval by the Kazakhstan tax authorities. There can be no assurance that the currency laws and regulations will not be amended further or that any such amendments passed in the future will not materially adversely affect the Group. For instance, any imposition of significant restrictions on the Group's foreign

currency dealings could have a material adverse effect on the Group's business, prospects, financial condition or results of operations and ability to make payments on the Notes.

The Group is subject to the volatility of Kazakhstan's Banking Industry

The global financial and economic crisis of 2008-2009 significantly affected the Kazakhstan banking system, which continues to remain under stress, with banks seeking to deleverage through partial repayments and debt restructurings. A number of distressed asset takeovers and mergers have occurred in the Kazakhstan banking sector. In addition, in the past several years the regulator revoked the licences of a number of banks of varying size. While, along with the regulator's measures to support the liquidity of financial institutions, such restructurings, consolidations and revocation of licences have contributed to the general stability of the Kazakhstan banking industry, the sector continues to operate in a challenging environment where further defaults or debt restructurings cannot be ruled out.

The Kazakhstan banking sector has been particularly affected by the lack of availability of international wholesale debt financing and the volatility of deposits. Kazakhstan banks have previously relied heavily on such financing and deposits as a source of funding. The high dependence on capital market funding poses a significant refinancing risk for both individual banks and the banking system as a whole and wholesale debt financing became significantly more expensive. In addition, the banking sector in Kazakhstan has been burdened by high levels of non-performing assets and NPLs across the sector. The negative impact of the continuing problems in the banking sector may affect the willingness of foreign investors and banks to consider lending to, or investing in, Kazakhstan banks, which in turn could result in lower liquidity levels and higher borrowing costs in the economy. It is also uncertain what impact the on-going problems in the sector may have on investors' perceptions of Kazakhstan. Such problems could have a negative impact on the country's sovereign credit rating or other adverse developments, which could, in turn, have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

There are risks of corruption and other business environment weaknesses in Kazakhstan

As in many other emerging market jurisdictions, the incidence and perception of elevated levels of corruption remains a significant issue in Kazakhstan, although the climate has improved in this respect in recent years. Kazakhstan was ranked 94 out of 179 countries in Transparency International's 2020 Corruption Perceptions Index. Kazakhstan's score in the 2020 index was 38 (with 1 the most corrupt score and 100 being the least corrupt), an improvement compared to the ranking of 123 out of 168 countries in Transparency International's 2015 Corruption Perceptions Index, where Kazakhstan's score was 28. Kazakhstan's business climate and competitive indicators are also negatively affected by the need for reform in investor protection arrangements, the cost of establishing a business, the tax system, resolving insolvency and contract enforcement. In the World Bank's Doing Business Survey for 2020, Kazakhstan ranked 25 out of 190 countries for ease of doing business, while Kazakhstan ranked 55 out of 141 countries in the World Economic Forum 2019 Global Competitiveness Index.

Failure to address continued or perceived corruption and governance failures in the public sector and any future allegations, or perceived risk, of corruption in Kazakhstan, could have a material adverse effect upon Kazakhstan's ability to attract foreign investment, which could, in turn, have a material adverse effect on Kazakhstan's economy.

Moreover, members of the Group have developed controls to identify and investigate potential corruption and violations of anti-corruption laws, but some of these members (such as KMG and KTZ) have in the past experienced instances in which their employees have been accused of or arrested on charges of corruption. Group members continue to work with law enforcement and anti-corruption agencies to strengthen oversight and controls to avoid instances of bribery or corruption, but there can be no assurance that members of the Group will not in the future experience instances in which employees are subject to allegations or investigations from time to time. Whilst there are no current material investigations or accusations pending against senior management of the Issuer or other members of the Group, future accusations of or arrests of employees for corruption, or perception of corruption on the part of its employees, could have a material adverse effect upon the reputation of the Issuer, which could, in turn, have a material adverse impact on the Issuer's business, prospects, financial condition, cash flows or results of operations.

The outcome of the implementation of further market-based economic reforms in Kazakhstan is uncertain

The need for substantial investment in many enterprises has driven the Government's privatisation plans. There remains a need for substantial investment in many sectors of Kazakhstan's economy and there are areas in which economic performance in the private sector is still constrained by an inadequate business infrastructure. Furthermore, the significant size of the shadow economy (or black market) in Kazakhstan may adversely affect the implementation of reforms and hamper the efficient collection of taxes. The Government has stated that it intends to address these problems by improving the business infrastructure and tax administration and by continuing the privatisation process. However, there can be no assurance that these measures will be effective and any failure to implement them may have a material adverse effect on the Group's business, prospects, financial condition, cash flows, results of operations.

Kazakhstan's physical infrastructure is in poor condition

Kazakhstan's physical infrastructure is in poor condition, which could disrupt normal business activity. Kazakhstan's physical infrastructure largely dates back to Soviet times and has not been adequately funded and maintained over the past nearly 30 years. Particularly affected are rail and road networks, power generation and transmission, pipelines and communication systems. There can be no assurance that the Government will dedicate budget revenues to improving the country's physical infrastructure. A lack of progress in the rehabilitation of Kazakhstan's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business in Kazakhstan and may interrupt business operations, any of which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows, results of operations.

The Group may have difficulties in obtaining effective redress in court proceedings

The independence of the Kazakhstan judicial system is not immune from social, economic and political influences. The judicial system is often inefficient and time intensive, and some judges are inexperienced in business and corporate law matters. Certain court decisions may not be consistent with each other. The Kazakhstan judicial system can be time intensive. All of these shortcomings may affect the ability of the Group to obtain effective legal redress in Kazakhstan courts. These uncertainties make judicial decisions in Kazakhstan difficult to predict and effective redress uncertain for the Group.

The Republic of Kazakhstan is not a party to any multilateral or bilateral treaties with the United Kingdom or the United States (or indeed most western jurisdictions) for the mutual enforcement of court judgments. Whilst Kazakhstan law provides for enforcement of foreign court awards on the basis of reciprocity, there is no guidance or practice on this matter and currently it is uncertain whether or not Kazakhstan courts will enforce decisions from foreign courts on such a basis. The procedures applied by the relevant Kazakhstan officials may not be entirely consistent with the legislation relating to procedure or with court rules. This could delay enforcement procedures in the Republic of Kazakhstan, particularly if enforcement is sought to be made in courts outside the principal commercial centres such as Almaty and Nur-Sultan. These uncertainties make judicial decisions in Kazakhstan difficult to predict and effective redress uncertain and could have a material adverse effect on the price of the Notes.

The Issuer cannot ensure the accuracy of official statistics and other data in this Prospectus published by Government authorities.

Official statistics and other data published by Government authorities may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on different bases from those used in more developed countries. The Issuer has not independently verified such official statistics and other data and any discussion of matters relating to Kazakhstan in this Prospectus is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, investors should be aware that certain statistical information and other data contained in this Prospectus has been extracted from official Government sources and was not prepared in connection with the preparation of this Prospectus.

In addition, certain information contained in this Prospectus is based on the knowledge and research of the Issuer's management using information obtained from non-official sources. The Issuer has accurately reproduced such information and, so far as the Issuer is aware and is able to ascertain from information published

by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. This information has not been independently verified and, therefore, is subject to uncertainties due to questions regarding the completeness or reliability of such information, which was not prepared in connection with the preparation of this Prospectus.

B. Taxation Risks

Kazakhstan taxation system is subject to frequent change

Kazakhstan taxation system is continually evolving and is subject to frequent and, at times, ambiguous changes, which could have an adverse effect on the Group. Additionally, on 25 December 2017, Kazakhstan enacted a new Tax Code, which became effective on 1 January 2018 (the "**2018 Tax Code**"). The 2018 Tax Code has been in force for a short period relative to the tax laws and regulations in more developed market economies and, therefore, risks of tax assessments within its jurisdiction are more probable than in nations with more developed tax systems. The Group's operations are principally conducted and most of the Group's assets are located in Kazakhstan and, therefore, shortcomings of the Kazakhstan tax system could adversely affect the Group.

Historically, the system of tax collection in Kazakhstan has been difficult and unpredictable resulting in continual changes to the tax legislation, which sometimes have occurred on a short notice and have included changes to the provisions that establish the rules of tax administration, but also to other provisions such as tax base determination and tax rate. Furthermore, the Kazakhstan tax legislation is subject to amendments on a regular basis. These changes produce tax uncertainties which, may result in adverse tax implications for the Group.

Differing interpretations of tax regulations exist both among and within government bodies. Such differing interpretations increase the level of uncertainty and, therefore, tax risks, and could potentially lead to the inconsistent enforcement of these laws and regulations. Official explanations and court decisions are often unclear and contradictory, while tax disputes could result in significant litigation costs for the Group. For example, clarifications of the tax authorities on particular 2018 Tax Code clauses are not legally binding on either taxpayers or the tax authorities themselves, and may not be taken into account during settlement of tax disputes. In addition, the responsibility of the tax authorities for providing misinterpretation of articles of the 2018 Tax Code is not established by law. Thus, the tax authorities are allowed to change their position regarding the application of a particular article. Additionally, judges considering court cases related to resolution of tax disputes sometimes issue decisions that can be considered as arguable. Creation of an investment court in 2016 for resolution of investors' disputes, including tax disputes of investors, did not lead to a significant improvement in the quality of tax litigation and substantial positive changes in resolution of tax disputes.

As a consequence of the complexity of the precise legal description of the taxation mechanism, the shortcomings of legal techniques, as well as gaps and contradictions that exist in the tax legislation, there are frequently different interpretations of the tax legislation by taxpayers and the tax authorities. During settlements of tax disputes, the tax authorities and courts often issue decisions in favour of the Government. Therefore, taxation in Kazakhstan is often unclear or inconsistent, and may result in unexpected tax assessments and liabilities that could lead to a material adverse effect on, *inter alia*, the Group's business, financial condition, results of operations or prospects.

The Kazakhstan Law on Transfer Pricing may have a negative effect on the Group's operational flexibility and tax assessments.

The Group's transactions for cross-border sale of crude oil and gas are subject to transfer pricing scrutiny, which could have an adverse effect on the Group's tax implications. Under Law No. 67-IV of the Republic of Kazakhstan "On Transfer Pricing" dated 5 July 2008 (the "**Kazakhstan Law on Transfer Pricing**"), if the price of export is not at arm's length, additional taxable income recognition on controlled transactions, including cross border transactions of goods as well as transactions of Kazakhstan residents committed outside of Kazakhstan, should be accrued. The Kazakhstan Law on Transfer Pricing applies regardless of whether transaction parties are related or not. Further, the Kazakhstan Law on Transfer Pricing can potentially result in a higher tax on long-term commodity contracts that are not based on market prices, or "spot pricing." This law disincentivises the Group from entering into long-term contracts with base escalation pricing or fixed pricing.

The Kazakhstan Law on Transfer Pricing came into effect in Kazakhstan from 1 January 2009. The Kazakhstan Law on Transfer Pricing is not explicit and there is little precedence with some of its provisions. Moreover, the Kazakhstan Law on Transfer Pricing is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated. As at the date of this Prospectus, management believes that its interpretation of the Kazakhstan Law on Transfer Pricing is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained, but the Group can make no assurance that this is the case. Because of the uncertainties associated with the Kazakhstan Law on Transfer Pricing, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest at and for the historical period under review and could in turn have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Risk Factors Related to the Notes

The Notes will be structurally subordinated to the claims of creditors of the Issuer's portfolio companies and joint ventures

The Issuer's subsidiaries and joint ventures have incurred indebtedness, and in the future will continue to incur indebtedness, in order to finance their operations. A significant proportion of the Group's indebtedness has been incurred by the Issuer's subsidiaries and joint ventures. In the event of the insolvency of any of the subsidiaries or incorporated joint ventures of the Issuer, claims of secured and unsecured creditors of such entity, including trade creditors, banks and other lenders, will have priority with respect to the assets of such entity over any claims that the Issuer or the creditors of the Issuer, as applicable, may have with respect to such assets. Accordingly, if the Issuer became insolvent at the same time, claims of the Noteholders against the Issuer in respect of any Notes would be structurally subordinated to the claims of all such creditors of the Issuer's subsidiaries and incorporated joint ventures. The Conditions of the Notes do not restrict the amount of indebtedness that the Group may incur, including indebtedness of subsidiaries and joint ventures.

The Notes may not be a suitable investment for all prospective investors in the Notes

Each prospective investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A prospective investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the prospective investor's overall investment portfolio.

The minimum denomination of the Notes may, in certain circumstances, make the Notes difficult to trade

The Notes will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Accordingly, the Notes may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a holder who, as a result of trading such amounts, holds a principal amount of less than U.S.$200,000 in their account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to

purchase a principal amount of Notes such that its holding amounts to at least U.S.$200,000 in order to receive a definitive Note. If definitive Notes are issued, holders should be aware that definitive Notes that have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

Payments made in respect of Notes may be subject to withholding tax and have other tax consequences for investors

Generally, payments of interest on borrowed funds made by a Kazakhstan entity to a non-resident are subject to Kazakhstan withholding tax at the rate of 15 per cent. for legal entities, unless (i) such withholding tax is reduced or eliminated pursuant to the terms of an applicable double tax treaty or (ii) the interest is payable under the Notes, which are listed, as at the date of accrual of interest, on the official list of a stock exchange operating in the territory of Kazakhstan (such as, the KASE or the AIX).

If payments in respect of any Notes are subject to withholding of Kazakhstan tax as a result of which the Issuer would reduce such payments by the amount of such withholding, the Issuer is obliged to increase payments as may be necessary so that the net payments received by holders of Notes will not be less than the amounts they would have received in the absence of such withholding. It should be noted, however, that gross-up provisions may not be enforceable under Kazakhstan law where such provisions may be viewed by the Kazakhstan tax authorities as constituting payments of taxes on behalf of third parties.

The Issuer will need to arrange and maintain listing of Notes on the official securities list of the AIX in order for the holders of Notes to enjoy the tax exemptions provided under the AIFC Law

Under the Constitutional Law of the Republic of Kazakhstan "On International Financial Center Astana" dated 7 December 2015, as amended (the "**AIFC Law**"), interests paid on the securities and capital gains derived from sale of the securities will be exempt until 1 January 2066 from taxation in Kazakhstan provided that such securities are included in the official securities list of the AIX at the time the interests are accrued and at the date of their sale, respectively. The provisions of the AIFC Law in terms of tax benefits are broader than the provisions of the 2018 Tax Code, which gives more flexibility and advantages to holders of the securities.

Accordingly, if the Notes are listed only on the KASE or are delisted from the official securities list of the AIX for any reason, the holders of the Notes will not enjoy or will lose the tax benefits under the AIFC Law and the holders of the Notes will have to follow the statutory regime established by the 2018 Tax Code. See "*Taxation*".

The terms of the Notes may be modified or waived without the consent of all the Noteholders

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and for the passing of written resolutions of Noteholders without the need for a meeting. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting or sign the relevant written resolution and Noteholders who voted in a manner contrary to the majority. The Terms and Conditions of the Notes also contain a provision permitting the parties to the Fiscal Agency Agreement to agree, without the consent of the Noteholders, to any modification of any provision of the Fiscal Agency Agreement or the Notes which is of a formal, minor or technical nature or is made to correct a manifest error. Any such modification in relation to the Notes may adversely affect their trading price.

The Notes are unsecured obligations of the Issuer, and there is no limitation on the Issuer's ability to issue guarantees, pari passu securities or to incur additional indebtedness in the future

The Noteholders will not have the benefit of security and as a result will not have a claim to those assets that rank senior to the claims of other creditors of the Issuer. The Issuer has in the past issued guarantees and securities, and incurred indebtedness, and intends to continue to do so from time to time in the future. In addition, there is no restriction on the amount of guarantees or securities which the Issuer may issue and rank *pari passu* with the Notes. The issue of any such guarantees, securities and the incurrence of any such additional indebtedness may reduce the amount recoverable by the Noteholders in certain scenarios.

An active trading market for Notes may not develop

The Notes issued may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid or the Notes may trade at prices that may be higher or lower than the

initial offering price thereof, depending upon a number of factors, including prevailing interest rates, events in Kazakhstan or elsewhere and the market for similar securities. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Consequently, an investor in the Notes may not be able to liquidate its investment readily, or for an extended period of time. Illiquidity may have a severely adverse effect on the market value of Notes.

Application has been made for the listing of Notes on the Official List and for trading on the Market. In addition, the Issuer will cause all Notes to be admitted to (i) the "bonds" category of the "debt securities" sector of the "main" platform of the official list of the KASE (and no such Notes may be issued or placed without the prior permissions of the ARDFM), and (ii) the official list and to trading on the AIX, the stock exchange acting on the territory of the Astana International Financial Centre ("**AIFC**"). There can be no assurance that either such listings or declaration will be obtained or, if such listings or declaration is obtained, that an active trading market will develop or be sustained. In addition, the liquidity of any market for Notes will depend on the number of holders of Notes, the interest of securities dealers in making a market in Notes and other factors. Accordingly, there can be no assurance as to the development or liquidity of any market for Notes.

The market price of the Notes may be volatile

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group's financial performance, adverse business developments, changes to the regulatory environment in which the Issuer or the Group operates, changes in financial estimates by securities analysts, as well as other factors. In addition, the market price of the Notes could be affected by the issuance of additional indebtedness of the Issuer. Furthermore, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could have a material adverse effect on the market price of the Notes without regard to the Group's business, prospects, financial position, cash flows or results of operations. Factors, including increased competition, fluctuations in commodity prices or the Group's operating results, the regulatory environment, availability of reserves, general market conditions, natural disasters, pandemics, terrorist attacks and war, could have a material adverse effect on the market price of the Notes.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. Dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. Dollars would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

The credit rating(s) assigned to the Notes at any time may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Further, other ratings (including confidential or unpublished ratings) may be assigned with respect to the Issuer or the Notes (now or in the future) which may differ (and which may be lower) from the ratings set out in this Prospectus.

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied. If the status of the rating agency rating the Notes changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Because the Global Certificates are held by or on behalf of DTC, Euroclear and/or Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes may be represented by one or more Global Certificates. Such Global Certificates will be deposited with either (a) a custodian for, and registered in the name of a nominee of, DTC or (b) a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Certificate held through it. While the Notes are represented by one or more Global Certificates, investors will be able to trade their beneficial interests only through DTC, Euroclear, Clearstream, Luxembourg and their respective participants.

While the Notes are represented by one or more Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system to receive payments under the relevant Notes. The Issuer shall have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Insolvency laws in Kazakhstan may not be as favourable to holders of Notes as English or U.S. insolvency laws or those of another jurisdiction with which the Noteholders may be familiar

The Issuer is organised in Kazakhstan and are subject to the bankruptcy law of Kazakhstan. From the moment bankruptcy proceedings are initiated in court, a Kazakhstan debtor is prohibited from paying any debts outstanding prior to the bankruptcy proceedings, subject to specified exceptions. After the initiation of bankruptcy proceedings, creditors of the debtor may not pursue any legal action to obtain payment to set aside a contract for non-payment or to enforce the creditor's rights against any asset of the debtor until completion of the bankruptcy procedure.

Specifically, Kazakhstan bankruptcy law provides that transactions of a debtor can be recognised as invalid if they are entered into or made within three years prior to the institution of the bankruptcy or rehabilitation proceedings and contain elements which can form the grounds of invalidation under Kazakhstan Civil Code or contain the following elements (i) the price of the transaction or other conditions which are more onerous for the debtor than the price and conditions for similar transactions in the market concluded under similar circumstances; (ii) transactions that are beyond the framework of activities authorised for the debtor by the law, its constituent documents or the competence of the corporate bodies of the debtor; (iii) assets transferred free of charge or at price which was worse for the debtor than a price of other transactions under similar economic circumstances or otherwise the transfer infringes the interests of the creditors; (iv) transactions were entered into six months before the bankruptcy or rehabilitation proceedings and resulted in preferential payments to certain creditors; (v) the debtor has gifted its assets and entered in transactions, which are significantly different from the transactions entering into during the year before the institution of bankruptcy or rehabilitation proceedings; (vi) a transaction made without intent to create the appropriate legal consequences for such a transaction, to the detriment of infringes the interests of creditors. Since Kazakhstan's courts are not experienced with complex commercial issues, there is no way to predict the outcome of a bankruptcy proceeding.

It may be difficult to effect service of legal process and enforce judgments obtained outside of Kazakhstan against the Issuer and its management

The Issuer is a company organised under the laws of Kazakhstan and a substantial part of its businesses, assets and operations are located in Kazakhstan. In addition, a substantial majority of its directors and executive officers reside in Kazakhstan and substantially all of their assets are located in Kazakhstan. As a result, it may not be possible to effect service of process within the United States or elsewhere outside Kazakhstan upon the Issuer or such directors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable United States state securities laws. Moreover, Kazakhstan does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the UK and many other countries. As a result, recognition and enforcement in Kazakhstan of judgments of a court in the United States, the UK and many other jurisdictions in relation to any matter may be difficult. See "*Enforcement of Awards*".

In February 2010, the Parliament passed legislation amending Kazakhstan law to provide for certain immunities to government entities, including national companies, such as the Issuer, in the context of arbitration and foreign court judgments. While these immunities should apply only to government entities to the extent they are performing sovereign functions and not commercial activities, and the issuance of Notes should be considered a commercial activity (and, under the Fiscal Agency Agreement, the Issuer has, to the full extent permitted by applicable laws, waived any immunity that may be attributed to it in respect of the Notes), under the amendments, whether a particular activity is deemed to be sovereign or commercial in nature is subject to determination by a Kazakhstan court on a case by case basis.

On 8 April 2016, the Arbitration Law was signed by the President of Kazakhstan. Whilst the introductory language to the Arbitration Law, as well as other provisions of this law, imply that the Arbitration Law should only apply where the matter involves dispute resolution in Kazakhstan (*i.e.*, in respect of arbitration bodies with a seat in Kazakhstan) and should not apply to foreign arbitration such as the LCIA. In particular, the preamble to the Arbitration Law states that: "*This [l]aw regulates social relations arisen in the process of arbitration activity on the territory of the Republic of Kazakhstan as well as the procedure and terms of recognition and enforcement of arbitral awards in Kazakhstan…*". There are, however, certain novelties in the Arbitration Law which may have implications (as described in "*Enforcement of Awards*") in respect of the arbitration provisions contained in the Notes, the Deed of Covenant and the Fiscal Agency Agreement. In particular, the provisions

of the Arbitration Law do not clearly differentiate between domestic and foreign arbitration. However, given that the Arbitration Law has not been tested in practice, there can be no assurance that Kazakhstan courts would support the interpretation of the Arbitration Law set out in "*Enforcement of Awards*" and that an award against the Issuer in arbitral proceedings in London under English law would be enforced in Kazakhstan. If the Arbitration Law applies to disputes under the Notes, the Deed of Covenant and the Fiscal Agency Agreement, there is a risk that an LCIA award in a proceeding related to the Notes, the Deed of Covenant and the Fiscal Agency Agreement may not be recognised and enforced in Kazakhstan as being contrary to Kazakhstan public order and/or a dispute under the Notes, the Deed of Covenant and the Fiscal Agency Agreement cannot be resolved by arbitration. Furthermore, an event of default could occur under the Notes to the extent that the Issuer's obligations under the Notes to settle disputes by arbitration in the LCIA and/or under English law become illegal or unenforceable.

Further, the Arbitration Law provides that arbitration does not have a right to consider disputes arising between natural persons and (or) legal entities of the Republic of Kazakhstan on one side and the state authorities, state-owned enterprises, and legal entities fifty or more percent of voting shares (participatory interests in the charter capital) of which are directly or indirectly owned by the government, on the other side without obtaining a consent of the authorised body of a relevant sector (with regard to a state property) or a local executive body (with regard to a municipal property). Arbitral awards in relation to disputes between the Issuer and a Kazakhstan individual and/or a legal entity may not be enforceable in Kazakhstan in the absence of such consent.

In addition, certain of the assets owned by the Issuer or its subsidiaries, as well as certain of the shares in the Issuer's portfolio companies, are considered to be strategic assets of Kazakhstan. Kazakhstan law provides that the State shall have a priority right to purchase the strategic assets of Kazakhstan in the event of the disposition (whether through sale, bankruptcy or receivership).

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, subject to amendment and completion and except for the text in italics, will be endorsed on each Definitive Certificate (if issued).

The U.S.$500,000,000 2.00 per cent. Notes due 28 October 2026 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 17 (*Further Issues*) and forming a single series therewith) of "Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "**Issuer**") are constituted by and subject to, and have the benefit of, a deed of covenant dated 28 October 2021 (as amended or supplemented from time to time, the "**Deed of Covenant**") of the Issuer, and are the subject of a fiscal agency agreement dated 28 October 2021 (as amended or supplemented from time to time, the "**Fiscal Agency Agreement**") between the Issuer, Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor fiscal agent appointed from time to time in connection with the Notes), as paying agent (the "**Paying Agent**", which expression shall include any successor paying agent appointed from time to time in connection with the Notes) and as transfer agent (the "**Transfer Agent**", which expression shall include any successor transfer agent appointed from time to time in connection with the Notes and, together with any substitute or additional agents appointed from time to time in connection with the Notes, the "**Agents**") and Citibank Europe Plc, in its capacity as Registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Notes).

Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement and are subject to their detailed provisions. The Noteholders, defined below are bound by, and are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them. Copies of the Fiscal Agency Agreement are available for inspection by Noteholders at reasonable times, during normal business hours at the Specified Offices (as defined in the Fiscal Agency Agreement) of the Agents and will be provided by email to any Noteholder following their written request together with the Noteholder's proof of holding and identity (in a form satisfactory to the relevant Agent), subject to the Agents being supplied by the Issuer with copies of such documents. References to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs of these terms and conditions.

1. FORM, DENOMINATION AND TITLE

(a) ***Form and denomination. The Notes are in registered form, serially numbered.***

Notes sold (i) in transactions in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") will be issued in minimum denominations of U.S.$200,000 or any amount in excess thereof which is an integral multiple of U.S.$1,000 and (ii) to qualified institutional buyers ("**QIBs**") that are also qualified purchasers (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended) ("**QPs**") in reliance on Rule 144A under the Securities Act will be issued in minimum denominations of U.S.$200,000 or any amount in excess thereof which is an integral multiple of U.S.$1,000 (each denomination referred to in (i) and (ii), an "**Authorised Holding**").

(b) ***Title.*** Title to the Notes will pass by transfer and registration as described in Conditions 2 (*Registration*) and 3 (*Transfer of Notes*). The holder (as defined below) of any Note will (except as otherwise required by law or as ordered by a court or arbitral tribunal of competent jurisdiction) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any other interest in it, any writing thereon by any Person (as defined below) (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof; and no Person will be liable for so treating the holder.

In these Conditions, "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other legal entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality, "**Noteholder**" or "**holder**" means the Person in whose name a Note is for the time being registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof) save that, for so long as such Notes or any part thereof are represented by the Global Certificates registered in the name of the common depositary (or its nominee) for

Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or so long as Cede & Co., as nominee for The Depository Trust Company ("**DTC**") or another nominee is the registered holder of the Global Certificates or, in respect of Notes in definitive form held in an account with Euroclear, Clearstream, Luxembourg or DTC, each Person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear, and Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) or, as the case may be, DTC as the holder of a particular principal amount of the Notes shall be deemed to be the holder of such principal amount of such Notes (and the registered holder of the relevant Note shall be deemed not to be the holder) and, in the case of DTC or its nominee, voting, giving consents and making requests pursuant to these presents, the rights to which shall be vested, as against the Issuer, solely in such common depositary or, as the case may be, DTC or its nominee and for which purpose such common depositary or, as the case may be, DTC or its nominee shall be deemed to be the holder of such principal amount of such Notes in accordance with and subject to its terms and the provisions of these presents; and the words "holder" and "holders" and related expressions shall (where appropriate) be construed accordingly.

*A Certificate evidencing the Notes in definitive form (a "**Definitive Certificate**") will be issued to each Noteholder upon exchange of a Global Certificate (only in accordance with the terms thereof).*

Notes sold to QIBs that are also QPs in the United States in reliance on Rule 144A under the Securities Act will be represented by one or more Restricted Global Certificates. Notes sold to investors outside the United States in reliance on Regulation S under the Securities Act will be represented by an Unrestricted Global Certificate. The Unrestricted Global Certificate will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. The Restricted Global Certificates will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of DTC.

Ownership of beneficial interests in the Restricted Global Certificates will be limited to Persons that have accounts with DTC or Persons that may hold interests through such participants. Ownership of beneficial interests in the Unrestricted Global Certificate will be limited to Persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected through, records maintained in book-entry form by DTC and its participants or by Euroclear, Clearstream, Luxembourg and their participants as applicable. Global Certificates will be exchangeable for Notes in definitive form only in certain limited circumstances specified in the Global Certificate.

(c) ***Third party rights.*** No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

2. REGISTRATION

The Issuer will cause a register (the "**Register**") to be kept at the Specified Office of the Registrar in which will be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and all transfers and redemptions of the Notes.

3. TRANSFER OF NOTES

(a) ***Transfer.*** Each Note may, subject to the terms of the Fiscal Agency Agreement and to Conditions 3(b) (*Formalities Free of Charge*), 3(c) (*Closed Periods*) and 3(f) (*Regulations Concerning Transfer and Registration*), be transferred in whole or in part in an Authorised Holding by lodging the relevant Definitive Certificate (with the endorsed form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the Specified Office of the Registrar or any Paying and Transfer Agent. A Note may be registered only in the name of, and transferred only to, a named Person or Persons. No transfer of a Note will be valid unless and until entered on the Register.

The Registrar will within five Business Days (as defined below) of any duly made application for the transfer of a Note, register the transfer and deliver a new Definitive Certificate to the transferee (and, in the case of a transfer of part only of a Note, deliver a Definitive Certificate for the untransferred balance to the transferor), at the Specified Office of the Registrar, or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Definitive Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(b) ***Formalities Free of Charge.*** Such transfer will be effected without charge subject to (i) the Person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the Person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar.

(c) ***Closed Periods.*** Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) during the period of 15 days immediately prior to the due date for any payment of principal or interest in respect of the Notes.

(d) ***Restrictions on Transfer***. If at any time, the Issuer determines that any beneficial owner of Notes, or any account for which such owner purchased Notes, who is required to be a QIB and a QP is not a QIB and a QP, the Issuer may (i) require such beneficial owner to sell its Notes, or may sell such Notes on behalf of such beneficial owner, to a non-U.S. person who purchases in an offshore transaction pursuant to Regulation S or to a person who is a QIB who is also a QP and who is otherwise qualified to purchase such Notes in a transaction exempt from registration under the Securities Act or (ii) require the beneficial owner to sell such Notes, or may sell such Notes on behalf of such beneficial owner, to the Issuer or an affiliate thereof at a price equal to the lesser of (x) the purchase price paid by the beneficial owner for such Notes, (y) 100 per cent. of the principal amount thereof and (z) the fair market value thereof. The Issuer has the right to refuse to honour the transfer of interests in the Restricted Global Certificate or of Restricted Definitive Notes to a U.S. person who is not a QIB and a QP.

(e) ***Business Day.*** In these Conditions, "Business Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Nur-Sultan, New York City and the city in which the Specified Office of the Registrar or, as the case may be, the Fiscal Agent is located.

(f) ***Regulations Concerning Transfer and Registration.*** All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes in Schedule 1 to the Fiscal Agency Agreement. The regulations may be changed by the Issuer with the approval of the Registrar (such approval not to be unreasonably withheld or delayed).

(g) ***Authorised Holdings.*** No Note may be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of the Notes not transferred are Authorised Holdings.

4. STATUS

The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5(a) (*Negative Pledge*)) unsecured obligations of the Issuer. The Notes will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. NEGATIVE PLEDGE AND COVENANTS

(a) ***Negative Pledge.*** So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement) the Issuer shall not create or permit to subsist any Security Interest other than a Permitted Security Interest upon the whole or any part of its present or future undertaking,

assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or any Guarantee of any Relevant Indebtedness without at the same time or prior thereto securing the Notes equally and rateably therewith or providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of Noteholders.

(b) ***Limitations on Disposals of Core Assets.*** So long as any Note remains outstanding, the Issuer will not, and will procure that its Subsidiaries will not, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, conduct a Core Assets Disposal to any Person, except a Core Assets Disposal to the Issuer or a Subsidiary (each, a "Transferee Subsidiary"), provided, however, that after giving effect to such disposal and any related transactions, the Transferee Subsidiary remains a Subsidiary of the Issuer and no Event of Default (as defined in Condition 12 (*Events of Default*)) nor any event which, with the giving of notice or lapse of time or the satisfaction of any other condition, would be an Event of Default has occurred and is continuing.

(c) ***Provision of Financial Information.*** So long as any Note remains outstanding:

(i) The Issuer shall, as soon as they become available but in any event within 180 days after the end of each of its financial years, publish on its website its audited annual consolidated financial statements for such financial year, audited by an internationally recognised firm of accountants as may be nominated by the Issuer, prepared in accordance with IFRS consistently applied with the corresponding financial statements for the preceding period.

(ii) The Issuer shall, as soon as they become available but in any event within 90 days following the end of each quarter of each of its financial years, publish on its website its unaudited consolidated financial statements for such period.

(d) ***Limitations on Reorganisations. So long as any Note remains outstanding:***

(i) The Issuer will not, directly or indirectly, in a single transaction or a series of related transactions, enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation, as these terms are construed by applicable legislation or otherwise), participate in any other type of corporate reconstruction, or sell, lease, transfer, convey or otherwise dispose of all or substantially all of the assets of the Issuer and the Material Subsidiaries (taken as a whole) (in each case, a "**Reorganisation**") unless:

(A) either (X) the Issuer will be the surviving or continuing Person; or (Y) the surviving or continuing Person will assume the performance and observation of all of the obligations and conditions of these Conditions and the Deed of Covenant, as may be amended from time to time, to be performed by the Issuer; and

(B) immediately prior to and immediately after giving effect to such transaction, no Event of Default shall have occurred and be continuing.

(ii) For purposes of the foregoing, the transfer (by lease, assignment, sale, conveyance or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Material Subsidiaries (on a consolidated basis taken as a whole), the Capital Stock of which constitute all or substantially all of the properties and assets of the Issuer (on a consolidated basis taken as a whole), will be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer and the Material Subsidiaries (taken as a whole).

(iii) For the avoidance of doubt, any Material Subsidiary may consolidate with, merge with or otherwise enter into any transaction comprising a Reorganisation with the Issuer or another Subsidiary of the Issuer.

6. DEFINITIONS

For the purposes of these Conditions:

"**Capital Stock**" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity;

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended;

"**Core Assets Disposal**" means a sale, assignment, conveyance, transfer, grant or otherwise a disposal of shares in (i) JSC NC "KazMunayGas", (ii) National Company "Kazakhstan Temir Zholy" JSC, (iii) National Atomic Company "Kazatomprom" JSC and (iv) any other Subsidiary which is a Material Subsidiary, in each case which would leave the Issuer holding less than 50 per cent. plus one share of the issued and outstanding voting share capital of the relevant Subsidiary and except for any a sale, assignment, conveyance, transfer, grant or otherwise a disposal of shares in the issued share capital of (A) KMG Kashagan B.V. resulting from the compliance by the Issuer and/or the Republic of Kazakhstan with any final, non-appealable judgment(s) of a court of competent jurisdiction resulting from the Specified Proceedings; and (B) KazMunayGas International N.V. and its Subsidiaries;

"**Domestic Relevant Indebtedness**" means any Relevant Indebtedness which is denominated and payable in Tenge, which on issue was not quoted, listed or purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market outside the Republic of Kazakhstan and which on issue was placed only with investors within the Republic of Kazakhstan;

"**FATCA**" means sections 1471 to 1474 of the Code, any agreement described in section 1471(b) of the Code, or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations promulgated thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto;

"**FFI**" means a "foreign financial institution" as such term is defined pursuant to FATCA;

"**Guarantee**" means any guarantee or indemnity in respect of any Relevant Indebtedness, Public External Indebtedness or Indebtedness for Borrowed Money, as the case may be, or any arrangement having a similar effect;

"**Group**" means the Issuer and its consolidated Subsidiaries from time to time taken as a whole and references to a member of the Group means any of the Issuer or any of its consolidated Subsidiaries from time to time;

"**IFRS**" means the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

"**IFRS Fiscal Period**" means any fiscal period for which the Group has produced financial statements in accordance with IFRS which have been audited by independent accountants of recognised international standing;

"**Indebtedness for Borrowed Money**" means any indebtedness of any Person for or in respect of:

(a) moneys borrowed;

(b) amounts raised by acceptance under any acceptance credit facility;

(c) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments;

(d) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with IFRS, be treated as finance or capital leases;

(e) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service;

(f) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the commercial effect of a borrowing (but excluding, in respect of JSC NC "KazMunayGas" and JSC "KazTransGas" and their respective Subsidiaries, any amounts raised under prepayment facilities);

(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark-to-market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount) shall be taken into account);

(h) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above;

"**Material Subsidiary**" means a Subsidiary of the Issuer:

(a) which, for the most recent IFRS Fiscal Period, accounted for more than 10 per cent. of the consolidated revenues of the Group; or which, as of the end of the most recent IFRS Fiscal Period, was the owner of more than 10 per cent. of the consolidated assets of the Group, each as set out in the most recent available consolidated financial statements of the Group for such IFRS Fiscal Period (with effect from the date of issuance of such statements); or

(b) to which are transferred substantially all of the assets and undertakings of a Subsidiary of the Issuer which immediately prior to such transfer was a Material Subsidiary (with effect from the date of such transaction);

"**Non-recourse Acquisition Financing**" means any financing of all or part of the costs of the acquisition, construction or development of any assets or properties, provided that: (i) any Security Interest given by the Issuer in connection therewith is limited solely to such assets or properties; (ii) the Persons providing such financing expressly agree to limit their recourse to the assets or properties whose acquisition, construction or development is financed and any revenues derived from such assets or properties as the principal source of repayment for the moneys advanced; and (iii) there is no other recourse to the Issuer or any of its Material Subsidiaries in respect of any default by any Person under the financing;

"**Participating FFI**" means an FFI that is a "participating foreign financial institution" as from the effective date of withholding on "passthru payments" (as such terms are defined pursuant to FATCA);

"**Permitted Security Interest**" means, without duplication:

(a) any Security Interest existing on the Issue Date; or

(b) any Security Interest created or existing in respect of Domestic Relevant Indebtedness; or

(c) any Security Interest granted to secure a Non-recourse Acquisition Financing; or

(d) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by a Security Interest permitted by any of the above exceptions, provided that, unless otherwise permitted under sub-paragraphs (a) or (c) above, the Relevant Indebtedness thereafter secured by such Security Interest does not exceed the amount of the original Relevant Indebtedness and such Security Interest is not extended to cover any property not previously subject to such Security Interest; or

(e) for the avoidance of doubt, any Security Interest created or existing in respect of any Indebtedness that is not Relevant Indebtedness;

"**Preferred Stock**" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person;

"**Prospectus**" means a prospectus relating to the Notes dated 26 October 2021;

"**Public External Indebtedness**" means any present or future indebtedness of any Person denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, in a currency other than the lawful currency of the Republic of Kazakhstan which is in the form of, or represented by, notes, debentures, bonds or other similar capital market instruments and which is ordinarily quoted, listed or purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market;

"**Relevant Date**" means, in relation to a payment of principal and/or interest, whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City by the Fiscal Agent on or prior to such due date, the date on which, the full amount plus any accrued interest having been so received, notice to that effect shall have been given to the Noteholders;

"**Relevant Indebtedness**" means any present or future indebtedness in the form of, or represented by, notes, debentures, bonds or other similar capital market instruments and which is ordinarily quoted, listed or purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Proceedings**" means the legal proceedings involving the Issuer and the Stati Parties (as defined in the Prospectus) as described in section *"Risk Factors – Risk Factors Relating to the Group – Operational Risks – The Issuer and other members of the Group may become subject to legal proceedings which could materially and adversely affect the Group"* of the Prospectus; and

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**") (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise or (ii) whose assets, liabilities, equity, income, expenses and cash flows are, in accordance with applicable law and IFRS, consolidated with those of the first Person in the consolidated financial statements of such Person.

Any reference in these Conditions or the Notes to principal and/or interest shall be deemed to include any additional amounts which may be payable under Condition 10 (*Taxation*) or any undertaking given in addition to or substitution for it under the Fiscal Agency Agreement.

7. INTEREST

(a) ***Interest Accrual.*** Each Note bears interest from 28 October 2021 (the "**Issue Date**") at the rate of 2.00 per cent. per annum (the "**Rate of Interest**") payable semi-annually in arrear on 28 April and 28 October in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 8 (*Payments*). Each period beginning on (and including) the Issue Date or any

Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "Interest Period".

(b) ***Cessation of Interest.*** Each Note will cease to bear interest from the due date for final redemption unless, upon due surrender of the relevant Note, payment of principal is improperly withheld or refused. In such case it will continue to bear interest at such rate (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment) in accordance with Condition 15 (*Notices*).

(c) ***Calculation of Interest for an Interest Period.*** The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(d) ***Calculation of Interest for any other Period.*** If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

The determination of the amount of interest payable under Conditions 7(c) (*Calculation of Interest for an Interest Period*) and 7(d) (*Calculation of Interest for any other Period*) by the Fiscal Agent shall, in the absence of manifest and proven error, be binding on all parties.

8. PAYMENTS

(a) ***Principal.*** Payment of principal in respect of each Note and payment of interest due other than on an Interest Payment Date will be made to the Person shown on the register at the close of business on the Record Date (as defined below) and subject to the surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Certificate at the Specified Office of the Registrar or the Paying and Transfer Agents.

(b) ***Interest.*** Payments of interest due on an Interest Payment Date will be made to the Persons shown in the Register at close of business on the Record Date.

(c) ***Record Date.*** "Record Date" means the fifteenth day before the due date for the relevant payment.

(d) ***Payments.*** Each payment in respect of the Notes pursuant to Conditions 8(a) (*Principal*) and 8(b) (*Interest*) will be made by United States dollar cheque drawn on a branch of a bank in New York City mailed to the holder of the relevant Note at his address appearing in the Register. However, upon application by the holder to the Specified Office of the Registrar or any Paying and Transfer Agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by transfer to a United States dollar account maintained by the payee with a bank in New York City.

The holder of a Global Certificate shall be the only Person entitled to receive payments in respect of the Notes represented by such Global Certificate and the Issuer will be discharged by payment to the holder of such Global Certificate in respect of each amount paid. Each of the Persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to the holder of such Global Certificate.

Where payment is to be made by cheque, the cheque will be mailed, on the business day preceding the due date for payment or, in the case of payments referred to in Condition 8(a) (*Principal*), if later, on the business day on which the relevant Definitive Certificate is

surrendered (or endorsed as the case may be) as specified in Condition 8(a) (*Principal*) (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder).

Where payment is to be made by transfer to a United States dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated, in the case of principal, on the later of the due date for payment and the day on which the relevant Definitive Certificate is surrendered (or, in the case of part payment only, endorsed) and, in the case of interest on the due date for payment.

(e) ***Agents.*** The names of the initial Paying and Transfer Agents and Registrar and their Specified Offices are set out in Schedule 2 to the Fiscal Agency Agreement. The Issuer reserves the right under the Fiscal Agency Agreement by giving to the relevant Agent concerned at least 60 days' prior written notice, which notice shall expire at least 30 days before or after any due date for payment in respect of the Notes, to vary or terminate the appointment of any Agent or the Registrar (including in circumstances where the Paying and Transfer Agent does not become or ceases to be, a Participating FFI at a time when the Issuer would be required to withhold or deduct any amount from any payment made by it to the Paying and Transfer Agent pursuant to FATCA) and to appoint successor or additional Agents or another Registrar, provided that it will at all times maintain:

(i) a Fiscal Agent;

(ii) a Paying and Transfer Agent in at least one major European city;

(iii) a Paying and Transfer Agent in a jurisdiction other than the Republic of Kazakhstan; and

(iv) a Registrar.

Notice of any such removal or appointment and of any change in the Specified Office of any Agent or Registrar will be given to Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable.

(f) ***Payments subject to Fiscal Laws; Commissions.*** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*) and any withholding or deduction required pursuant to FATCA. In that event, the Issuer or such Paying and Transfer Agent (as the case may be) shall make such payment after such withholding tax or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any Agent nor any other Person will be obliged to make any additional payments to the Noteholders in respect of any amounts so withheld or deducted, including pursuant to FATCA. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(g) ***Delay in Payment.*** Noteholders will not be entitled to any interest or other payment in respect of any delay in payment resulting from (i) the due date for payment not being a business day or (ii) a cheque mailed in accordance with this Condition 8 (*Payments*) arriving after the due date for payment or being lost in the mail.

(h) ***Business Days.*** In this Condition, "**business day**" means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and, in the case of surrender of a Definitive Certificate, in the place of the Specified Office of the Registrar or relevant Paying and Transfer Agent, to whom the relevant Definitive Certificate is surrendered.

9. REDEMPTION AND PURCHASE

(a) ***Scheduled redemption.*** Unless previously purchased and cancelled as provided below, each Note will be redeemed at its principal amount on 28 October 2026 (the "**Maturity Date**") subject as provided in Condition 8 (*Payments*).

(b) ***Redemption for Taxation Reasons.*** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable), at 100 per cent. of their principal amount together (if applicable) with interest accrued and unpaid to (but excluding) the date fixed for redemption, if:

(i) the Issuer certifies to the Fiscal Agent that it has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 28 October 2021; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

(c) ***Redemption at the option of Noteholders (Put Option).*** If a Change of Control/Status Event (as defined below) occurs, the Issuer shall, at the option of the holder of any Note, upon the holder of such Note giving notice to the Issuer as provided in this Condition 9(c) (*Redemption at the option of Noteholders (Put Option)*) at any time during the Redemption Period, redeem such Note on the Redemption Date at 100 per cent. of its principal amount together (if applicable) with interest accrued and unpaid to (but excluding) the Redemption Date.

Immediately upon the Issuer becoming aware that a Change of Control/Status Event has occurred, the Issuer shall give notice (a "**Change of Control/Status Notice**") to the Noteholders in accordance with Condition 15 (*Notices*) specifying the nature of the Change of Control/Status Event and the procedure for exercising the put option contained in this Condition 9(c) (*Redemption at the option of Noteholders (Put Option)*).

To exercise the put option pursuant to this Condition 9(c) (*Redemption at the option of Noteholders (Put Option)*), a holder must deposit the certificate representing the Note(s) to be redeemed with the Paying Agent at its Specified Office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent within the Redemption Period. An Exercise Notice, once given, shall be irrevocable.

For the purpose of this Condition 9(c) (*Redemption at the option of Noteholders (Put Option)*):

(i) a "**Change of Control/Status Event**" will occur:

(A) if at any time the Republic of Kazakhstan ceases to own, directly or indirectly, 100 per cent. of the issued share capital of the Issuer or otherwise ceases to

control, directly or indirectly, the Issuer. For the purpose of this Condition 9(c) (*Redemption at the option of Noteholders (Put Option)*), the Republic of Kazakhstan will be deemed to "control" the Issuer if (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) it has the power to appoint and/or remove the majority of the members of the board of directors or other governing body of the Issuer or otherwise controls, or has the power to control, the affairs and policies of the Issuer; or

(B) upon any change to such laws the result of which is that the Issuer ceases to be a national management holding;

(ii) "**Redemption Date**" means, in respect of any Note, the date which falls 14 days after the date on which the relevant holder exercises its option in accordance with this Condition 9(c) (*Redemption at the option of Noteholders (Put Option)*); and

(iii) "**Redemption Period**" means the period from and including the date on which a Change of Control/Status Event occurs (whether or not the Issuer has given a Change of Control/Status Notice in respect of such event) to and including the date falling 60 days after the date on which such Change of Control/Status Notice is given, provided that if no Change of Control/Status Notice is given, the Redemption Period shall not terminate.

(d) ***Make Whole Redemption at the Option of the Issuer.*** At any time prior to 28 July 2026, the Issuer may, at its option, on giving not less than 15 nor more than 30 days' notice (the "**Call Option Notice**") to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable), redeem the Notes in whole, but not in part, at the following price:

(i) the aggregate principal amount of the outstanding Notes plus;

(ii) interest and other amounts that may be due pursuant to these Conditions (if any) accrued but unpaid to, excluding, the Call Settlement Date (as defined below); plus

(iii) the Make Whole Premium.

The Call Option Notice shall specify the date fixed for redemption (the "**Call Settlement Date**").

For the purposes of this Condition 9(d):

"**Make Whole Premium**" means, with respect to a Note any time, the excess of (a) the present value of the Notes at the Call Settlement Date, being the outstanding aggregate principal amount of the Notes plus any required interest payments that would otherwise accrue and be payable on such Notes from and after the Call Settlement Date through to the Maturity Date (but excluding any interest accrued and unpaid to, but excluding the Call Settlement Date) calculated using the discount rate equal to the Treasury Rate at the Call Settlement Date plus 50 basis points, over (b) the outstanding aggregate principal amount of the Notes on and as at the Call Settlement Date, provided that if the value of the Make Whole Premium at any time would otherwise be less than zero, then in such circumstances, the value of the Make Whole Premium will be equal to zero. The Issuer shall notify the Noteholders in accordance with Condition 15 (*Notices*) and the Agents of the Make Whole Premium not less than two Business Days prior to the Call Settlement Date.

"**Treasury Rate**" means the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity most nearly equal to the period from the Call Settlement Date to the Maturity Date. The Issuer will obtain such yield to maturity from information compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) (or any successor thereto), which has become publicly available at least three Business Days (but

not more than five Business Days) prior to the Call Settlement Date (or, if such Statistical Release is not so published or available, any publicly available source of similar market data selected by the Issuer in good faith); provided, however, that if the period from the Call Settlement Date to the Maturity Date is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weakly average yields of U.S. Treasury securities for which such yields are given, except that if the period from the Call Settlement Date to the Maturity Date is less than one year, the weakly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

(e) ***Optional Redemption at Par:*** The Issuer may, at any time, on or after 28 July 2026, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Par Optional Redemption Date**")) and to the Agents, redeem the Notes in whole or in part, at 100 per cent. of the principal amount thereof, together with accrued interest and unpaid to, but excluding, the Par Optional Redemption Date. In the case of a partial redemption, the Notes shall be selected for redemption either: (i) in accordance with the procedures of the relevant clearing systems and on a *pro rata* pass-through distribution of principal basis; or (ii) if the Notes are not held in a clearing system, the Notes will be redeemed by drawing lots in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices; subject, in each case, to compliance with any applicable laws and stock exchange or other relevant regulatory requirements. No Agent shall have any liability for any selection made pursuant to this Condition 9(e).

(f) ***Clean-up Call.*** In the event that at least 80 per cent. of the aggregate principal amount of the Notes (which, for the avoidance of doubt, includes any Further Notes issued pursuant to Condition 17 (*Further Issues*)) have been redeemed or purchased, the Issuer may, at any time prior to 28 July 2026, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable) and to the Agents, redeem all (but not less than all) of the Notes outstanding at a redemption price equal to 100 per cent. of the principal amount of such Notes outstanding together with interest accrued to, but excluding, the date of such redemption.

(g) ***No other Redemption.*** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 9(a) (*Scheduled Redemption*) to 9(f) (*Clean-up Call*) above.

(h) ***Purchase.*** The Issuer or any of its Subsidiaries may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise and at any price. The Notes so purchased may be held or resold (provided that such resale is outside the United States or, in the case of any Notes resold pursuant to Rule 144A, is only made to QIBs that are also QPs and is otherwise in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer or otherwise, as the case may be in compliance with Condition 9(i) (*Cancellation of Notes*) below. The Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 14 (*Meetings of Noteholders; Modification*).

(i) ***Cancellation of Notes.*** All Notes which are redeemed pursuant to Conditions 9(b) (Redemption for Taxation Reasons) to 9(f) (*Clean-up Call*) or submitted for cancellation pursuant to Condition 9(h) (*Purchase*) will be cancelled and may not be reissued or resold. For so long as the Notes are admitted to trading on the Main Market of the London Stock Exchange plc (the "**Stock Exchange**"), the Kazakhstan Stock Exchange (the "**KASE**") or the Astana International Exchange (the "**AIX**") and the rules of such exchange so require, the Issuer shall promptly inform the Stock Exchange, the KASE and/or the AIX (as applicable) of the cancellation of any Notes under this Condition 9(i) (*Cancellation of Notes*).

10. TAXATION

(a) All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Kazakhstan or any political sub-division thereof or by any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

(i) **Other Connection**: presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having a present or former connection with the Republic of Kazakhstan, other than the mere holding of such Note;

(ii) **Presentation more than 30 days after the Relevant Date**: where (in the case of a payment of principal or interest on redemption) the relevant Definitive Certificate is surrendered for payment more than 30 days after the Relevant Date (as defined above) except to the extent that the holder of it would have been entitled to such additional amounts on surrendering such Definitive Certificate for payment on the last day of such period of 30 days; or

(iii) **Payment by another Paying and Transfer Agent**: where (in the case of a payment of principal or interest on redemption) the relevant Definitive Certificate is surrendered for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by surrendering the relevant Definitive Certificate to another Paying and Transfer Agent in a Member State of the European Union.

For the avoidance of doubt, neither the Issuer nor any Agent nor any other Person will be obliged to make any additional payments to the Noteholders in respect of amounts withheld or deducted pursuant to FATCA.

(b) ***Taxing jurisdiction.*** If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Kazakhstan, references in this Condition 10 (*Taxation*) to the Republic of Kazakhstan shall be construed as references to the Republic of Kazakhstan and/or such other jurisdiction or, in each case, any political subdivision or any authority thereof or therein having power to tax.

11. PRESCRIPTION

Claims in respect of principal and interest will become void unless the relevant Definitive Certificate is surrendered for payment as required by Condition 8 (*Payments*) within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

12. EVENTS OF DEFAULT

If any of the following events (each, an "**Event of Default**") occurs and is continuing:

(a) ***Non-payment.*** The Issuer fails to pay any amount of principal in respect of the Notes when the same becomes due and payable either at maturity, by declaration or otherwise or the Issuer is in default with respect to the payment of interest or any additional amount payable in respect of any of the Notes and such default continues for a period of at least seven days in the case of principal or at least 14 days in the case of interest or additional amounts; or

(b) ***Breach of other obligations.*** The Issuer defaults in the performance or observance of any of its other obligations under the Notes or the Deed of Covenant and such default is incapable of remedy or, if capable of remedy, remains unremedied for 30 days after notice of such default

has been given to the Issuer at the Specified Office of the Fiscal Agent by any holder of Notes; or

(c) ***Cross-acceleration***

(i) (A) Any Indebtedness for Borrowed Money of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period; (B) any such Indebtedness for Borrowed Money becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness for Borrowed Money; or (C) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness for Borrowed Money, provided that the amount of Indebtedness for Borrowed Money referred to in (i) to (ii) above and/or the amount payable under any Guarantee referred to in (iii) above individually or in the aggregate exceeds U.S.$250,000,000 (or its equivalent in any other currency or currencies); or

(ii) (A) any Public External Indebtedness of the Republic of Kazakhstan (x) becomes due and payable prior to the due date for payment thereof by reason of default by the Republic of Kazakhstan, or (y) is not repaid at maturity as extended by the period of grace, if any, applicable thereto; or (B) any Guarantee given by the Republic of Kazakhstan in respect of Public External Indebtedness of any other Person is not honoured when due and called upon; provided that the aggregate amount of the relevant Public External Indebtedness or liability under such Guarantee in respect of which one or more of the events mentioned in this Condition 12(c)(ii) shall have occurred equals or exceeds U.S.$65,000,000 or its equivalent in other currencies; or

(d) ***Judgment default.*** Any unsatisfied arbitration award, judgment, decree or order rendered or granted against the Issuer or any of its Material Subsidiaries which continue(s) to remain unsatisfied and unstayed for a period of 30 days after the date thereof or, if later, the date therein specified for payment and which has, on its own or when taken together with any other unsatisfied judgments, decrees, orders or arbitration awards, a material adverse effect on (a) the condition (financial or otherwise), business, operations, prospects, results of operations, general affairs or profitability of the Issuer or the Group; (b) the ability of the Issuer to perform or comply with its obligations under the Deed of Covenant, the Fiscal Agency Agreement and the Notes; or (c) the validity, legality or enforceability of the Deed of Covenant, the Fiscal Agency Agreement and the Notes or the rights or remedies of the Noteholders thereunder; or

(e) ***Security Enforced.*** A secured party takes possession, or a receiver, manager or other similar officer is appointed, of all or substantially all of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or

(f) ***Insolvency***

(A) The Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (B) an administrator or liquidator or other similar officer of the Issuer or any of its Material Subsidiaries or all or substantially all of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is appointed (and such appointment shall have remained in force undischarged or unstayed for a period of 45 days), (C) the Issuer or any of its Material Subsidiaries takes any action for a general readjustment or deferment of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness for Borrowed Money or (D) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business; or

(i) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (other than a solvent reorganisation of the Issuer or any Material Subsidiary); or

(ii) any event occurs which under the laws of the Republic of Kazakhstan has an analogous effect to any of the events referred to in (i) and (ii) above; or

(g) ***Invalidity or unenforceability***

The validity of the Notes or the Deed of Covenant is contested by the Issuer, or the Issuer shall deny any of its obligations under the Notes or the Deed of Covenant, or it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under or in respect of the Notes or the Deed of Covenant, or any of such obligations are or become unenforceable or invalid; or

(h) ***Government intervention***

(i) All or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or

(ii) the Issuer or any of its Material Subsidiaries is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or

(i) ***Material Compliance with Applicable Laws.*** The Issuer fails to comply in any material respect with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority for any purpose to enable it lawfully to exercise its rights or perform or comply with its obligations under the Notes or the Deed of Covenant or to ensure that those obligations are legally binding and enforceable or that all necessary agreements or other documents are entered into and that all necessary consents and approvals of, and registrations and filings with, any such authority in connection therewith are obtained and maintained in full force and effect,

then the holders of at least 25 per cent. in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer. No delay or omission of any Noteholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default.

If the Issuer receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall, give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

13. REPLACEMENT OF NOTES

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar or any Paying and Transfer Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing

market practice). Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

14. MEETINGS OF NOTEHOLDERS; MODIFICATION

(a) ***Meetings of Noteholders.*** The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Fiscal Agency Agreement. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Noteholders holding not less than 20 per cent. in principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing a clear majority of the aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; provided, however, that any proposals relating to any Reserved Matter (as defined below) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the principal amount of the outstanding Notes form a quorum. The Noteholders may sanction by Extraordinary Resolution the waiver of any or all past or existing Events of Default and rescind any declaration that the Notes are immediately due and repayable as a result of any such Event of Default (including any failure to pay any principal and/or interest following such declaration); *provided*, however, that any proposal for any waiver of any Event of Default (or related rescission of a declaration that the Notes are immediately due and repayable) arising from a matter (including any modification of any provisions of these Conditions or the Fiscal Agency Agreement) a proposal to effect which would be a Reserved Matter shall itself be a Reserved Matter. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present at the meeting(s) or not.

(b) ***Reserved Matters.*** In these Conditions, "**Reserved Matter**" means any proposal whereby:

(i) the principal amount of, or interest on, or additional amounts in respect of the Notes is to be reduced or cancelled or the rate of interest on the Notes is to be reduced; or

(ii) the status of the Notes under Condition 4 (*Status*) is to be amended;

(iii) the currency of payment of the Notes or the due date or date for any payment in respect of the Notes is to be changed; or

(iv) the provisions contained in Schedule 4 (*Provisions for Meetings of Noteholders*) to the Fiscal Agency Agreement concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or the definition of "Extraordinary Resolution" or the definition of "outstanding" is to be modified; or

(v) this definition of Reserved Matter is to be amended; or

(vi) the Deed of Covenant is to be modified or cancelled.

(c) ***Written resolution and Electronic Consent.*** A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed (i) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Fiscal Agency Agreement or (ii) if such Noteholders have been given at least 21 days' notice of such resolution, by or on behalf of Persons holding two-thirds of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. The Fiscal Agency Agreement also provides that, subject to the terms therein, a resolution approved by an Electronic Consent (as defined below) communicated through the electronic communications systems of the relevant clearing system by or on behalf of not less than three-quarters in principal amount of the Notes outstanding shall take effect as an Extraordinary

Resolution. Subject to the terms stated in the Fiscal Agency Agreement, for so long as the Notes are in the form of one or more Global Certificates registered in the name of any nominee for one or more of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system and where the terms of the proposed resolution have been notified to the Noteholders through the relevant clearing system(s), the Issuer shall be entitled to rely upon approval of such resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than two-thirds in principal amount of the Notes outstanding ("**Electronic Consent**"). For the avoidance of doubt, an Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened in accordance with paragraph (a) above, unless that meeting is or shall be cancelled or dissolved.

(d) ***Modification without Noteholders' consent.*** The Notes, the Fiscal Agency Agreement and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error or to make any modification which is in the opinion of the Issuer of a formal, minor or technical nature. Any such modification shall be binding on the Noteholders and shall be notified to the Noteholders as soon as practicable thereafter.

15. NOTICES

Notices to Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth weekday after the date of mailing (being a day other than a Saturday or Sunday). Notices to Noteholders will be valid if published, for so long as the Notes are admitted to trading on the Main Market of the Stock Exchange, Kazakhstan Stock Exchange or the Astana International Exchange, as the case may be, such notice may instead be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if, in the opinion of the Fiscal Agent, such publication is not practicable, in a leading English language daily newspaper of general circulation in Europe, and on the website of Kazakhstan Stock Exchange or the Astana International Exchange, as the case may be, in each case in accordance with any rules from time to time. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. To the extent required by Kazakhstan law, notices shall also be published in the mass media in the form specified in the charter of the Issuer.

So long as any of the Notes are represented by the Unrestricted Global Certificate, notices required to be published in accordance with Condition 15 (Notices) may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided: (i) that such notice is also delivered to the Stock Exchange; and (ii) so long as the Notes are admitted to trading on the Stock Exchange and the rules of the Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times). So long as any of the Notes are represented by the Restricted Global Certificate(s), notices required to be published in accordance with Condition 15 (Notices) may be given by delivery of the relevant notice to DTC for communication to the relevant accountholders, provided: (i) that such notice is also delivered to the Stock Exchange; and (ii) so long as the Notes are admitted to trading on the Stock Exchange and the rules of the Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times).

16. PROVISION OF INFORMATION

The Issuer shall, during any period in which it is not subject to or in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any holder of a Note which is a "**restricted security**" within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of such securities designated by such Noteholder, upon the written request of such Noteholder or (as the case may be) prospective Noteholder

addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

17. FURTHER ISSUES

The Issuer may from time to time, without notice to or the consent of the Noteholders and in accordance with the Fiscal Agency Agreement, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the date for and amount of the first payment of interest) so as to be consolidated and form a single series with the Notes ("**Further Notes**").

18. CURRENCY INDEMNITY

The Fiscal Agency Agreement provides that if any Noteholder receives or recovers any amount in a currency other than the Contractual Currency (as defined in the Fiscal Agency Agreement) (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise), in respect of any sum expressed to be due to it from the Issuer that amount will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the relevant Noteholder under the Notes, the Issuer will indemnify such Noteholder against any loss sustained by it as a result on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar or any Paying and Transfer Agent with its Specified Office in London. In any event, the Issuer will indemnify the relevant Noteholder against the cost of making any such purchase.

19. GOVERNING LAW AND ARBITRATION

(a) ***Governing Law***

The Notes and the arbitration agreement at Condition 19(b) (*Arbitration*), including any non-contractual obligations arising out of or in connection with the Notes, are governed by, and shall be construed in accordance with, English law.

(b) ***Arbitration***

Save for any Dispute (as defined below) solely between the Issuer and any Noteholder(s) resident in Kazakhstan, which shall be resolved by the courts of the Republic of Kazakhstan, the Issuer agrees that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes (including a claim, dispute or difference regarding their existence, termination or validity or any non-contractual obligations arising out of or in connection with the Notes) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the LCIA Rules (the "**Rules**") as in force at the date of the Fiscal Agency Agreement and as modified by this Condition, which Rules shall be deemed incorporated into this Condition. The number of arbitrators shall be three, one of whom shall be nominated by the claimant(s), one by the respondent(s) and the third of whom, who shall act as Chairman, shall be nominated by the two party-nominated arbitrators, *provided that* if the third arbitrator has not been nominated within 30 days of the nomination of the second party-nominated arbitrator, such third arbitrator shall be appointed by the LCIA Court. The parties may nominate and the LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

Where disputes involving a common issue of law or fact arise:

(i) under the Deed of Covenant; and/or

(ii) under the Notes,

which, in the reasonable opinion of the first arbitral tribunal to be appointed in relation to any such disputes (whether such disputes arise under the Notes or under the Deed of Covenant) are so closely connected that it is just for them to be resolved in the same proceedings ("**Related Disputes**"), that arbitral tribunal shall have the power to order that the proceedings to resolve such Related Disputes shall be consolidated (whether or not proceedings to resolve the other Related Disputes have yet been instituted or any other arbitral tribunals have yet been constituted). The first arbitral tribunal shall determine whether to order such consolidation on the application of either the claimant(s) or the respondent(s) to any party to any of the Related Disputes referred to above, and in making such determination shall take account of (i) the likelihood and consequences of inconsistent decisions if consolidation is not ordered, (ii) any failure on the part of the party seeking consolidation to make a timely application and (iii) the likely consequences of consolidation in terms of cost and time. If the first arbitral tribunal makes an order for consolidation, it will immediately, to the exclusion of any other arbitral tribunals, have jurisdiction to resolve finally each Related Dispute which is a subject of the order for consolidation, and the parties to each Related Dispute which is a subject of such order for consolidation shall be treated as having consented to that Related Dispute being finally decided by such first arbitral tribunal and having waived any objection on the basis of such order for consolidation to the validity and/or enforceability of any arbitral award made by such first arbitral tribunal following the order for consolidation, unless the LCIA Court decides that any member of such arbitral tribunal would not be suitable or impartial.

(c) ***Service of Process***

The Issuer agrees that the process by which any proceedings are commenced in the English courts in support of, or in connection with, an arbitration commenced pursuant to Condition 19(b) (*Arbitration*) may be served on it by being delivered to it at its registered office in England at Office 3.01, Third Floor, 33 St. James's Square, London, United Kingdom SW1Y 4JS. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 14 days, any Noteholder shall be entitled to appoint such a Person by written notice to the Issuer. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

(d) ***Enforcement of Awards; Waiver of Immunity***

The Issuer agrees that any award made pursuant to Condition 19(b) (Arbitration) in relation to a Dispute may be enforced in a court of competent jurisdiction of which the Issuer is or may be subject. To the extent that the Issuer may in any jurisdiction claim for itself or its assets, property or revenues (irrespective of their use or intended use) immunity from jurisdiction, suit, enforcement, execution, attachment (whether in aid of execution, before the making of a judgment or award or otherwise) or other legal process, including in relation to the enforcement of any arbitration award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets, property or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, after deduction of the total expenses related to the admission to trading, expected to amount to approximately U.S.$492,000,000, will be used for refinancing of existing indebtedness under syndicated and bank loans and for general corporate purposes, which may include funding its portfolio companies' ordinary course of business.

CAPITALISATION

The following table sets forth the Issuer's consolidated capitalisation as at 30 June 2021, which has been derived from the Interim Consolidated Financial Statements. This table should be read in conjunction with "*Selected Consolidated Financial Information*", "*Operating and Financial Review*" and the Consolidated Financial Statements, including the notes thereto, included elsewhere in this Prospectus for the periods indicated.

	As of 30 June 2021
	(*in millions of Tenge*)
Non-current borrowings	6,570,239
Non-current lease liabilities	406,959
Non-current loans from the Government	567,154
Current borrowings	1,095,073
Current lease liabilities	144,345
Current loans from the Government	13,411
Total borrowings and lease liabilities	**8,797,181**
Equity	
Share capital	5,258,657
Currency translation reserve	1,846,280
Revaluation reserve of investments at fair value through other comprehensive income	31,829
Hedging reserve	(57,624)
Other capital reserves	(16,984)
Retained earnings	7,282,679
Non-controlling interest	1,721,918
Total equity	**16,066,755**
Total capitalisation	**24,863,936**

There has been no material change in the consolidated capitalisation of the Issuer since 30 June 2021.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information of the Group as at and for the years ended 31 December 2020, 2019 and 2018 and for the six months ended 30 June 2021 and 30 June 2020 has (as the case may be) been derived from, should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements, including the notes thereto, contained elsewhere in this Prospectus.

Prospective investors should read the following selected consolidated financial information in conjunction with the information contained in the "*Presentation of Financial and Certain Other Information*", "*Risk Factors*," "*Capitalisation*," "*Operating and Financial Review*," "*Business of the Group*", the Consolidated Financial Statements, including the notes thereto, and other financial data appearing elsewhere in this Prospectus. Investors should not rely on interim results as being indicative of results the Issuer may expect for the full year.

Consolidated Statement of Comprehensive Income

	Six months ended 30 June		Year ended 31 December		
	2021 (unaudited)	**2020 (unaudited)**	**2020 (audited)**	**2019 (restated)**	**2018 (restated)**
	(*in millions of Tenge*)				
Revenue	5,334,705	3,984,714	8,556,009	10,648,913	10,116,427
Government grants	18,989	11,044	35,408	54,788	31,217
	5,353,694	**3,995,758**	**8,591,417**	**10,703,701**	**10,147,644**
Cost of sales	(3,918,617)	(3,097,017)	(6,618,721)	(7,988,781)	(7,798,575)
Gross profit	**1,435,077**	**898,741**	**1,972,696**	**2,714,920**	**2,349,069**
General and administrative expenses	(202,325)	(193,316)	(425,875)	(469,857)	(488,633)
Transportation and selling expenses	(386,135)	(329,995)	(670,549)	(779,034)	(721,582)
Impairment loss, net	(27,627)	(283,550)	(343,741)	(355,693)	(197,406)
Gain on business combination	–	–	–	82,609	347,479
Gain/(loss) on disposal of subsidiaries	(1,727)	(173)	219	24,179	26,432
Operating profit/(loss)	**817,263**	**91,707**	**532,750**	**1,217,124**	**1,315,359**
Finance costs	(268,649)	(309,329)	(608,953)	(639,780)	(633,155)
Finance income	60,616	96,323	180,188	280,949	206,520
Other non-operating loss	(16,081)	(23,469)	(59,795)	(66,843)	(110,763)
Other non-operating income	53,316	58,011	93,265	113,530	44,176
Share in profit of joint ventures and associates, net	510,801	276,253	641,608	914,757	754,901
Net foreign exchange (loss)/gain	(1,504)	72,383	50,094	(16,822)	123,888
Profit/(loss) before income tax	**1,155,762**	**261,879**	**829,157**	**1,802,915**	**1,700,926**
Income tax expenses	(227,577)	(85,377)	(246,615)	(382,434)	(403,816)
Loss from discontinued operations, net of income tax	–	–	–	–	(3,542)
Net profit/(loss) for the period	**928,185**	**176,502**	**582,542**	**1,420,481**	**1,293,568**
Net profit/(loss) for the period attributable to:					
Equity holder of the Parent	809,431	225,597	558,192	1,247,971	1,185,508
Non-controlling interest	118,754	(49,095)	24,350	172,510	108,060
	928,185	**176,502**	**582,542**	**1,420,481**	**1,293,568**
Other comprehensive income, net of tax					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange differences on translation of foreign operations	96,348	262,005	516,078	(34,256)	431,034
Unrealised gain/(loss) from revaluation of investments at fair value through other comprehensive income	81	(1,251)	1,962	102	(367)
(Loss)/gain on cash flow hedge	4,421	(1,098)	(10,425)	23,249	(10,279)
Reclassification to profit or loss of the revaluation reserve for the sale of financial assets at fair value through other comprehensive income	317	(137)	98	23	119
Reclassification to profit or loss of foreign currency translation reserve on disposal of foreign subsidiaries	–	–	–	–	(476)
Share of the OCI items of associates and joint ventures	617	1,948	5,113	128	4,356
Tax effect on transactions of OCI components	(7,717)	(19,881)	(37,255)	753	(750)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**94,067**	**241,586**	**475,571**	**(10,001)**	**423,637**

Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Share of the OCI items of associates and joint ventures	20	(96)	(285)	188	(155)
Net gain from investments in equity investments at fair value through other comprehensive income	–	–	–	–	14,509
Actuarial (loss)/gain on defined benefit plans	601	(1,200)	(8,295)	(7,667)	(7,577)
Tax effect on transactions of OCI components	43	43	—	—	404
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods	**664**	**(1,253)**	**(8,580)**	**(7,479)**	**7,181**
Other comprehensive income/(loss) for the period, net of tax	**94,731**	**240,333**	**466,991**	**(17,480)**	**430,818**
Total comprehensive income/(loss) for the period, net of tax	**1,022,916**	**416,835**	**1,049,533**	**1,403,001**	**1,724,386**
Total comprehensive income/(loss) for the period, net of tax, attributable to:					
Equity holder of the Parent	895,808	444,459	984,022	1,232,453	1,560,810
Non-controlling interest	127,108	(27,624)	65,511	170,548	163,576
	1,022,916	**416,835**	**1,049,533**	**1,403,001**	**1,724,386**

Consolidated Statement of Financial Position

	As at 30 June	**As at 31 December**		
	2021 (unaudited)	**2020 (audited)**	**2019 (restated)**	**2018 (restated)**
		(*in millions of Tenge*)		
ASSETS				
Non-current assets				
Property, plant and equipment	13,895,135	13,703,885	13,149,184	12,692,464
Intangible assets	1,997,349	2,022,024	2,001,908	1,688,235
Exploration and evaluation assets	355,332	367,393	371,894	431,848
Investment property	42,268	40,560	24,888	42,388
Investments in joint ventures and associates	5,336,186	4,985,676	4,242,871	3,701,451
Loans issued and finance lease receivables	366,367	366,830	370,556	431,276
Amounts due from credit institutions	118,714	135,315	169,792	176,360
Deferred tax assets	77,160	79,267	91,282	131,192
Other non-current financial assets	613,937	614,382	444,104	291,374
Other non-current assets	467,560	447,907	660,814	628,539
	23,270,008	**22,763,239**	**21,527,293**	**20,215,127**
Current assets				
Inventories	619,087	626,363	654,452	611,863
VAT receivable	200,946	256,319	191,260	151,750
Income tax prepaid	68,091	97,503	84,086	68,858
Trade accounts receivable	847,059	667,107	620,388	747,873
Loans issued and finance lease receivables	51,400	55,406	150,273	201,656
Amounts due from credit institutions	375,413	354,257	593,974	623,612
Other current financial assets	255,928	188,427	176,672	57,257
Other current assets	214,642	184,769	294,163	413,097
Cash and cash equivalents	2,755,982	2,227,669	1,993,962	2,487,553
	5,388,548	**4,657,820**	**4,759,230**	**5,363,519**
Assets classified as held for sale or distribution to the Shareholder	60,852	61,787	130,487	166,279
	5,449,400	4,719,607	4,889,717	5,529,798
TOTAL ASSETS	**28,719,408**	**27,482,846**	**26,417,010**	**25,744,925**
EQUITY AND LIABILITIES				
Equity				
Share capital	5,258,657	5,258,657	5,229,112	5,133,766
Additional paid-in capital	–	–	17,303	17,303
Currency translation reserve	1,846,280	1,763,499	1,319,406	1,349,799
Revaluation reserve of investments at fair value through other comprehensive income	31,829	31,464	29,354	28,806
Hedging reserve	(57,624)	(60,416)	(46,726)	(67,163)
Other capital reserves	(16,984)	(16,984)	(16,984)	(16,807)
Retained earnings	7,282,679	6,502,544	6,176,856	5,100,419
Attributable to equity holder of the Parent	**14,344,837**	**13,478,764**	**12,708,321**	**11,546,123**
Non-controlling interest	1,721,918	1,672,851	1,634,632	1,407,152

TOTAL EQUITY	**16,066,755**	**15,151,615**	**14,342,953**	**12,953,275**
Non-current liabilities				
Borrowings	6,570,239	6,608,990	6,103,443	6,035,456
Loans from the Government	567,154	562,449	622,322	630,433
Lease liabilities	406,959	396,441	342,574	–
Finance lease liabilities	–	–	–	130,640
Provisions	389,455	386,921	350,863	269,123
Deferred tax liabilities	1,216,296	1,143,256	1,065,288	937,119
Employee benefit liabilities	120,733	120,943	111,840	94,243
Obligations under oil supply agreements	–	185,680	357,902	1,153,761
Other non-current liabilities	208,617	138,085	113,520	120,575
	9,479,453	**9,542,765**	**9,067,752**	**9,371,350**
Current liabilities				
Borrowings	1,095,073	850,210	737,950	817,319
Loans from the Government	13,411	30,773	5,238	22,973
Lease liabilities	144,345	118,878	84,282	–
Finance lease liabilities	–	–	–	25,853
Provisions	87,298	80,980	119,367	151,793
Employee benefit liabilities	12,012	14,051	12,983	7,278
Income tax payable	41,980	10,567	15,529	18,699
Trade and other payables	862,185	828,258	1,045,282	995,322
Obligations under oil supply agreements	127,588	97,882	158,162	527,402
Other current liabilities	781,340	752,031	741,726	760,604
	3,165,232	**2,783,630**	**2,920,519**	**3,327,243**
Liabilities associated with assets classified as held for sale or distribution to the Shareholder	7,968	4,836	85,786	93,057
Total liabilities	**12,652,653**	**12,331,231**	**12,074,057**	**12,791,650**
TOTAL EQUITY AND LIABILITIES	**28,719,408**	**27,482,846**	**26,417,010**	**25,744,925**

Consolidated Statement of Cash Flows

	Six months ended 30 June		Year ended 31 December		
	2021 (unaudited)	**2020 (unaudited)**	**2020 (audited)**	**2019 (restated)**	**2018 (restated)**
	(*in millions of Tenge*)				
Cash flows from operating activities					
Receipts from customers	5,606,654	4,275,263	9,236,272	10,720,229	11,139,592
Payments to suppliers	(3,285,537)	(2,538,295)	(5,349,378)	(6,737,827)	(6,820,267)
Receipts from suppliers under the arbitration decision	112,058	–	–	–	–
Payments to employees	(526,466)	(486,891)	(1,022,274)	(1,033,538)	(945,284)
Other taxes and payments	(802,338)	(632,180)	(1,308,729)	(1,588,817)	(1,497,177)
Operations with financial instruments (the Fund and Kazpost JSC)	7,903	15,930	19,360	23,776	(149,711)
Short-term lease payments and variable lease payments	(20,275)	(43,434)	(57,634)	(82,314)	–
Proceeds from subsidised interest rates on financial liabilities	–	14,592	29,183	–	–
Other payments	(39,582)	(49,999)	(157,836)	(123,787)	(114,872)
VAT received	113,586	94,828	110,054	67,180	84,096
Income taxes paid	(78,900)	(89,840)	(214,006)	(270,127)	(261,221)
Interest paid	(264,919)	(245,176)	(520,080)	(474,112)	(534,690)
Interest received	36,804	73,725	146,453	170,486	180,128
Net cash flows received from operating activities	**858,988**	**388,523**	**911,385**	**671,149**	**1,080,594**
Cash flows from investing activities					
(Placement)/redemption of bank deposits, net	(27,997)	117,113	297,967	10,055	1,468,343
(Acquisition)/sale of joint ventures and associates, net	(3,102)	43,869	70,469	(3,366)	(50,510)
Additional contributions to share capital of joint ventures and associates without change in ownership	(1,925)	(13,482)	(22,227)	(4,765)	–
Acquisition of subsidiaries, net of cash acquired with the subsidiary	89	(26,499)	(26,499)	(248,813)	(161,682)
Acquisition of property, plant and equipment, exploration and evaluation assets and other non-current assets	(552,090)	(473,526)	(1,061,691)	(975,610)	(854,977)
Acquisition of intangible assets	(12,430)	(5,949)	(23,036)	(17,024)	(15,795)

Proceeds from sale of subsidiaries, net of cash of disposed subsidiaries	727	9,441	11,657	63,870	10,122
Proceeds of receivables from sale of shares of BTA and Forte banks	–	–	–	57,473	5,000
Dividends received from joint ventures and associates	189,615	90,829	246,164	235,983	250,499
Proceeds from the sale of property, plant and equipment	29,375	6,969	5,025	31,415	–
Proceeds from the sale of intangible assets	–	–	–	53	–
Proceeds from the sale of other non-current assets	41,961	4,022	52,982	34,931	–
Loans issued	(9,979)	(1,727)	(14,237)	(9,167)	(32,809)
Repayment of loans issued	14,564	17,969	79,937	59,686	109,420
Purchase of debt instruments	(132,425)	(80,515)	(312,747)	(123,589)	(17,861)
Proceeds from the sale of debt instruments	120,195	13,102	–	–	–
Reservation of cash for payment of borrowings	(32,799)	–	–	–	–
Other cash inflows	56,484	26,459	101,608	131,674	124,274
Net cash flows (used)/received in investing activities	**(319,737)**	**(271,925)**	**(594,628)**	**(757,194)**	**834,024**
Cash flows from financing activities					
Proceeds from borrowings	525,417	690,208	1,859,611	1,406,455	1,870,800
Repayment of borrowings	(422,904)	(628,178)	(1,811,258)	(1,538,093)	(2,981,551)
Share buyback by subsidiary	–	(212)	(212)	(2,979)	(642,524)
Repayment of lease liabilities	(47,755)	(45,671)	(95,384)	(104,090)	(19,335)
Contributions to the share capital by the Equity holder of the Parent	–	26,000	26,000	95,196	–
Contributions by non-controlling interest	228	–	18	120	–
Distributions to the Shareholder	(48,185)	(21,550)	(59,852)	(131,518)	(57,051)
Disposal of interest that does not result in the loss of control	–	83,944	83,944	49,145	160,423
Dividends paid to non-controlling interest of subsidiaries	(40,787)	(51,223)	(72,054)	(53,240)	(24,632)
Repayment of principal for acquisition of additional interest in the indivisible shares of the North-Caspian project	–	–	–	–	(185,570)
Dividends paid to the Shareholder	–	–	(120,000)	(63,750)	(12,732)
Bonds early extinguishment premium paid	–	(24,221)	(45,278)	(45,236)	
Acquisition of non-controlling interest	–	–	–	–	(56,700)
Other payments	(61)	(1,625)	(7,527)	(3,128)	(793)
Net cash flows (used)/received in financing activities	**(34,047)**	**27,472**	**(241,992)**	**(391,118)**	**(1,949,665)**
Net increase/(decrease) in cash and cash equivalents	**505,204**	**144,070**	**74,765**	**(477,163)**	**(35,047)**
Effects of exchange rate changes on cash and cash equivalents	24,737	91,109	158,524	(23,375)	244,566
Changes in cash and cash equivalents disclosed as part of assets classified as held for sale	(1,246)	529	87	7,399	14,962
Change in allowance for expected credit losses	(382)	264	331	(452)	(866)
Cash and cash equivalents, at the beginning of the period	2,227,669	1,993,962	1,993,962	2,487,553	2,263,938
Cash and cash equivalents, at the end of the period	**2,755,982**	**2,229,934**	**2,227,669**	**1,993,962**	**2,487,553**

Alternative Performance Measures

The following table sets forth key APMs used by the Group's management in assessing the Group's performance, which reflect the Group's operations:

	As at / for the six months ended 30 June	**As at / for the year ended 31 December**		
	2021	**2020**	**2019 (restated)**	**2018 (restated)**
		(*in billions of Tenge, except ratios*)		
EBITDA[(1)]	1,878	2,510	3,279	2,633
Interim LTM EBITDA[(2)]	3,249	N/A	N/A	N/A
Debt[(3)]	9,199	8,995	8,352	7,847
Net debt[(4)]	6,443	6,767	6,358	5,359
Debt / EBITDA[(5)]	2.8x	3.6x	2.6x	3.0x
Debt / Equity[(6)]	0.6x	0.6x	0.6x	0.6x
Net debt / EBITDA[(7)]	N/A	2.7x	1.9x	2.0x
Net debt / Interim LTM EBITDA[(8)]	2.0x	N/A	N/A	N/A
Current liquidity[(9)]	3,387	2,770	2,765	3,169
EBITDA / Interest cost[(10)]	6.7x	5.0x	6.7x	6.2x
Capital expenditure[(11)]	700	1,434	1,161	1,165

(1) The Group calculates EBITDA for any relevant period as revenue plus Government grants, minus cost of sales, minus general and administrative expenses, minus transportation and selling expenses, plus share in profit of joint ventures and associates and plus depreciation, depletion and amortisation.
(2) The Group calculates Interim LTM EBITDA for the 12 months ended 30 June 2021 by adding the EBITDA for the six months ended 30 June 2021 to the EBITDA for the year ended 31 December 2020 and subtracting the EBITDA for the six months ended 30 June 2020. Interim LTM EBITDA is used for calculation of the Net debt to Interim LTM EBITDA for the six months ended 30 June 2021.
(3) The Group calculates Debt as the sum of borrowings, loans from the Government, lease liabilities, derivative instruments and guaranteed principal amount of liabilities of entities outside the Group.
(4) The Group calculates Net Debt as Debt *minus* cash and cash equivalents.
(5) The Group calculates Debt / EBITDA as the ratio of Debt divided by EBITDA. Debt / EBITDA as at 30 June 2021 is calculated using the Interim LTM EBITDA for the 12 months ended 30 June 2021.
(6) The Group calculates Debt / Equity as the ratio of Debt divided by total equity.
(7) The Group calculates Net debt / EBITDA as the ratio of Net debt divided by EBITDA.
(8) The Group calculates Net debt / Interim LTM EBITDA as the ratio of Net debt divided by Interim LTM EBITDA.
(9) The Group calculates Current liquidity as the sum of cash and cash equivalents, amounts due from credit institutions (current portion) and other current financial assets.
(10) The Group calculates EBITDA / Interest cost as the ratio of EBITDA divided by interest expense from loans. EBITDA / Interest cost as at 30 June 2021 is calculated using the Interim LTM EBITDA for the 12 months ended 30 June 2021 divided by interest cost for the 12 months ended 30 June 2021.
(11) The Group defines capital expenditure as capital additions over the relevant reporting period.

The following table sets forth the EBITDA of certain principal segments for the periods indicated:

EBITDA[1]	**Six months ended 30 June**	**Year ended 31 December**		
	2021	**2020**	**2019 (restated)**	**2018 (restated)**
		(*in billions of Tenge*)		
Oil and gas	1,242	1,383	2,318	2,006
Mining	144	409	299	206
Transportation	252	362	326	249
Communication	139	239	187	87

(1) EBITDA on the segment level is calculated by the segment's gross profit minus general and administrative expenses, minus transportation and selling expenses, plus share in profit of joint ventures and associates and plus depreciation, depletion and amortisation.

For other segment data, see "—*Segment Data*".

The following table sets forth a reconciliation of the Group EBITDA to net profit/(loss) for the periods indicated:

	Six months ended 30 June		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019 (restated)**	**2018 (restated)**
			(*in billions of Tenge*)		
Revenue	5,335	3,985	8,556	10,649	10,116
Government grants	19	11	35	55	31
Cost of sales	(3,919)	(3,097)	(6,619)	(7,989)	(7,799)
General and administrative expenses	(202)	(193)	(426)	(470)	(489)
Transportation and selling expenses	(386)	(330)	(671)	(779)	(722)
Share in profit of joint ventures and associates	511	276	642	915	755
Depreciation, depletion and amortisation	520	487	993	900	741
EBITDA	**1,878**	**1,139**	**2,510**	**3,281**	**2,633**

The following table sets forth a reconciliation of Interim LTM EBITDA for the twelve months ended 30 June 2021:

	As of and for the twelve months ended 30 June
	2021
EBITDA for the year ended 31 December 2020	2,510
Plus	
EBITDA for the six months ended 30 June 2021	1,878
Less	
EBITDA for the six months ended 30 June 2020	1,139
Interim LTM EBITDA	**3,249**

The following table sets forth a reconciliation of Debt and Net Debt to borrowings as at the dates indicated:

	As at 30 June	As at 31 December		
	2021	**2020**	**2019 (restated)**	**2018 (restated)**
		(*in billions of Tenge*)		
Borrowings	7,665	7,459	6,841	6,853
Loans from the Government	581	593	628	653
Lease liabilities	551	515	427	156
Derivative instruments	1	1	2	3
Guaranteed principal amount of liabilities of entities outside the Group	401	427	454	182
Debt	**9,199**	**8,995**	**8,352**	**7,847**
Less: Cash and cash equivalents	(2,756)	(2,228)	(1,994)	(2,488)
Net Debt	**6,443**	**6,767**	**6,358**	**5,359**

The following table sets forth a reconciliation of Current liquidity to cash and cash equivalents as at the dates indicated:

	As at 30 June	As at 31 December		
	2021	**2020**	**2019 (restated)**	**2018 (restated)**
		(*in billions of Tenge*)		
Cash and cash equivalents	2,756	2,228	1,994	2,488
Amounts due from credit institutions (current portion)	375	354	594	624
Other current financial assets	256	188	177	57
Current liquidity	**3,387**	**2,770**	**2,765**	**3,169**

The following table sets forth a reconciliation of EBITDA to net profit/(loss) of the oil and gas segment for the periods indicated:

	Six months ended 30 June	Year ended 31 December		
	2021	**2020**	**2019 (restated)**	**2018 (restated)**
		(*in billions of Tenge*)		
Gross profit	955	1,143	1,959	1,818
General and administrative expenses	(85)	(192)	(218)	(245)
Transportation and selling expenses	(374)	(639)	(744)	(697)
Share in profit of joint ventures and associates	450	518	815	663
Depreciation, depletion and amortisation	296	553	506	467
EBITDA	**1,242**	**1,383**	**2,318**	**2,006**

The following table sets forth a reconciliation of EBITDA to net profit/(loss) of the mining segment for the periods indicated:

	Six months ended 30 June	Year ended 31 December		
	2021	**2020**	**2019 (restated)**	**2018 (restated)**
		(*in billions of Tenge*)		
Gross profit	82	278	200	141
General and administrative expenses	(18)	(33)	(39)	(40)
Transportation and selling expenses	(4)	(14)	(12)	(12)
Share in profit of joint ventures and associates	57	115	85	75
Depreciation, depletion and amortisation	27	63	65	42
EBITDA	**144**	**409**	**299**	**206**

The following table sets forth a reconciliation of EBITDA to net profit/(loss) of the transportation segment for the periods indicated:

	Six months ended 30 June	Year ended 31 December		
	2021	**2020**	**2019 (restated)**	**2018 (restated)**
		(*in billions of Tenge*)		
Gross profit	205	276	288	242
General and administrative expenses	(50)	(101)	(119)	(118)
Transportation and selling expenses	(3)	(5)	(11)	(9)
Share in profit of joint ventures and associates	5	11	8	3
Depreciation, depletion and amortisation	95	181	160	131
EBITDA	**252**	**362**	**326**	**249**

The following table sets forth a reconciliation of EBITDA to net profit/(loss) of the communication segment for the periods indicated:

	Six months ended 30 June	Year ended 31 December		
	2021	**2020**	**2019 (restated)**	**2018 (restated)**
		(*in billions of Tenge*)		
Gross profit	110	187	141	73
General and administrative expenses	(25)	(49)	(47)	(31)
Transportation and selling expenses	(6)	(13)	(12)	(5)
Share in profit of joint ventures and associates	0	0	6	8
Depreciation, depletion and amortisation	60	114	99	42
EBITDA	**139**	**239**	**187**	**87**

Segment Data

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for the six months ended and as of 30 June 2021.

	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
					(in millions of Tenge)					
Revenues from sales to external customers	3,369,535	552,606	756,104	302,145	307,502	14,566	24,898	7,349	–	5,334,705
Revenues from sales to other segments	13,380	34	2,131	2,144	71,659	3,130	255,571	16,244	(364,293)	–
Total revenue	**3,382,915**	**552,640**	**758,235**	**304,289**	**379,161**	**17,696**	**280,469**	**23,593**	**(364,293)**	**5,334,705**
Geographical markets										
Kazakhstan	612,438	327,665	664,384	293,141	366,487	14,170	280,469	23,593	(364,293)	2,218,054
Other countries	2,770,477	224,975	93,851	11,148	12,674	3,526	–	–	–	3,116,651
Gross profit	955,323	81,810	205,131	109,647	107,054	4,028	248,100	10,924	(286,940)	1,435,077
General and administrative expenses	(84,742)	(18,008)	(50,167)	(25,410)	(13,289)	(2,724)	(12,772)	(1,686)	6,473	(202,325)
Transportation and selling expenses	(374,185)	(3,687)	(3,005)	(5,478)	(6,547)	(700)	-	-	7,467	(386,135)
Finance income	46,134	4,589	8,579	3,231	5,331	836	12,068	9,899	(30,051)	60,616
Finance costs	(144,769)	(3,300)	(77,117)	(24,108)	(26,915)	(2,988)	(15,734)	(16,554)	42,836	(268,649)
Share in profits/(loss) of joint ventures and associates	450,426	56,965	5,088	–	6,032	(100)	(7,612)	2	–	510,801
Foreign exchange (loss)/gain, net	(834)	2,923	(12,480)	1,599	95	(9,966)	18,144	(574)	(411)	(1,504)
Income tax expenses	(151,876)	(16,523)	(18,570)	(19,056)	(15,683)	(51)	(1,258)	(1,228)	(3,332)	(227,577)
Net profit/(loss) for the period	**694,626**	**100,461**	**65,116**	**55,571**	**56,527**	**(12,528)**	**237,910**	**944**	**(270,442)**	**928,185**
Other segment information										
Total assets of the segment	17,594,488	2,472,897	3,968,099	1,212,688	1,629,310	1,094,069	7,961,902	359,501	(7,573,546)	28,719,408
Total liabilities of the segment	6,533,545	546,155	2,731,226	623,584	776,893	840,859	1,741,117	223,384	(1,364,110)	12,652,653
Investments in joint ventures and associates	4,580,129	638,912	24,293	–	84,995	5,208	34,974	16	(32,341)	5,336,186

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for the year ended and as of 31 December 2020.

	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate centre	Other	Elimination	Total
					(*in millions of Tenge*)					
Revenues from sales to external customers	4,838,789	1,227,048	1,309,894	561,602	555,963	12,151	30,691	19,871	–	8,556,009
Revenues from sales to other segments	28,911	189	3,969	4,662	124,398	8,586	272,124	12,099	(454,938)	–
Total revenue	**4,867,700**	**1,227,237**	**1,313,863**	**566,264**	**680,361**	**20,737**	**302,815**	**31,970**	**(454,938)**	**8,556,009**
Geographical markets										
Kazakhstan	1,090,531	661,039	1,193,100	547,388	654,024	15,288	302,815	31,970	(454,938)	4,041,217
Other countries	3,777,169	566,198	120,763	18,876	26,337	5,449	–	–	–	4,514,792
Gross profit	**1,143,283**	**278,252**	**276,454**	**186,966**	**179,342**	**691**	**182,407**	**14,830**	**(289,529)**	**1,972,696**
General and administrative expenses	(191,562)	(32,936)	(100,820)	(49,214)	(26,988)	(5,698)	(24,540)	(4,012)	9,895	(425,875)
Transportation and selling expenses	(639,237)	(14,444)	(4,870)	(12,869)	(12,647)	(1,113)	-	-	14,631	(670,549)
Finance income	110,261	6,296	47,448	7,673	10,231	686	36,538	15,586	(54,531)	180,188
Finance costs	(320,188)	(8,203)	(187,814)	(52,992)	(59,364)	(5,968)	(37,210)	(15,331)	78,117	(608,953)
Share in profits of joint ventures and associates	518,157	115,387	11,111	–	11,685	(2,083)	(12,649)	–	–	641,608

Foreign exchange gain/(loss), net	199,385	4,076	(57,823)	7,124	2,694	(31,029)	(75,732)	1,831	(432)	50,094
Depreciation, depletion and amortisation	(552,964)	(62,880)	(180,682)	(114,241)	(78,336)	(7,088)	(2,208)	(1,744)	1,346	(998,797)
Impairment of property, plant and equipment and intangible assets	(263,358)	(7,107)	(12,864)	(5,792)	(466)	(3,591)	–	–	–	(293,178)
Impairment of other assets	(37,932)	(3,015)	(19,380)	(890)	(1,104)	(1,659)	12,120	(1,203)	2,500	(50,563)
Income tax expenses	(117,493)	(64,875)	(9,010)	(20,975)	(24,216)	(130)	(3,724)	(4,143)	(2,049)	(246,615)
Total net profit/(loss) for the period	**262,506**	**293,832**	**(35,745)**	**59,924**	**72,821**	**(52,164)**	**201,679**	**7,009**	**(227,320)**	**582,542**
Other segment information										
Total assets of the segment	16,854,461	2,411,794	3,861,110	1,220,457	1,574,935	804,995	7,738,822	337,307	(7,321,035)	27,482,846
Total liabilities of the segment	6,535,391	377,221	2,701,075	664,364	756,442	609,561	1,696,538	199,447	(1,208,808)	12,331,231
Allowances for expected credit losses for doubtful accounts	(2,222)	320	(552)	(2,470)	(1,860)	(541)	–	124	218	(6,983)
Investments in joint ventures and associates	4,214,205	650,943	21,218	–	79,035	5,273	47,330	13	(32,341)	4,985,676

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for the year ended and as of 31 December 2019.

	Oil and gas	**Mining**	**Trans-portation**	**Com-munication**	**Energy**	**Industrial**	**Corporate centre**	**Other**	**Elimination**	**Total**
					(*restated, in millions of Tenge*)					
Revenues from sales to external customers	7,244,405	989,086	1,456,010	466,885	432,271	7,410	30,232	22,614	–	10,648,913
Revenues from sales to other segments	57,701	13,973	4,835	4,521	74,971	2,940	242,417	9,509	(410,867)	–
Total revenue	7,302,106	1,003,059	1,460,845	471,406	507,242	10,350	272,649	32,123	(410,867)	10,648,913
Geographical markets										
Kazakhstan	1,227,593	497,143	1,171,718	454,753	481,945	6,203	272,649	32,123	(410,867)	3,733,260
Other countries	6,074,513	505,916	289,127	16,653	25,297	4,147	–	–	–	6,915,653
Gross profit	1,958,700	199,798	288,256	141,039	130,418	1,398	197,184	13,317	(215,190)	2,714,920
General and administrative expenses	(217,636)	(38,709)	(119,271)	(46,992)	(21,773)	(5,435)	(24,204)	(4,663)	8,826	(469,857)
Transportation and selling expenses	(744,437)	(11,552)	(10,898)	(12,235)	(8,382)	(771)	–	–	9,241	(779,034)
Finance income	244,423	6,609	7,608	6,554	6,557	621	45,973	8,537	(45,933)	280,949
Finance costs	(360,752)	(14,780)	(195,397)	(44,072)	(41,344)	(5,858)	(33,611)	(10,164)	66,198	(639,780)
Share in profits of joint ventures and associates, net	814,865	85,010	8,013	5,831	11,966	(104)	(10,825)	1	–	914,757
Foreign exchange gain/(loss), net	(6,263)	(127)	(15,671)	(1,265)	1,115	769	5,425	248	(1,053)	(16,822)
Depreciation, depletion and amortisation	(506,491)	(64,854)	(160,386)	(98,583)	(69,973)	(3,773)	(2,052)	(1,063)	3,139	(904,036)
Impairment of property, plant and equipment and intangible assets	(253,523)	(14,455)	(2,681)	(1,844)	88	(25,278)	–	–	–	(297,693)
Impairment of other assets	(29,866)	(464)	(18,485)	(1,035)	1,290	(2,012)	(12,162)	(1,255)	5,989	(58,000)
Income tax expenses	(283,726)	(34,175)	(29,020)	(10,047)	(18,224)	(88)	(3,074)	(2,332)	(1,748)	(382,434)
Total net profit for the period	1,171,447	251,522	(91,655)	60,134	69,020	(39,236)	170,669	6,746	(178,166)	1,420,481
Other segment information										
Total assets of the segment	16,332,443	2,304,494	3,757,170	1,195,489	1,500,157	574,620	7,574,272	300,602	(7,122,237)	26,417,010
Total liabilities of the segment	6,587,029	460,432	2,562,000	693,493	719,878	379,654	1,563,722	180,028	(1,072,179)	12,074,057
Allowances for expected credit losses for doubtful accounts	(1,963)	(749)	(13,236)	(2,282)	(55)	(12)	839	(245)	228	(17,475)
Investments in joint ventures and associates	3,532,589	582,600	33,553	–	70,559	6,428	49,473	10	(32,341)	4,242,871

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for the year ended and as of 31 December 2018.

	Oil and gas	Mining	Transpo-rtation	Commun-ications	Energy	Industrial	Corporate centre	Other	Elimination	Total
					(*restated, in millions of Tenge*)					
Revenues from sales to external customers	7,353,474	749,778	1,323,061	257,899	376,740	5,093	33,400	16,982	-	10,116,427
Revenues from sales to other segments	77,754	9,044	14,112	5,027	59,839	5,457	336,148	8,183	(515,564)	-
Total revenue	**7,431,228**	**758,822**	**1,337,173**	**262,926**	**436,579**	**10,550**	**369,548**	**25,165**	(515,564)	**10,116,427**
Gross profit	**1,818,250**	**141,313**	**242,169**	**72,591**	**156,808**	**1,602**	**247,691**	**11,569**	**(342,924)**	**2,349,069**
General and administrative expenses	(245,458)	(39,508)	(118,155)	(30,980)	(29,800)	(5,285)	(25,499)	(3,407)	9,459	(488,633)
Transportation and selling expenses	(696,895)	(11,598)	(9,157)	(4,689)	(14,631)	(437)	-	(7)	15,832	(721,582)
Finance income	161,400	6,365	7,069	5,039	7,297	1,031	131,439	2,547	(115,667)	206,520
Finance costs	(467,078)	(14,078)	(115,922)	(7,857)	(36,326)	(4,007)	(30,008)	(1,649)	43,770	(633,155)
Share in profits of joint ventures and associates, net	663,293	75,150	3,481	7,744	10,175	(51)	(4,902)	11	-	754,901
Foreign exchange gain/(loss), net	(37,274)	9,152	(118,109)	12,337	(14,641)	(18,624)	290,206	(1,479)	2,320	123,888
Depreciation, depletion and amortisation	(466,936)	(42,484)	(130,528)	(42,123)	(65,536)	(4,916)	(345)	(634)	3,718	(749,784)
Impairment of property, plant and equipment and intangible assets	(163,985)	1,120	(451)	(1,110)	(2,144)	(153)	-	-	-	(166,723)
Impairment of other assets	(9,034)	830	(16,990)	(3,373)	(4,570)	(58)	(4,338)	(3,576)	10,426	(30,683)
Income tax expenses	(318,623)	(29,547)	(1,977)	(11,383)	(20,927)	(11,583)	(5,722)	(2,574)	(1,480)	(403,816)
Net profit/(loss) for the year from continuing operations	857,955	485,419	(19,006)	43,039	65,611	(41,281)	282,916	5,920	(383,463)	1,297,110
Net loss for the year from discontinued operations	-	-	-	-	-	(3,542)	-	-	-	(3,542)
Total net profit for the period	**857,955**	**485,419**	**(19,006)**	**43,039**	**65,611**	**(44,823)**	**282,916**	**5,920**	**(383,463)**	**1,293,568**
Other segment information										
Total assets of the segment	16,464,564	2,176,219	3,437,049	873,891	1,456,134	462,137	7,467,849	305,170	(6,898,088)	25,744,925
Total liabilities of the segment	7,786,204	486,308	2,258,520	417,045	731,287	261,837	1,622,831	206,319	(978,701)	12,791,650
Allowances for expected credit losses for doubtful accounts	(609)	1,795	8,261	910	1,457	28	1,815	4	(1,254)	12,407
Investments in joint ventures and associates	2,841,824	631,012	32,359	76,071	89,309	1,279	61,869	69	(32,341)	3,701,451

OPERATING AND FINANCIAL REVIEW

The following management's discussion and analysis of the Group's results of operations and financial performance as at 30 June 2021 and for the six-month periods ended 30 June 2021 and 2020 and as at and for the years ended 31 December 2020, 2019 and 2018, should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this Prospectus and Presentation of Financial and Other Information.

This management's discussion and analysis contains forward-looking statements, which involve risks and uncertainties. The actual results of the Group could differ materially from those contained in such forward-looking statements as a result of factors discussed below and elsewhere in this Prospectus, particularly in "Risk Factors".

Selected consolidated financial information in this section has been derived from both the reviewed and audited Consolidated Financial Statements, in each case without material adjustments, unless otherwise stated, as well as the Group's management financial reports.

Overview

The Issuer is a joint stock company established in November 2008. The Government is the sole shareholder of the Issuer. The Government's overall objective in establishing the Issuer was to increase management efficiency and to optimise organisational structures for them to successfully achieve their strategic objectives as set in the respective Government programmes. The Group's current mission is to create long-term value and stimulate sustainable development of the economy via efficient asset management in the interests of people of Kazakhstan.

The Group's portfolio companies represent a cross-section of Kazakhstan's most recognised and significant companies in sectors which the Government has deemed to be strategic for the continued development and growth of Kazakhstan, including oil and gas, mining, transportation, communication, energy and industrial.

As at 30 June 2021 and 31 December 2020, the Group had total assets of KZT 28,719.4 billion and KZT 27,482.8 billion, respectively, with a total equity value of KZT 16,066.8 billion and KZT 15,151.6 billion, respectively. The Group generated KZT 5,334.7 billion and KZT 928.2 billion of revenue and net income, respectively, for the six months ended 30 June 2021, and KZT 8,556.0 billion and KZT 582.5 billion of revenue and net income, respectively, for the year ended 31 December 2020.

The Issuer's registered office is 17/10 Syganak str., Nur-Sultan, Kazakhstan.

Key Factors Affecting Results of Operations

The Group's results of operations are primarily dependent on the results and contributions of its portfolio companies, which comprise the Group's subsidiaries and its investments in associates and joint ventures. Significant factors that affects results of operations of the Group's portfolio companies are most likely to have impact on the Group's results of operations. The Group believes that the following factors significantly affected and will have a significant impact on its results of operations.

The Current Economic Environment in Kazakhstan

The Kazakhstan economy may be influenced by market downturns and economic slowdowns elsewhere in the world. The general slowdown and challenging macroeconomic conditions in the global financial market that began in 2008 resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and tighter credit conditions within Kazakhstan and generally for Kazakhstan companies, as well as weakened global demand for and a decline in prices of crude oil and other commodities. Since 2020, the Kazakhstan economy has been materially adversely affected by the Covid-19 pandemic.

The sharp decline in global economic activity, the disruption of the supply chains of goods and services, the restriction of the free movement of people, and the transition to self-isolation caused by the Covid-19 pandemic led to a significant drop in GDP around the world in 2020. According to statistics published by the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, Kazakhstan's real GDP contracted by 2.5 per cent. in 2020 and estimated to contract 2.4 per cent., in the first half of 2021. In 2019 and 2018, GDP increased by 4.5 per cent. and 4.1 per cent. respectively. According to

IMF forecasts, real GDP growth in Kazakhstan is projected to be 3.3 per cent. in 2021 and 3.9 per cent. in 2022. According to the IMF, inflation was 5.3 per cent., 5.4 per cent. and, 7.5 per cent. in 2018, 2019 and 2020, respectively and reached 7.9 per cent. in the first six months of 2021.

The ongoing Covid-19 pandemic is having an indeterminable adverse impact on the world economy, including the Kazakhstan economy, as well as on the businesses comprising the Issuer's portfolio. The pandemic has affected investment sentiment and resulted in sporadic volatility in the global capital and financial markets. This has had a material adverse effect on the global economy, slowing national economic development and adversely affecting the Kazakhstan economy. The duration, impact and severity of the outbreak on financial markets may be significant. In addition, the Kazakhstan economy was significantly impacted by the sharp decrease in oil prices following the outbreak of the Covid-19 pandemic. Due to business disruption and lockdowns in many countries as a result of the Covid-19 pandemic, global oil demand has substantially decreased, leading to oversupply and a significant decrease in oil prices. On 12 April 2020, major global oil producers, including Kazakhstan, agreed to a record cut of 9.7 million barrels per day in crude oil production aimed at stabilising the market. Such decreases in oil prices and production volumes have resulted in corresponding decreases in oil producers' income and contribution to the Government's budget, negatively impacting the Kazakhstan economy and public sector spending.

The Government has implemented measures, including periods of lockdown and quarantines in an effort to combat the spread of the virus in Kazakhstan and alleviate the negative effects of the pandemic. A state of emergency was declared in Kazakhstan between 16 March 2020 and 12 May 2020. During this period, regional authorities gradually introduced additional measures to enhance social distancing, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities. With the aim of minimising losses from the deterioration of the macroeconomic environment, the Issuer oversaw large-scale work in all portfolio companies. As a result of these steps, in 2020, the majority of the portfolio companies in the Group had to optimise their capital expenditures, investment projects, and operating expenses, including general administrative expenses. In addition, in response to the crisis caused by the Covid-19 outbreak, the Group decided to focus on supporting the Kazakhstan economy and investing in national infrastructure projects.

As at 31 December 2020, the official KZT/U.S.$ exchange rate reported by the NBK was KZT 420.91 per U.S.$1.00, as compared to KZT 382.59 per U.S.$1.00 as at 31 December 2019 and KZT 384.20 per U.S.$1.00 as at 31 December 2018. In the first half of 2021, KZT/U.S.$ exchange rate continue to be volatile and reached KZT 427.79 per U.S.$1.00. See "—Exchange Rate Devaluations and Depreciations". The pressure on the Tenge was highest in March 2020 following a failure by OPEC+ countries to reach a deal regarding a cut to crude oil production, with the exchange rate reaching KZT 448.50 per U.S.$1.00. Past devaluations of the Tenge have resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, all of which have had, and are expected to continue to have, a material effect on the Group's financial position and results of operations.

Commodity Prices

The Group derives substantial portion of its revenue from the sale of various commodities as described below. For the year ended 31 December 2020, 2019 and 2018 revenue from sale of natural resources (crude oil, gas, refined oil products, uranium, gold) amounted to 68.1 per cent., 74.2 per cent. and 77.1 per cent. of the Groups revenue, respectively. For the six months ended 30 June 2021, revenue from sale of natural resources amounted to 71.6 per cent. of the Groups revenue. Since portfolio companies in the oil and gas and mining segments generally sell their products by reference to current market prices, the price of commodities is one of the most important factors influencing the Group's revenues. Commodity prices are significantly affected by changes in global economic conditions and are highly related to industry cycles. Commodity product prices, including oil, uranium, gold and zinc produced by the Group, can vary significantly in response to the fluctuations in worldwide supply and demand balance, as well as a range of various factors, including general economic trends and speculative activities.

Changes in Prices of Crude Oil and Refined Oil Product Prices

The Group's largest portfolio company by assets and revenue, KMG, is one of the largest crude oil and condensate producers in Kazakhstan. Accordingly, the prices of crude oil and refined oil products internationally and in Kazakhstan have a significant impact on the Group's results of operations. World prices for crude oil are characterised by significant fluctuations that are determined by the global balance of supply and demand, which

is entirely outside of the Group's control. The dynamics of refined oil product prices in the international and Kazakhstan markets are determined by a number of factors, the most important being the price of crude oil internationally, supply and demand for refined oil products, competition, distances separating markets from the refineries where the crude oil is refined into useable end or intermediate products and seasonal deficits in the supply of refined oil products, particularly in urban areas, due to agricultural activities and the associated reallocation of refined oil products supplies from cities to agricultural areas. Additionally, a disparity between high crude oil costs and lower prices of refined oil products may have an adverse impact on the financial results of the KMG's refining business.

Crude oil prices have been particularly volatile in recent years and have dropped significantly since the outbreak of the Covid-19 pandemic. Beginning in early March 2020, the global oil markets have experienced a precipitous decline in oil prices in response to concerns regarding the potential impacts of the Covid-19 outbreak on worldwide oil demand and the anticipated increases in oil production from the OPEC+ countries. On 12 April 2020, major global oil producers, including Kazakhstan, agreed to a record cut in crude oil production aimed at stabilising the market. Such actions did not, however, reversed the downward pressure on the oil market. While a coalition of 23 nations led by Saudi Arabia and Russia subsequently agreed to reduce production of crude oil by 9.7 million barrels per day in May and June 2020 and 8 million barrels per day from July to December 2020, rise in the number of Covid-19 cases around the world led to the introduction of partial and full lockdowns in October, especially in the EU countries, continuing to constrain further recovery in demand.

According to statistics published by the U.S. Energy Information Administration ("**EIA**"), the average monthly spot price of Brent crude oil was U.S.$41.76 per barrel in 2020, ranging from a high monthly average of U.S.$64.65 per barrel in January 2020 to a low monthly average of U.S.$18.38 per barrel in April 2020. Since the beginning of 2021, the average monthly spot price of Brent crude oil exceeded U.S.$60 per barrel. During nine months of 2021, OPEC + countries increased the production quotas several times, which had a positive impact on the further rise in oil prices. As at 30 September, the spot price for Brent crude oil was U.S.$77.81 per barrel, according to EIA data. As a result of low crude oil prices in 2020, the Group's revenue from sales of crude oil was down 44.1 per cent., to KZT 1,971,894 million for the year ended 31 December 2020 from KZT 3,529,421 million for the year ended 31 December 2019. The Group's revenue from sales of oil refined products decreased by 28.8 per cent., to KZT 1,844,148 million for the year ended 31 December 2020 from KZT 2,589,921 million for the year ended 31 December 2019. As a result of higher oil prices, the Group's revenue from sales of crude oil was up 67.0 per cent., to KZT 1,636,713 million for the six months ended 30 June 2021 from KZT 979,788 million for the six months ended 30 June 2020. The Group's revenue from sales of oil refined products increased by 53.1, to KZT 1,256,969 million for the six months ended 30 June 2021 from KZT 821,188 million for the six months ended 30 June 2020.

The mix of export and domestic sales of crude oil has also affected, and is expected to continue to affect, the Group's results of operations from the oil and gas segment. Historically, sales prices for exported crude oil have been significantly higher than domestic sales prices, primarily as a result of recommendations and mandates of the Government to sell domestic oil at below market rates. The Group expects export sales prices to continue to remain at a higher level compared to domestic sales prices, and thus seeks to maximise the percentage of its total crude oil sales that are export sales, although it is not unilaterally able to do so. Should the percentage of export sales increase, this may have a positive effect on the results of operations of the Group, whilst, correspondingly, if the percentage of mandated domestic sales increases, the Group's results of operations could be adversely affected.

Changes in Natural Gas Prices

The natural gas prices internationally and in Kazakhstan have a significant impact on the Group's results of operations. International natural gas prices have in the past been typically linked to global prices for oil products, which fluctuate significantly over the past few years. See "—*Changes in Prices of Crude Oil and Refined Oil Product Prices*". Gas prices are also affected by prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies, and weather conditions. The natural gas prices for domestic market are regulated by the Government and historically are lower than export prices and have in the past been lower than the cost of production of such natural gas. As the Group is required to supply natural gas to the domestic market it may incur losses as the share of domestic supplies increases.

Changes in Natural Uranium Prices

Spot market prices for U3O8, or uranium oxide, which is the main marketable product of one of the Group's largest portfolio companies by assets and revenue, Kazatomprom, have significant effect on the Group's revenue from sales of uranium products. The majority of the Group's revenue from sales of uranium products is derived from sales in the spot market and contracts with price formulas containing a spot price component and the prominence of such component. In addition to spot prices, the Group's effective realised price for any particular period is further dependent on the share of contracts with a fixed price component, and the prominence of such component, in the Group's uranium sales contract portfolio for such period. Accordingly, the average realised price for each particular period deviates from the spot market price.

The spot price of U_3O_8 in 2020 rose by 20 per cent. to U.S.$30 per pound by the end of the year according to market data published by UxC, LLC, mainly due to the suspension of the world's largest uranium deposit Cameco Cigar Lake and the Rossing and Husab fields in Namibia due to the escalation of the Covid-19 pandemic. Nuclear power production in 2020 was approximately 4 per cent. lower than in 2019 and rebounded to 2 per cent. in the first half of 2021, according to the International Energy Agency's electricity market report. As at 30 June 2021, the spot price for U_3O_8 was U.S.$32.25 per pound, according to market data published by UxC, LLC. The Group's revenue from sales of uranium products increased by 20.4 per cent. to KZT 563,266 million for the year ended 31 December 2020 from KZT 467,777 million for the year ended 31 December 2019. The Group's revenue from sales of uranium products increased by or 56.4 per cent., to KZT 223,079 million for the six months ended 30 June 2021 from KZT 142,645 million for the six months ended 30 June 2020.

Changes in Gold Prices

The Group's portfolio company, Tau-Ken Samruk is one of the largest producer of refined gold in Kazakhstan. The price at which the Group is able to sell its gold is, and is expected to continue to be, one of the significant factor determining its financial performance. The Group's realised gold price is heavily dependent on the market price of gold, and substantially tracked the prevailing market price in each of the years ended 31 December 2018, 2019 and 2020. Although the Group monitors gold price trends and regulates its revenue accordingly, the Group does not have any gold price hedge in place and does not use derivatives to mitigate its exposure to the volatility in the price of gold.

The market price of gold can fluctuate significantly and is affected primarily by the demand for gold as a commodity or investment. The global gold price has fluctuated significantly since 2019, and has been subject to volatile movements over short periods of time. In 2016, 2017 and 2018, the average London Bullion Market Association ("**LBMA**") gold price remained relatively stable at U.S.$1,251 per ounce, U.S.$1,257 per ounce, and U.S.$1,268 per ounce, respectively. However, in 2019 and 2020, the average LBMA gold price increased to U.S.$1,393 and U.S.$1,770 per ounce, respectively, with the price of gold peaking at U.S.$2,067 per ounce in August 2020 before falling to U.S.$1,763 per ounce in November 2020. Recently, the average London gold price decreased from U.S.$1,937 per ounce as at 4 January 2021 to U.S.$1,805 per ounce as at 30 June 2021. The Group's revenue from sales of refined gold increased by 46.3 per cent. to KZT 637,758 million for the year ended 31 December 2020 from KZT 435,835 million for the year ended 31 December 2019. The Group's revenue from sales of refined gold increased by 19.7 per cent. to KZT 312,749 million for the six months ended 30 June 2021 from KZT 261,378 million for the six months ended 30 June 2020.

Production of Natural Resources

The Group's ability to generate revenue depends on its production of crude oil, gas, refined oil products, uranium and gold. The production levels at the relevant portfolio companies are affected by the production and development phase of each of their respective projects, as well as demand for a particular resource. In addition, their production levels depend upon the satisfactory operation of the respective production facilities and the ability of these portfolio companies to invest in exploration and development and improvement of existing and new facilities and mines.

Production of Crude Oil, Gas and Refined Oil Products

The Group's oil and condensate output includes production from mega projects and operated assets. In 2020, the Group's consolidated production of crude oil decreased to 21.7 million tonnes as compared to 23.6 million tonnes for 2019 in 2018. In the first half of 2021, the Group's consolidated production of crude oil decreased to

10.7 million tonnes as compared to 11.3 million tonnes the first half of 2020. This decrease was mainly the result of OPEC+ countries' decision to cut oil production. From May to June 2020, the production cuts totalled 9.7 million barrels per day. Output increments for specific countries are reviewed and agreed at regular ministerial meetings of OPEC+. As a member of OPEC+, the Government introduced temporary restrictions on oil production as of 1 May 2020. The Resolution of the Government of the Republic of Kazakhstan "On Introduction of Temporary Restrictions on the Use of Subsoils for Exploration, Production and Extraction of Hydrocarbons", imposed restrictions on certain fields of KMG until the end of 2020. Starting from 1 August 2021, the production restrictions have been lifted.

The Group's gas production values are the actual volume of gas produced, including gas reinjected for own needs. Gas reinjection is used to maintain reservoir pressure, which is essential for sustaining high oil production rates. For the year ended 31 December 2020, the Group's consolidated production of natural and associated gas decreased to 8.1 bcm from 8.5 bcm for the year ended 31 December 2019 due to the decrease in demand amid the Covid-19 outbreak. For the year ended 31 December 2019, the Group's consolidated production of natural and associated gas increased to 8.5 bcm from 8.1 bcm for the year ended 31 December 2018, primarily due to an increase in the operational efficiency and processing lines. For the six months ended 30 June 2021, the Group's consolidated production of natural and associated gas decreased to 4.1 bcm from 4.3 bcm for the six months ended 30 June 2020, primarily due to production restrictions resulted from OPEC+ agreement and scheduled shutdowns in the Group's plans for repairs.

The Group's consolidated production of refined oil products includes production at the KMG's refineries in Kazakhstan and Romania. For the six months ended 30 June 2021, the Group's sales of refined oil products increased to 4.3 million tonnes compared to 3.7 million tonnes for the six months ended 30 June 2020. For the year ended 31 December 2020, the Group's sales of refined oil products decreased to 7.2 million tonnes from 9.9 million tonnes for the year ended 31 December 2019. For the year ended 31 December 2019, the Group's sales of refined oil products decreased as well compared to 11.6 million tonnes for the year ended 31 December 2018.

Production of Uranium

The Group's production and sales volumes are driven by the evolving demand-supply dynamics in the uranium industry. In February 2018, Kazatomprom revised its traditional strategy, switching from a focus on ever-increasing production and sales volumes towards having more market-centric approach, and adjusting production and sales targets in response to supply and demand dynamics on the market: there was a shift in strategy from a focus on volumes to a focus on long-term value creation for stakeholders. Kazatomprom focuses on setting production targets and sales volumes based on market forecasts, and adjusting uranium production and processing plans to take into account changing market conditions. In 2019, uranium production was up 15.8 per cent. compared to 2018, due to higher production levels in 2019 under subsoil use contracts, notwithstanding the output of uranium production being 20 per cent. lower than the planned level under these contracts. In 2020, uranium production dropped by 19.2 per cent. compared to 2019 as a result of the impact of the Covid-19 pandemic, as mine preparation, repair and renewal operations were suspended for four months in 2020. In the first half of 2021, uranium production increased by 2 per cent. compared to the first half of 2020 in accordance with the production programme approved by the Government.

Production of Gold

The Group's financial performance is also affected by the amount of gold it produces which, in turn, largely determines the amount of gold it is able to sell. The Group's gold production is impacted by a number of factors, including operational disruptions and prevailing geological conditions at the Group's operating assets which affect its ability to access ore bodies, ore grade and recovery rates. Over the past few years, the Group's gold production gradually increased. In 2020, Tau-Ken Samruk continued to increase the volume of gold production that reached 33.5 tonnes of gold as compared to 29.2 tonnes for the year ended 31 December 2019 and 22.7 tonnes in 2018. For the six months ended 30 June 2021, the volume of gold production continued to increase and reached 25.3 tonnes as compared to 13.8 tonnes for the six months ended 30 June 2020, resulted from the agreement with NBK for tolling of gold.

Demand for Transportation Services and Transportation Tariffs

The Group's portfolio companies operate in the transportation segment, which includes operations related to railway and air transportation of cargo and passengers. The main factors that affect the Group's performance in the transportation segment relate to demand for transportation services and transportation tariffs.

Demand for transportation services

For the years ended 31 December 2020, 2019 and 2018, and for the six months ended 30 June 2021 railway cargo transportation represented the Group's third largest revenue source. The Group's railway cargo transportation is conducted by KTZ and its subsidiaries, which together form the national transportation and logistics operator, and mainly comprise delivery, both domestically and for export, of oil and oil products and coal. In 2020, the Group's freight turnover amounted to 232 billion t-km compared to 224 billion t-km in 2019 and 220 billion t-km in 2018, mainly due to an increase in freight turnover in export and transit traffic. In the context of the Covid-19 pandemic, the load on railway transport has increased, which is associated with the closure of alternative modes of transportation. The Group's revenue from railway cargo transportation increased by 15.2 per cent. to KZT 576,129 million for the six months ended 30 June 2021 from KZT 499,969 million for the six months ended 30 June 2020. The Group's revenue from railway cargo transportation increased by 10.9 per cent. to KZT 1,075,719 million for the year ended 31 December 2020 from KZT 970,096 million for the year ended 31 December 2019.

KTZ faces competition in the railway transportation of oil and oil products from the development of pipelines in Kazakhstan and countries that border Kazakhstan, as pipeline transportation is more cost efficient than rail transportation in transporting crude oil. Pipelines are the predominant mode of transportation for exports of crude oil. In certain locations where oil producers do not have direct access to pipelines or oil loading sea ports, transportation by rail acts as a complementary mode of transportation, facilitating delivery of crude oil from the fields to pipeline hubs and the Aktau seaport. Although the railways currently have wider geographical coverage than pipelines in Kazakhstan, demand for shipments by rail is not consistent, due to seasonal differences in the demand for crude oil, such as in winter when demand for crude oil can decrease as a result of seasonal closures of operating facilities that use crude oil and transportation by railway becomes more difficult due to harsh weather conditions, as well as periods of refinery closures for repairs and other things. With the development and extension of Kazakhstan's pipeline network connecting oil fields, refineries and oil purchasers' storage facilities, demand for transportation by rail is expected to remain constant in the short term, although it may increase slightly in the medium-term, in particular, if oil production continues to increase and as volumes of oil to be transported exceed the capacity of the pipeline system.

The Group also generates revenue from domestic transportation of coal, which is directed to the industrial sector and to public utility companies for purposes of generating heating and electric energy. Needs of the industrial sector are generally stable, being dependent on the overall industrial growth of the country, while requests of public utility companies for coal are mostly driven by seasonal demand.

In addition to railway cargo transportation, the Group's other transportation activities include railway and air services for passengers. The Group's railway passenger turnover in 2020 decreased by 54.5 per cent. compared to 2019 and amounted to 6.3 million passenger-kilometre. The Group's air passenger turnover in 2020 decreased by 54 per cent. compared to 2019 and amounted to 6.5 million tonnes. The main reasons for the decrease in passenger turnover in 2020 were the restrictions on train and air travel due to the introduction of a state of emergency in Kazakhstan and a decrease in the mobility of the population due to the Covid-19 pandemic. The decrease in passenger turnover in 2020 resulted in corresponding decrease of the Group's revenue derived from railway passenger transportation by 54.2 per cent. from KZT 86,012 million to KZT 39,397 million. The revenue from air transportation decreased by 50.8 per cent. from KZT 331,340 million in 2019 to KZT 162,962 million in 2020.

Transportation tariffs

Railway freight and passenger transportation is subject to regulated tariffs. Except with respect to transit tariffs for freight that passes through Kazakhstan to destinations outside of Kazakhstan, the tariffs that are applicable to the Group's rail transportation operations are based on detailed price lists approved by the Committee for Regulation of Natural Monopolies under the Ministry of the National Economy of the Republic of Kazakhstan (the "**Natural Monopolies Committee**"), which specify prices for freight and passenger transportation based

on weight, freight class or class of travel, direction, distance and destination and which are subject to an annual adjustment based on the reasonable needs of the Group and approval by the Natural Monopoly Committee's supplemental indexation process. In 2020, the Natural Monopolies Committee approved tariffs, tariff schedule and an investment program for the main line railway services for the period from 2021 to 2025 and agreed on price ceiling, estimate of costs and investment programs for locomotive traction services for freight and passenger transportation for 2021. Tariffs for locomotive traction in freight transportation were divided into diesel and electric traction. The cost of passenger locomotive traction was excluded from the tariff schedule for locomotive traction services for freight transportation. The resulting growth of the overall regulated tariff for railway transportation (the main railway services, locomotive traction services, and freight and commercial work services) for 2021 averaged 13 per cent.. At the same time, in 2020, compared to 2019, the total regulated tariff for rail transport did not increase.

In addition to tariffs that apply to the railway freight and passenger transportation, the Group's oil and gas transportation revenue is generated from tariffs charged to its customers. Tariffs for domestic and transit oil transportation are regulated by Natural Monopolies Committee and the Ministry of Energy, respectively, whilst transportation of oil for export was deregulated in May 2015. In addition, the Group also charges fixed tariffs for the transit of Russian crude oil through their pipeline systems to China. Tariffs for the transit of crude oil by a trunk pipeline are subject to approval by the Ministry of Energy.

Gas transportation revenue is generated principally under contracts for the transportation of natural gas through the pipeline system that the Group's companies operate, mainly KTG. In year ended 31 December 2020, 43 per cent. of gas transportation was for transit through Kazakhstan, 11 per cent. was for export, and 46 per cent. was domestic transport. In May 2015, a number of amendments were made to Kazakhstan's 1998 Natural Monopolies Law, which abolished Government regulation of tariffs for export. Accordingly, only domestic gas transportation tariffs are subject to regulation by the Natural Monopolies Committee, which sets capped tariffs. The tariffs for domestic transportation generally cover the costs of financing, operating and maintaining the pipeline, increased by a separate profit element.

Since the abolition of Government regulation of export tariffs, the Group freely negotiates, determines and agrees on international transportation tariffs with its international transit contractor counterparties without regulation by the Natural Monopolies Committee. Most of the tariff rates for international gas and oil transportation, accordingly, are determined by contract and, as such, may be renegotiated as provided in the applicable contract. Any increases in the tariffs charged by the Group have had, and any future increases are expected to continue to have, a positive increase on the oil transportation fees received by the Group, as well as on its profitability.

Acquisitions and Disposals

The Group has made several acquisitions and disposals since 1 January 2018, which have had an impact on the Group's results of operations. Any future acquisition or disposals are also expected to have an impact on the Group's results of operations.

In particular, the Group made, or entered into arrangements for, the following acquisitions during the periods under discussion:

- In December 2019, the Group acquired 50 per cent. share in Stantsiya Ekibastuzskaya GRES-2 JSC from Inter RAO PJSC. The sale price equalled U.S.$25,000 thousand (equivalent to KZT 9,616 million as at the acquisition date). Net gain from this business combination equalled KZT 10,649 million. During 2019, the Group recognised income from re-measurement of previously held interest in the equity-accounted joint venture in the amount of KZT 2,478 million within other non-operating income as a result of re-measuring its existing interest in the equity-accounted associate amount of KZT 17,787 million at the date of obtaining control to its acquisition-date fair value of KZT 20,265 million.

- In November 2019, the Group entered into an agreement to purchase 50 per cent. of shares in the joint venture Logistic System Management B.V. The Group completed this transaction in May 2020 and paid purchase price in the amount of U.S.$73,000 thousand (equivalent to KZT 30,669 million as at payment date). As a result, the Group obtained control of Logistic System Management B.V., the sole shareholder of the Kazakhstani company Kedentransservice JSC, which is a leading logistics terminal operator in Kazakhstan with an extensive client base. Due to the consolidation of the operation of rolling

stock, terminal and other services at Kedentransservice JSC, the Group is planning to create an integrated company to provide container transportation services, with a container, wagon fleets and terminals. According to the expectations of Group's management, the implementation of the project will help increase the Group's share of the Kazakhstan container market and the quality of services provided and profitability. The Group recognised goodwill from this acquisition in May 2020 in the amount of KZT 15,520 million.

- In February 2016, the Group acquired 51 per cent. share capital and 49.48 per cent. of voting shares in Khan Tengri Holding B.V., the company rendering GSM and LTE mobile telecommunication services in the Republic of Kazakhstan. According to the agreement between the Group and Tele2, the Group had an unconditional right to require Tele2 to sell its 49 per cent. of the interest in Khan Tengri Holding B.V. at any time, after three years after the closing date of the transaction (call option). In May 2019 the Group concluded an agreement with Tele2 for the purchase of remaining 49 per cent. share of Khan Tengri Holding B.V. and 50.52 per cent. of the voting rights of all outstanding shares, and completed the acquisition on 28 June 2019. The consideration transferred for 49 per cent. interest acquired by the Group was KZT 181,535 million Tenge, including cash paid in the amount of KZT 101,119 million and loan provided to Mobile Telecom Service LLP in the amount of KZT 80,416 million for the purpose of consideration payment to the seller, Tele2. The Group recognised goodwill from this acquisition in June 2019 in the amount of KZT 96,206 million.

- In February 2019, the Group gained control over JV Khorasan-U LLP, a company that holds subsoil right to Khorasan uranium mine. Net result of business combinations recognised during the year 2019 comprises bargain purchase gain of KZT 2,150 million and excess of fair value of investment in the associate over its carrying value of KZT 52,500 million at the acquisition date.

- In December 2018, the Group acquired 75 per cent. of voting shares in Kcell JSC, whose shares and GDRs are listed on Kazakhstan Stock Exchange and London Stock Exchange, respectively. Kcell JSC is registered and provides mobile services in Kazakhstan. The Group has acquired Kcell JSC, because it allows to significantly expand its presence in the segment of mobile telecommunication services in GSM and LTE standards. The Group recognised goodwill from this acquisition in the amount of KZT 53,490 million. Net cash outflow from this acquisition equalled KZT 158,819 million.

- In December 2018, the Group completed a transaction to acquire 40.05 per cent. of the shares of Energy Asia (BVI) Limited from Energy Asia Holdings (BVI) Limited. As a result of this transaction, the Group's ownership interest in Baiken-U LLP increased to 52.5 per cent., at 31 December 2017 from 14.45 per cent. As at 31 December 2018, the Group had obtained control over Baiken-U LLP through majority of the voting rights and representation in the Board of Directors. Net gain from this business combination equalled KZT 33,962 million.

- Starting from 2018, based on number of agreements between the Group and Uranium One Inc that formalised their obligation to purchase all production of Karatau LLP and JV Akbastau JSC at equitable terms, as well as to provide financing to the joint arrangement in proportion to their shares (50 per cent. interest each party), the Group have classified these investments as joint operations. The Group recognised its direct right in joint assets, liabilities, income and expenses in proportion to 50 per cent. ownership interest, and these items are consolidated in the Group's financial statements on line by line basis. Until 2018, investments in Karatau LLP (50 per cent. interest) and JV Akbastau JSC (50 per cent. interest) were accounted for using equity method. Net gain from this business combination equalled KZT 217,588 million.

- In December 2017, the Kazatomprom and Cameco Corporation completed the restructuring of JV Inkai LLP. In accordance with the terms of the restructuring agreement, the Kazatomprom increased its interest in JV Inkai LLP from 40 per cent. to 60 per cent. and from 1 January 2018 obtained control over the investee. Net gain from this business combination equalled KZT 95,929 million.

The Group made, or entered into arrangements for, the following disposals during the periods under discussion:

- In July 2021, the Group entered into a sale agreement to sell share in "Astana Sollar" LLC.

- In June 2021, the Group entered into a sale agreement to sell shares in "Kazakhstan Solar Silicon" LLC.

- In April 2021, the Group entered into a sale agreement to sell 49 per cent. interest in Ortalyk LLP.
- In March 2020, in accordance with the Resolution of the Government of the Republic of Kazakhstan the Group transferred 100 per cent. of shares in Khorgos free of charge to the akimat of Almaty oblast. As a result, the Group lost control of Khorgos and recorded the disposal of net assets of KZT 24,809 million through equity in retained earnings.
- In December 2019, in accordance with the Resolution of the Government of the Republic of Kazakhstan the Group transferred shares of MAEK-Kazatomprom LLP to the State property and privatisation committee of the Ministry of Finance of the Republic of Kazakhstan with net assets of KZT 21,626 million.
- In September 2019, in accordance with a decree of the Government of the Republic of Kazakhstan, the Group transferred shares of three airports, International Airport Aktobe JSC, Airport Pavlodar JSC and International Airport Atyrau JSC to the Akimat of Aktobe, Pavlodar and Atyrau regions. The transferred net assets of the airports amounted to KZT 9,810 million.
- In April 2019, in accordance with the Resolution of the Government of Republic of Kazakhstan the Group transferred 90 per cent. shares of Management Company of Special Economic Zone Taraz assets of Chemical Park with the net assets of KZT 7,906 million to the State property and privatisation committee of the Ministry of Finance of the Republic of Kazakhstan.
- In February 2019, the Company completed the sale of 100 per cent. interest in KMG Retail LLP, which was classified as a disposal group held for sale, for KZT 60,512 million. The resulting gain on disposal of KMG Retail LLP amounted to KZT 17,481 million.
- In January 2019, a sale agreement for natural and associated gas 100 per cent. shares in Kazakhstan-British University JSC between KMG, and the Public Foundation "Nursultan Nazarbayev Education Fund" came into force. According to the terms of the agreement, the transfer of shares and payment of KZT 11,370 million for them are made in three tranches within two years. The resulting gain on disposal of KBTU net of loss of KZT 143 million incurred by KBTU for the period from 1 January 2019 till the date of sale amounted to KZT 6 million.
- In 2019, the Group entered into a conditional contract to sell its 50 per cent. interest minus 1 (one) share in JSC Uranium Enrichment Center (TsOU) to its partner in this joint venture – TVEL JSC (TVEL). The Group maintained 1 share of TsOU, which will retain the Group's right to access uranium enrichment services in accordance with the conditions previously agreed with TVEL. In March 2020 the Group completed this sale and received actual cash consideration of Euro 90 million (equivalent to KZT 43,858 million as at the date of sale).
- In July 2018, the Group transferred its 100 per cent. share in Kazakhstan Engineering JSC to the Shareholder. The Group recognised disposal of net assets of KZT 16,162 million of Kazakhstan Engineering JSC as other distributions to the Shareholder in consolidated statement of changes in equity.
- In April 2018, the Group entered into a purchase and sale agreement in relation to the sale of 26 per cent. minus 1 (one) share of Transtelecom JSC. In January 2020 the remaining balance of the purchase price was paid by the buyer and shares of Transtelecom JSC were disposed. As a result, the Group lost control over the subsidiary and recognised residual interest of 25 per cent. at fair value of KZT 9,086 million as investment in associate and disposal of non-controlling interest in Transtelecom JSC of KZT 14,040 million in consolidated statement of changes in equity. The resulting loss on disposal of Transtelecom JSC amounted to KZT 173 million.

One of the Group's strategic objectives is to improve the efficiency of the economy of Kazakhstan by reducing the share of the quasi-public sector in the economy of Kazakhstan. The Group has been and will continue to transfer assets to improve the competitive environment in Kazakhstan and to exit from non-strategic assets. There can be no assurance that any such disposals will be completed successfully or at all, and any such disposals could have a material effect on the Group's business and financial prospects. In addition, in accordance with

Government Decree No. 323 dated 4 June 2018, the Issuer is obliged to pay the Government 50 per cent. of all proceeds received from the privatisation. See "*Business of the Group—Privatisation Plans*" for details.

Impact of Changes in Exchange Rates

The KZT/U.S.$ exchange rate and inflation trends in Kazakhstan affect the Group's results of operations, principally because (i) a majority of the Group's consolidated revenue from sales of crude oil and refined oil products, sale of gas products, refined gold, as well as uranium products, are denominated in U.S. Dollars, whilst a substantial portion of the Company's expenses and in particular all of its operating expenses and more than two-thirds of its capital expenditures are denominated in Tenge, and (ii) a significant majority of the Group's borrowings and accounts payable are denominated in U.S. Dollars. As the Group's revenue from sale of natural resource constitutes a significant portion of the Group's revenue and is mainly denominated in U.S. Dollars, the Group generally benefits from an appreciation of the U.S. Dollar against the Tenge, which has a positive effect on the Group's financial performance. However, because the Group has significant outstanding U.S. Dollar denominated liabilities, the positive effect of appreciation of the U.S. Dollar on the Group's financial performance may be fully or partially offset. As at 31 December 2020, the official KZT/U.S.$ exchange rate reported by the NBK was KZT 420.91 per U.S.$1.00, as compared to KZT 382.59 per U.S.$1.00 as at 31 December 2019 and KZT 384.20 per U.S.$1.00 as at 31 December 2018.

The Group is also subject to exchange rate fluctuations in the KZT/RUB exchange rate as a result of borrowings denominated in Russian Roubles. As at 31 December 2020, the official KZT/RUB exchange rate reported by the NBK was KZT 5.62 per RUB 1.00, as compared to KZT 6.16 per RUB 1.00 as at 31 December 2019 and KZT 5.52 per RUB 1.00 as at 31 December 2018.

In addition, the Group generates Swiss Franc-denominated revenue from its freight transit based on the CIS Tariff Agreement, which set tariffs for freight transportation in Swiss Francs. As at 31 December 2020, the official KZT/Swiss Franc exchange rate reported by the NBK was KZT 477.60 per CHF 1.00, as compared to KZT 395.16 per CHF 1.00 as at 31 December 2019 and KZT 390.41 per CHF 1.00 as at 31 December 2018. An increase in the KZT/CHF exchange rate over the recent years had a positive effect on revenue from transit transportation, which is denominated in Swiss Francs.

Certain of the Group's borrowings denominated in foreign currencies were designated as hedge instruments. In the six months ended 30 June 2021, the Group transferred foreign currency loss of KZT 64,113 million recognised on the translation to other comprehensive income.

In 2018, the Group's net foreign exchange gain amounted to KZT 123,888 million reflecting the appreciation of the U.S. Dollar against the Tenge during that year as a result of various global and local factors. In 2019, whilst the KZT/U.S.$ exchange rate remained relatively stable during 2019, the Group recorded a net foreign exchange loss of KZT 16,822 million reflecting movements in the exchange rates of other currencies that impact the Group's financial results. In 2020, the Tenge weakened significantly against the U.S. Dollar, reflecting the drastic fall in oil prices, as a result of which the Group recorded a net foreign exchange gain of KZT 50,094 million. In the first half of 2021, the exchange rate remained relatively stable and the Group recorded an immaterial net foreign exchange loss of KZT 1,504 million.

Recoverability of oil and gas assets, downstream, refining and other assets

As at 31 December 2020 and 2019 the Group performed its annual impairment tests of downstream, refining and other assets due to existence of impairment indicators. The Group considered forecast refining margins and production volumes, among other factors, when reviewing for indicators of impairment. As a result of the impairment analysis of the recoverable amount of downstream, refining and other assets, the Group recognised impairment loss for the year ended 31 December 2020 and 2019 in the amount of KZT 341,094 million and KZT 346,464 million, respectively. As of 30 June 2021 the Group's management performed the analysis of the impairment indicators of property, plant and equipment of certain subsidiaries. Based on the analysis performed with respect to internal and external impairment indicators, the Group's management concluded that there are no impairment indicators as of the analysis date. Therefore, the Group's management decided not to perform the impairment test of property, plant and equipment and intangible assets of tested subsidiaries at 30 June 2021. As of 30 June 2021 the Group's management believes that there were no events that could cause a negative impact on the results of the analysis of the impairment indicators performed.

Impairment testing assumptions

The price assumptions used in value-in-use impairment testing were reviewed as a result of the significant changes in market prices during the year ended 31 December 2020. The Group's long-term assumptions for Brent oil prices, KZT/U.S.$ exchange rate and inflation projections have been revised and are based on externally sourced forecasts and rates of the independent research organisations considering long-tern market expectations. Production volumes are based on proved developed and undeveloped reserves for subsidiaries, and on proved and probable reserves for significant investments in joint ventures and associates. Production period is either based on subsoil use contracts' expiration date or on extended license period where the Group has intention to extend the license. Estimated production volumes are based on the Group's production plans that are mostly used for the purposes of application filing for extension of subsoil use contracts.

The discount rates used in value-in-use impairment testing were also reviewed in preparing the 2020 Financial Statements. Discount rates were estimated on the weighted average cost of capital of the individual cash generating unit and ranged between 7.77 per cent. to 14.50 per cent. depending on the functional currency, production period, size, equity risk premium, beta and gearing ratio of the relevant cash-generating unit.

As of 30 June 2020, Embamunaigas, KMG's subsidiary, carried out an assessment of the recoverable amount of property, plant and equipment and exploration and evaluation assets due to the presence of impairment indicators such as decline in the forecasted oil prices. The result of this assessment indicated that the carrying value of assets exceeded their estimated recoverable amount by KZT 60,440 million, particularly, KZT 44,098 million of property, plant and equipment and KZT 16,342 million of exploration and evaluation assets were impaired in the interim consolidated statement of comprehensive income for the six months ended 30 June 2020. For the six months ended 30 June 2021, no impairment indicators of property, plant and equipment, intangible assets and exploration and evaluation assets of Embamunaigas were observed.

With the Covid-19 pandemic having continued during the second quarter of 2020, the Group assessed recoverability of the refining assets. The Group considered forecasted refinery margins, production volumes among other factors. As a result of the impairment analysis of the recoverable amount of refining assets, in 2020, the Group recognised impairment loss of property, plant and equipment and intangible assets of KZT 155,544 million and KZT 6,911 million, respectively, for refining cash-generating unit of KMG International N.V.. No impairment of property, plant and equipment and intangible assets of KMG International N.V. was recognised as of 30 June 2021.

A change in price or other assumptions within the next financial year may result in a recoverable amount of one or more of oil and gas assets above or below the current carrying amount.

Segment Overview

For management purposes, the activities of the Group are divided into eight reportable operating segments: oil and gas, transportation, communication, energy, mining, industrial, corporate centre and other segments. These operating segments of the Group comprise the following activities:

- ***Oil and gas*** segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil, gas and refined products.
- ***Transportation*** segment includes operations related to railway and air transportation of cargo and passengers.
- ***Communication*** segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also renting out of lines, data transfer services and wireless communication services.
- ***Energy*** segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralised operation and dispatch of facilities in the Unified Energy System of Kazakhstan.
- ***Mining*** segment includes exploration, mining, processing, sales of mineral resources and geological exploration.

- ***Industrial*** segment includes industry enterprises and projects of chemical industry.
- ***Corporate* centre** segment covers the Group's investing and financing activities, including provision of loans to related and third parties.
- ***Other*** segment includes operations related to assisting the Government in increasing housing availability by investing into residential development and other operations.

Recent Developments

In July and August 2021, the Group received dividends from Kazakhstan – China Pipeline LLP, KazGerMunay LLP, Caspian Pipeline Consortium and Mangistau Investments B.V. of KZT 1,800 million, KZT 4,245 million, U.S.$28 million (equivalent to KZT 11,978 million) and U.S.$36 million (equivalent to KZT 15,427 million), respectively.

On 2 July 2021, an incident led to fire occurred at Petromidia, a subsidiary of KMG International N.V. The incident resulted in temporary stoppage of the refinery production until facilities damaged are recovered. KMG International N.V. conducted assessments to estimate the incident consequences and necessary period for recovery and safe resumption of the refinery production.

On 16 July 2021, the Group received dividends for 2020 in the amount of KZT 3,495 million (equivalent to 606,686 thousand Russian roubles) from an associate UTLC ERA JSC.

On 22 July 2021, the sale of 49 per cent. interest of Kazatomprom in Ortalyk LLP was completed in accordance with sale and purchase agreement signed with CGNM UK Limited (a subsidiary of CGNPC). Kazatomprom retains a 51 per cent. interest and CGNM UK Limited holds a 49 per cent. interest, with each participant purchasing a proportionate share of uranium production from the operation according to its interest. The consideration received equalled U.S.$435 million (equivalent to KZT 185,858 million).

On 3 August 2021, the Group paid dividends to NBK of KZT 4,787 million. In July 2021, the Group paid dividends to the holders of non-controlling interest in Kazatomprom of KZT 37,521 million.

On 5 August 2021, based on the Resolution of the Government, the Group recognised liabilities for financing of various social projects for total amount of KZT 4,731 million as other distributions to the Government in the consolidated statement of changes in equity.

On 10 September 2021, the Group sold 30,001 shares of Tin One Mining JSC in the amount of KZT 14,256 million to Berkut Mining LLP.

Results of Operations for the Six Months Ended 30 June 2021 Compared to the Six Months Ended 30 June 2020

	Six months ended 30 June	
	2021 (unaudited)	**2020 (unaudited)**
	(*in millions of Tenge*)	
Revenue	5,334,705	3,984,714
Government grants	18,989	11,044
	5,353,694	**3,995,758**
Cost of sales	(3,918,617)	(3,097,017)
Gross profit	**1,435,077**	**898,741**
General and administrative expenses	(202,325)	(193,316)
Transportation and selling expenses	(386,135)	(329,995)
Impairment loss, net	(27,627)	(283,550)
Gain/(loss) on disposal of subsidiaries	(1,727)	(173)
Operating profit/(loss)	**817,263**	**91,707**
Finance costs	(268,649)	(309,329)
Finance income	60,616	96,323
Other non-operating loss	(16,081)	(23,469)
Other non-operating income	53,316	58,011
Share in profit of joint ventures and associates, net	510,801	276,253
Net foreign exchange (loss)/gain	(1,504)	72,383
Profit before income tax	**1,155,762**	**261,879**

Income tax expenses	(227,577)	(85,377)
Net profit for the period	**928,185**	**176,502**

Revenue

The Group's revenue increased by KZT 1,349,991 million, or 33.9 per cent., to 5,334,705 million for the six months ended 30 June 2021 from KZT 3,984,714 million the six months ended 30 June 2020, primarily due to an increase in revenue from sales of crude oil by KZT 656,925 million, or 67.0 per cent., an increase in revenue from sales of oil refined products by KZT 435,781 million, or 53.1 per cent., an increase in revenue from railway cargo transportation by KZT 76,160 million, or 15.2 per cent., an increase in revenue from sales of uranium products KZT 80,434 million, or 56.4 per cent., as well as increase in other revenue components, such as revenue from sales of refined gold, telecommunication services and others.

The table below shows a breakdown of the Group's revenues by operating segments for the periods indicated.

	Six months ended 30 June	
	2021 (unaudited)	**2020 (unaudited)**
	(in millions of Tenge)	
Revenue		
Oil and gas	3,382,915	2,402,257
Mining	552,640	416,214
Transportation	758,235	618,760
Communication	304,289	265,899
Energy	379,161	319,839
Industrial	17,696	10,095
Corporate centre	280,469	247,661
Other	23,593	17,943
Elimination	(364,293)	(313,954)
Total	**5,334,705**	**3,984,714**

The table below shows a breakdown of the Group's revenues by product for the periods indicated.

	Six months ended 30 June	
	2021 (unaudited)	**2020 (unaudited)**
	(in millions of Tenge)	
Revenue		
Sales of crude oil	1,636,713	979,788
Sales of oil refined products	1,256,969	821,188
Railway cargo transportation	576,129	499,969
Sales of refined gold	312,749	261,378
Sales of gas product	391,533	442,830
Sales of uranium products	223,079	142,645
Telecommunication services	278,274	244,935
Oil and gas transportation fee	159,461	147,541
Electricity complex	169,351	122,336
Air transportation	136,825	78,015
Electricity transmission services	145,843	139,808
Oil processing fees	101,980	92,001
Interest revenue	31,723	24,224
Railway passenger transportation	24,021	21,675
Postal services	23,181	19,325
Other revenue	176,960	167,689
Less: Crude oil Quality Bank	(2,842)	(1,650)
Less: indirect taxes and commercial discounts	(307,244)	(218,983)
Total	**5,334,705**	**3,984,714**

Revenue from sales of crude oil

The Group's revenue from sales of crude oil increased by KZT 656,925 million, or 67.0 per cent., to KZT 1,636,713 million for the six months ended 30 June 2021 from KZT 979,788 million for the six months ended 30 June 2020. The increase was primarily driven by crude oil prices recovery in the first half of 2021 due to worldwide curtailments under agreement with OPEC+ countries as well as a positive impact resulting from an increase in exchange rate of Tenge against the U.S. Dollar.

Revenue from sales of oil refined products

The Group's revenue from sales of oil refined products increased by KZT 435,781 million, or 53.1 per cent., to KZT 1,256,969 million for the six months ended 30 June 2021 from KZT 821,188 million for the six months ended 30 June 2020 as a result of increase in the demand for oil refined products due to restored demand amid general recovery of the economy and business activities in the first half of 2021, as well as a positive impact resulting from an increase in exchange rate of Tenge against the U.S. Dollar.

Revenue from railway cargo transportation

The Group's revenue from railway cargo transportation increased by KZT 76,160 million, or 15.2 per cent., to KZT 576,129 million for the six months ended 30 June 2021 from KZT 499,969 million for the six months ended 30 June 2020. This increase was primarily due to an increase in the volume of freight transportation in the first half of 2021, as compared to the first half of 2020, due to an increase in the volume of domestic, transit and export freight transported that resulted from the lifting of quarantine restrictions.

Revenue from sales of refined gold

The Group's revenue from sales of refined gold increased by KZT 51,371 million, or 19.7 per cent., to KZT 312,749 million for the six months ended 30 June 2021 from KZT 261,378 million for the six months ended 30 June 2020 as a result of increase in sales volume of refined gold.

Revenue from sales of gas products

The Group's revenue from sales of gas products decreased by KZT 51,297 million, or 11.6 per cent., to KZT 391,533 million for the six months ended 30 June 2021 from KZT 442,830 million for the six months ended 30 June 2020 as a result of decrease in the average sales price to China, a decrease in export sales and the decrease of gas sales to Russian clients.

Revenue from sales of uranium products

The Group's revenue from sales of uranium products increased by KZT 80,434 million, or 56.4 per cent., to KZT 223,079 million for the six months ended 30 June 2021 from KZT 142,645 million for the six months ended 30 June 2020, as a result of the higher uranium spot prices, increases in production and sales volumes compared to the first half of 2020, due to the impact of Covid-19 in 2020 resulting in lower production, as well as a positive impact resulting from an increase in exchange rate of Tenge against the U.S. Dollar.

Revenue from sales of telecommunication services

The Group's revenue from sales of telecommunication services increased by KZT 33,339 million or 13.6 per cent., to KZT 278,274 million for the six months ended 30 June 2021 from KZT 244,935 million for the six months ended 30 June 2020, primarily due to the growth of tariffs for data transmission network services.

Revenue from oil and gas transportation fee

The Group's revenue from oil and gas transportation fee increased by KZT 11,920 million, or 8.1 per cent., to KZT 159,461 million for the six months ended 30 June 2021 from KZT 147,541 million for the six months ended 30 June 2020. This increase was primarily attributable to an increase in oil transportation turnover through certain of the Group's pipelines, as well as increase in export sales of gas to Central Asia region.

Revenue from electricity complex

The Group's revenue from electricity complex increased by KZT 47,015 million or 38.4 per cent., to KZT 169,351 million for the six months ended 30 June 2021 from KZT 122,336 million for the six months ended 30

June 2020 as a result of a growth in the volume of sales of purchased electricity due to recovery of the production facilities throughout the country amid improvement of the economic environment.

Revenue from air transportation

The Group's revenue from air transportation increased by KZT 58,810 million, or 75.4 per cent., to KZT 136,825 million for the six months ended 30 June 2021 from KZT 78,015 million for the six months ended 30 June 2020 as a result of increase in the volume of air traffic resulted from the lifting of the quarantine restrictions.

Revenue from electricity transmission services

The Group's revenue from electricity transmission services slightly increased by KZT 6,035 million, or 4.3 per cent., to KZT 145,843 million for the six months ended 30 June 2021 from KZT 139,808 million for the six months ended 30 June 2020.

Revenue from oil processing fees

The Group's revenue from oil processing fees increased by KZT 9,979 million, or 10.8 per cent., to KZT 101,980 million for the six months ended 30 June 2021 from KZT 92,001 million for the six months ended 30 June 2020 as a result of increase in revenue from oil processing on Pavlodar plant due to increase in production volumes and processing tariffs.

Interest revenue

The Group's interest income increased by KZT 7,499 million, or 31.0 per cent., to KZT 31,723 million for the six months ended 30 June 2021 from KZT 24,224 million for the six months 30 June 2020 due to issuance of new loans and increase in finance rent revenues.

Revenue from railway passenger transportation

The Group's revenue railway passenger transportation increased by KZT 2,346 million, or 10.8 per cent., to KZT 24,021 million for the six months ended 30 June 2021 from KZT 21,675 million for the six months ended 30 June 2020 as a result of increase in the volume of railway passenger traffic resulted from the lifting of the quarantine restriction.

Revenue from postal services

The Group's revenue from postal services increased by KZT 3,856 million, or 20.0 per cent., to KZT 23,181 million for the six months ended 30 June 2021 from KZT 19,325 million for the six months ended 30 June 2020 as a result of an increase in the volume of international postal services.

Other revenue

Other revenue in the six months ended 30 June 2021 primarily consisted of well drilling revenues, revenue from services for maintaining the readiness of electrical power, airport services, revenue from sale of other products and other services related to the main activities of the Group.

Other revenue increased by KZT 9,271 million, or 5.5 per cent., to KZT 176,960 million for the six months ended 30 June 2021 from KZT 167,689 million for the six months ended 30 June 2020.

Cost of sales

The Group's cost of sales increased by KZT 821,600 million, or 26.5 per cent., to KZT 3,918,617 million for the six months ended 30 June 2021 from KZT 3,097,017 million for the six months ended 30 June 2020 due to an increase in materials and supplies, depreciation, depletion and amortisation, personnel costs, including social tax and contributions, fuel and energy and mineral extraction tax expenses.

The table below shows a breakdown of the Group's cost of sales for the periods indicated:

	Six months ended 30 June	
	2021 (unaudited)	**2020 (unaudited)**
	(*in millions of Tenge*)	

	Six months ended 30 June	
	2021 (unaudited)	**2020 (unaudited)**
Materials and supplies	2,202,382	1,472,765
Depreciation, depletion and amortisation	491,749	461,466
Personnel costs, including social tax and contributions	469,737	425,210
Fuel and energy	200,493	174,431
Repair and maintenance	118,351	113,826
Production services received	103,289	114,113
Mineral extraction tax	57,748	44,402
Taxes other than social taxes and withdrawals	52,305	49,312
Transportation expenses	32,431	21,568
Communication services	24,322	24,433
Interest expense	29,401	33,928
Rent	19,559	33,662
Security services	11,804	10,341
Other	105,046	117,560
Total	**3,918,617**	**3,097,017**

Materials and supplies

The Group's materials and supplies expenses increased by KZT 729,617 million, or 49.5 per cent., to KZT 2,202,382 million for the six months ended 30 June 2021 from KZT 1,472,765 million for the six months ended 30 June 2020, primarily driven by an increase in the average price of crude oil as well as the exchange rate of Tenge against U.S. Dollar.

Depreciation, depletion and amortisation

The Group's depreciation, depletion and amortisation expenses increased by KZT 30,283 million, or 6.6 per cent., to KZT 491,749 million for the six months ended 30 June 2021 from KZT 461,466 million for the six months ended 30 June 2020, primarily as a result of recognition of expenses for certain leases in accordance with IFRS 16, as well as a change in the depreciation base due to the commissioning of facilities and clarification of the service life of fixed assets for certain of KMG's subsidiaries.

Personnel costs, including social taxes and withdrawals

The Group's personnel costs, including social taxes and withdrawals increased by KZT 44,527 million, or 10.5 per cent., to KZT 469,737 million for the six months ended 30 June 2021 from KZT 425,210 million for the six months ended 30 June 2020 as a result of an increase in benefits payable to the Group's employees in 2021.

Fuel and energy

The Group's fuel and energy expenses increased by KZT 26,062 million, or 14.9 per cent., to KZT 200,493 million for the six months ended 30 June 2021 from KZT 174,431 million for the six months ended 30 June 2020 primarily due to increase of passengers turnover fuel and increase of the production volumes on certain of the Group's mines and refineries.

Repair and maintenance

The Group's repair and maintenance expenses increased by KZT 4,525 million, or 4.0 per cent., to KZT 118,351 million for the six months ended 30 June 2021 from KZT 113,826 million for the six months ended 30 June 2020 due to scheduled maintenance on the Group's facilities.

Production services rendered

The Group's production services rendered expenses decreased by KZT 10,824 million, or 9.5 per cent., to KZT 103,289 million for the six months ended 30 June 2021 from KZT 114,113 million for the six months ended 30 June 2020 due to increase in the costs of maintenance.

Transportation and selling expenses

The Group's transportation and selling expenses increased by KZT 56,140 million, or 17 per cent., to KZT 386,135 million for the six months ended 30 June 2021 from KZT 329,995 million for the six months ended 30 June 2020 primarily as a result of an increase in the majority of the components of the Group's transportation and selling expenses.

The table below shows a breakdown of the Group's transportation and selling expenses for the periods indicated:

	Six months ended 30 June	
	2021 (unaudited)	**2020 (unaudited)**
	(*in millions of Tenge*)	
Transportation	238,457	230,951
Custom duties	50,054	41,622
Rent tax	55,583	19,474
Depreciation and amortisation	9,149	7,731
Personnel costs, including social tax and contributions	8,495	7,774
Commission fees to agents and advertising	6,914	7,155
Rent expenses	3,340	2,412
Other	14,143	12,876
Total	**386,135**	**329,995**

Transportation

The Group's transportation expenses slightly increased by KZT 7,506 million, or 3.3 per cent., to KZT 238,457 million for the six months ended 30 June 2021 from KZT 230,951 million for the six months ended 30 June 2020, primarily as a result of increase in the transportation volumes of Central Asian transit, mainly of Turkmen gas, which was partially offset by a decrease in volume due to the limitation of oil production in accordance with the requirements of the OPEC + agreement.

Custom duties

The Group's custom duties expenses increased by KZT 8,432 million, or 20.3 per cent., to KZT 50,054 million for the six months ended 30 June 2021 from KZT 41,622 million for the six months ended 30 June 2020 as a result of recovery of the international trade and corresponding growth of the international cargo turnover.

Rent tax

The Group's rent tax expenses increased by KZT 36,109 million, or 185 per cent., to KZT 55,583 million for the six months ended 30 June 2021 from KZT 19,474 million for the six months ended 30 June 2020 due to the restored oil prices in the first half of 2021.

General and administrative expenses

The Group's general and administrative expenses increased by KZT 9,009 million, or 4.6 per cent., to KZT 202,325 million for the six months ended 30 June 2021 from KZT 193,316 million for the six months ended 30 June 2020 primarily due to increase in allowance for expected credit losses for trade receivable and other assets as well as long-term reserves created within the framework of IFRS for a subsidiary of Kazatomprom.

The table below shows a breakdown of the Group's general and administrative expenses for the periods indicated:

	Six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
	(*in millions of Tenge*)	
Personnel costs, including social tax and contributions	95,629	94,871
Depreciation and amortisation	18,566	17,742
Audit and consulting services	14,088	14,855
Allowance for expected credit losses for trade receivable and other assets	10,264	1,269
Taxes other than social taxes and withdrawals	14,190	18,339
Sponsorship and charitable donations	6,503	2,260
Repair and maintenance	3,091	2,975
Other services by third parties	2,620	2,526
Rent	2,164	2,744
Business trips	1,522	1,568
Fines and penalties	895	894
Utilities expenses and maintenance of buildings	1,564	1,888
Communication services	1,430	1,058
Transportation services	1,155	1,211
Bank services	994	867
Professional education and advanced trainings	705	579
Other	26,945	27,670
Total	**202,325**	**193,316**

Operating profit

The Group's operating profit increased by KZT 725,556 million, or 791.2 per cent., to KZT 817,263 million for the six months ended 30 June 2021 from KZT 91,707 million for the six months ended 30 June 2020 primarily due to an increase in the Group's gross profit and decrease in the impairment of property, plant and equipment, exploration and evaluation assets and intangible assets from KZT 235,269 million in the first half of 2020 to KZT 20,011 million in the first half of 2021. This decrease in the impairment of property, plant and equipment, exploration and evaluation assets and intangible assets was due to the fact that KMG performed impairment test on its cash generating unit in the first half of 2020 and recognised impairment loss of property, plant and equipment and intangible assets of KZT 152,244 million and KZT 6,765 million, respectively.

Finance costs

The Group's net finance costs decreased by KZT 40,680 million, or 13.2 per cent., to KZT 268,649 million for the six months ended 30 June 2021 from KZT 309,329 million for the six months ended 30 June 2020, due to the fact that the Group made early redemption of bonds in the first half of 2020 which resulted in the recognition of financial cost of KZT 24,221 million, coupled with the fact that the Group recognised financial cost in the six months ended 30 June 2020 for financial guarantee.

Finance income

The Group's net finance income decreased by KZT 35,707 million, or 37.1 per cent., to KZT 60,616 million for the six months ended 30 June 2021 from KZT 96,323 million for the six months ended 30 June 2020 and such decrease was primarily caused by a decrease in income from subsidised interest rates on financial liabilities and a decrease in discount on liabilities at rates below market.

Share in Profit of Joint Ventures and Associates, Net

For the six months ended 30 June 2021, the net share in profit of joint ventures and associates increased by KZT 234,548 million, or 84.9 per cent., to KZT 510,801 million from KZT 276,253 million for the six months ended 30 June 2020. This increase was primarily due to an increase in the share in profits of Tengizchevroil LLP and Asian Gas Pipeline LLP as a result of the increase in global oil price.

The following table sets forth certain information regarding the income (loss) of the Company's joint ventures and associates for the periods indicated:

	Six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
	(*in millions of Tenge*)	
Tengizchevroil LLP	199,005	69,514
Asian Gas Pipeline LLP	120,824	76,566
Caspian Pipeline Consortium	39,321	40,664
Beineu-Shymkent Pipeline LLP	36,173	24,139
Kazzinc LLP	42,966	15,361
Mangistau Investments B.V.	26,794	4,755
KazRosGas LLP	9,165	1,468
JV KATCO LLP	6,885	12,331
Kazakhstan – China Pipeline LLP	6,881	4,222
JV Kazgermunai LLP	4,099	8,955
PetroKazakhstan Inc.	5,832	7,347
"United Transport and Logistics Company – Eurasian Rail Alliance" JSC	5,241	3,125
Forum Muider B.V.	5,900	7,437
Valsera Holdings B.V.	4,551	(4,020)
Ural Group Limited BVI	(5,220)	(4,952)
AstanaGas KMG JSC	(7,751)	(7,208)
Other	10,135	16,549
Total	**510,801**	**276,253**

Profit before income tax

As a result of the foregoing, the Group's profit before income tax increased by KZT 893,883 million, or 341 per cent., to KZT 1,155,762 million for the six months ended 30 June 2021 from KZT 261,879 million for the six months ended 30 June 2020.

Income tax expense

The Group's income tax expense increased by KZT 142,200 million, or 166.6 per cent., to KZT 227,577 million for the six months ended 30 June 2021 from KZT 85,377 million for the six months ended 30 June 2020 primarily as a result of increase in profit before income tax.

Net profit for the year

As a result of the foregoing, the Group's net profit increased by KZT 751,683 million, or 425.9 per cent., to KZT 928,185 million for the six months ended 30 June 2021 from KZT 176,502 million for the six months ended 30 June 2020.

Results of Operations for the Years Ended 31 December 2020, 2019 and 2018

	Year ended 31 December		
	2020 (audited)	2019 (restated)	2018 (restated)
	(*in millions of Tenge*)		
Revenue	8,556,009	10,648,913	10,116,427
Government grants	35,408	54,788	31,217
	8,591,417	**10,703,701**	**10,147,644**
Cost of sales	(6,618,721)	(7,988,781)	(7,798,575)
Gross profit	**1,972,696**	**2,714,920**	**2,349,069**
General and administrative expenses	(425,875)	(469,857)	(488,633)
Transportation and selling expenses	(670,549)	(779,034)	(721,582)
Impairment loss, net	(343,741)	(355,693)	(197,406)
Gain on business combination	–	82,609	347,479
Gain/(loss) on disposal of subsidiaries	219	24,179	26,432
Operating profit/(loss)	**532,750**	**1,217,124**	**1,315,359**
Finance costs	(608,953)	(639,780)	(633,155)
Finance income	180,188	280,949	206,520
Other non-operating loss	(59,795)	(66,843)	(110,763)

Other non-operating income	93,265	113,530	44,176
Share in profit of joint ventures and associates, net	641,608	914,757	754,901
Net foreign exchange (loss)/gain	50,094	(16,822)	123,888
Profit/(loss) before income tax	**829,157**	**1,802,915**	**1,700,926**
Income tax expenses	(246,615)	(382,434)	(403,816)
Loss from discontinued operations, net of income tax	–	–	(3,542)
Net profit/(loss) for the period	**582,542**	**1,420,481**	**1,293,568**

Revenue

The Group's revenue decreased by KZT 2,092,904 million, or 19.7 per cent., to 8,556,009 million for the year ended 31 December 2020 from KZT 10,648,913 million for the year ended 31 December 2019 primarily due to a decrease in revenue from sales of crude oil by KZT 1,557,527 million, or 44.1 per cent., a decrease in revenue from sales of oil refined products by KZT 745,773 million, or 28.8 per cent., a decrease in revenue from air transportation by KZT 168,378 million, or 50.8 per cent., which was partially offset by an increase in revenue from sales of refined gold, railway cargo transportation and sales of uranium products by KZT 201,923 million, KZT 105,623 million and KZT 95,489 million, or 46.3 per cent., 10.9 per cent. and 20.4 per cent., respectively.

The Group's revenue increased by KZT 532,486 million, or 5.3 per cent., to KZT 10,648,913 million for the year ended 31 December 2019 from KZT 10,116,427 million for the year ended 31 December 2018 primarily due to an increase in revenue from telecommunication services by KZT 218,741 million, or 102.4 per cent., an increase in revenue from sales of refined gold by KZT 178,360 million, or 69.3 per cent., and an increase in revenue from railway cargo transportation by KZT 112,249 million, or 13.1 per cent., and was partially offset by a decrease in revenue from sales of crude oil by KZT 228,015 million , or 6.1 per cent.

The table below shows a breakdown of the Group's revenues by operating segments for the periods indicated.

	Year ended 31 December		
	2020 (audited)	**2019 (restated)**	**2018 (restated)**
	(in millions of Tenge)		
Revenue			
Oil and gas	4,867,700	7,302,106	7,431,228
Mining	1,227,237	1,003,059	758,822
Transportation	1,313,863	1,460,845	1,337,173
Communication	566,264	471,406	262,926
Energy	680,361	507,242	436,579
Industrial	20,737	10,350	10,550
Corporate centre	302,815	272,649	369,548
Other	31,970	32,123	25,165
Elimination	(454,938)	(410,867)	(515,564)
Total	**8,556,009**	**10,648,913**	**10,116,427**

The table below shows a breakdown of the Group's revenues by product for the periods indicated.

	Year ended 31 December		
	2020 (audited)	**2019 (restated)**	**2018 (restated)**
	(in millions of Tenge)		
Revenue			
Sales of crude oil	1,971,894	3,529,421	3,757,436
Sales of oil refined products	1,844,148	2,589,921	2,603,428
Railway cargo transportation	1,075,719	970,096	857,847
Sales of gas products	810,280	875,150	783,070
Sales of refined gold	637,758	435,835	257,475
Sales of uranium products	563,266	467,777	399,998
Telecommunication services	519,687	432,329	213,588
Oil and gas transportation fee	289,858	389,464	315,205
Electricity transmission services	286,804	222,229	144,543

	Year ended 31 December		
	2020 (audited)	**2019 (restated)**	**2018 (restated)**
	(in millions of Tenge)		
Electricity complex	262,969	240,491	277,865
Oil processing fees	192,482	195,272	175,112
Air transportation	162,962	331,340	291,631
Postal services	41,765	46,303	42,537
Interest income	40,137	38,823	46,167
Railway passenger transportation	39,397	86,012	85,453
Less: Crude oil Quality Bank	(2,283)	(14,956)	(18,118)
Less: indirect taxes and commercial discounts	(538,286)	(586,663)	(499,910)
Other revenue	357,452	400,069	383,100
Total	**8,556,009**	**10,648,913**	**10,116,427**

Revenue from sales of crude oil

The Group's revenue from sales of crude oil decreased by KZT 1,557,527 million, or 44.1 per cent., to KZT 1,971,894 million for the year ended 31 December 2020 from KZT 3,529,421 million for the year ended 31 December 2019, as a result of a reduction in oil production by 7.9 per cent. in 2020, decrease in oil trading and sales of petroleum products and a sharp drop in the Brent price. This decrease was slightly offset by the weakening of the average exchange rate of the Tenge against the U.S. dollar.

The Group's revenue from sales of crude oil slightly decreased by KZT 228,015 million, or 6.1 per cent., to KZT 3,529,421 million for the year ended 31 December 2019 from KZT 3,757,436 million for the year ended 31 December 2018, primarily as a result of lower sales volumes, as well as the market prices of Brent crude oil dropping from an average of U.S.$71.3 per barrel in 2018 to U.S.$64.2 per barrel in 2019.

Revenue from sales of oil refined products

The Group's revenue from sales of oil refined products decreased by KZT 745,773 million, or 28.8 per cent., to KZT 1,844,148 million for the year ended 31 December 2020 from KZT 2,589,921 million for the year ended 31 December 2019 as a result of a reduction in oil production by 7.9 per cent. and a decline of oil prices from by U.S.$22/bbl. in 2019, as compared to 2020.

The Group's revenue from sales of oil refined products for the year ended 31 December 2019 amounted to KZT 2,589,921 million and was relatively flat compared to KZT 2,603,428 million for the year ended 31 December 2018.

Revenue from railway cargo transportation

The Group's revenue from railway cargo transportation increased by KZT 105,623 million, or 10.9 per cent., to KZT 1,075,719 million for the year ended 31 December 2020 from KZT 970,096 million for the year ended 31 December 2019, primarily as a result of an increase in freight turnover, mainly in export and transit traffic and an increase of the depreciation of Tenge against Swiss Franc, in which the Group generates revenue from its freight transit based on the CIS Tariff Agreement.

The Group's revenue from railway cargo transportation increased by KZT 112,249 million, or 13.1 per cent., to KZT 970,096 million for the year ended 31 December 2019 from KZT 857,847 million for the year ended 31 December 2018, primarily as a result of an increase in revenue from freight wagon operating services, as well as an increase in the average level of tariffs and cargo turnover.

Revenue from sales of gas products

The Group's revenue from sales of gas products decreased by KZT 64,870 million, or 7.4 per cent., to KZT 810,280 million for the year ended 31 December 2020 from KZT 875,150 million for the year ended 31 December 2019 as a result of reduction in gas production by 2.8 per cent. in 2020 as compared to 2019 amid the Covid-19 outbreak and decrease in average sales price.

The Group's revenue from sales of gas products increased by KZT 92,080 million, or 11.8 per cent., to KZT 875,150 million for the year ended 31 December 2019 from KZT 783,070 million for the year ended 31 December 2018 mainly resulted from increase in sales of commercial gas, as well as increase in average selling price of gas for exports increasing from U.S.$179 per thousand m3 in 2018 to U.S.$200 per thousand cubic metres in 2019, as well as the U.S. Dollar exchange rate against Tenge.

Revenue from sales of refined gold

The Group's revenue from sales of refined gold increased by KZT 201,923 million, or 46.3 per cent., to KZT 637,758 million for the year ended 31 December 2020 from KZT 435,835 million for the year ended 31 December 2019 as a result of an increase in the average price for refined gold from U.S.$1,412 per troy ounce in 2019 to U.S.$1,770 per troy ounce in 2020 in line with the market trend, as well as growth of the volume of sales of refined gold.

The Group's revenue from sales of refined gold increased by KZT 178,360 million, or 69.3 per cent., to KZT 435,835 million for the year ended 31 December 2019 from KZT 257,475 million for the year ended 31 December 2018 as a result of an increase in the average price for refined gold from U.S.$1,264 per troy ounce in 2019 to U.S.$1,412 per troy ounce, as well as increase in the sales of refined gold.

Revenue from sales of uranium products

The Group's revenue from sales of uranium products increased by KZT 95,489 million, or 20.4 per cent., to KZT 563,266 million for the year ended 31 December 2020 from KZT 467,777 million for the year ended 31 December 2019 as a result of increase in the sales volume of uranium oxide by 2.4 per cent. and growth in the average price by 14.5 per cent. in 2020, as compared to 2019.

The Group's revenue from sales of uranium products increased by KZT 67,779 million, or 16.9 per cent., to KZT 467,777 million for the year ended 31 December 2019 from KZT 399,998 million for the year ended 31 December 2018 as a result of the growth of the spot quotation for uranium by U.S.$1.2 per pound and an increase in the U.S.$/KZT exchange rate, as compared to 2018.

Revenue from sales of telecommunication services

The Group's revenue from sales of telecommunication services increased by KZT 87,358 million, or 20.2 per cent., to KZT 519,687 million for the year ended 31 December 2020 from KZT 432,329 million for the year ended 31 December 2019 as a result of growth in revenues from data transmission network services and mobile communications due to the consolidation of MTS LLP from the second half of 2019.

The Group's revenue from sales of telecommunication services increased by KZT 218,741 million, or 102.4 per cent., to KZT 432,329 million for the year ended 31 December 2019 from KZT 213,588 million for the year ended 31 December 2018 as a result of significant growth in mobile services due to the merger of Kcell JSC and Mobile Telecom-Service LLP and growth of income from fibre broadband Internet access services and fixed wireless broadband access services in 2019.

Revenue from oil and gas transportation fee

The Group's revenue from oil and gas transportation fee decreased by KZT 99,606 million, or 25.6 per cent., to KZT 289,858 million for the year ended 31 December 2020 from KZT 389,464 million for the year ended 31 December 2019. This decrease was primarily attributable to a decrease in oil supply from oil companies operating the Kumkol oil fields, lower dispatch volumes in the Mediterranean Sea, and a decrease in transit volumes of gas through Kazakhstan, and a decrease in export sales of gas.

The Group's revenue from oil and gas transportation fee increased by KZT 74,259 million, or 23.6 per cent., to KZT 389,464 million for the year ended 31 December 2019 from KZT 315,205 million for the year ended 31 December 2018 as a result of the resumption of the transit of Turkmen gas to Russia, the increase in export volumes of Uzbek gas, as well as the provision of transport services for Gazprom Export.

Revenue from electricity transmission services

The Group's revenue from electricity transmission services increased by KZT 64,575 million, or 29.1 per cent., to KZT 286,804 million for the year ended 31 December 2020 from KZT 222,229 million for the year ended

31 December 2019 as a result of a growth in the volume of sales of purchased electricity produced by renewable energy sources and an increase of tariffs and volume of services.

The Group's revenue from electricity transmission services increased by KZT 77,686 million, or 53.7 per cent., to KZT 222,229 million for the year ended 31 December 2019 from KZT 144,543 million for the year ended 31 December 2018 as a result of the implementation of new line of services on electrical power in the framework of the functioning of the capacity market in 2019.

Revenue from electricity complex

The Group's revenue from electricity complex increased by KZT 22,478 million, or 9.3 per cent., to KZT 262,969 million for the year ended 31 December 2020 from KZT 240,491 million for the year ended 31 December 2019 as a result of an increased production of electrical energy by Samruk-Energy JSC.

The Group's revenue from electricity complex decreased by KZT 37,374 million, or 13.5 per cent., to KZT 240,491 million for the year ended 31 December 2019 from KZT 277,865 million for the year ended 31 December 2018 as a result of decreased electricity sales volumes and tariff changes on energy transmission organisations.

Revenue from oil processing fees

The Group's revenue from oil processing fees slightly decreased by KZT 2,790 million, or 1.4 per cent., to KZT 192,482 million for the year ended 31 December 2020 from KZT 195,272 million for the year ended 31 December 2019.

The Group's revenue from oil processing fees increased by KZT 20,160 million, or 11.5 per cent., to KZT 195,272 million for the year ended 31 December 2019 from KZT 175,112 million for the year ended 31 December 2018 as a result of an increase in production of main oil refined products in 2019 as well as increased refinery tariff resulting from changes introduced to anti-monopoly legislation.

Revenue from air transportation

The Group's revenue from air transportation decreased by KZT 168,378 million, or 50.8 per cent., to KZT 162,962 million for the year ended 31 December 2020 from KZT 331,340 million for the year ended 31 December 2019 as a result of decrease in the volume of air traffic due to the quarantine restrictions introduced worldwide due to the Covid-19 pandemic.

The Group's revenue from air transportation increased by KZT 39,709 million, or 13.6 per cent., to KZT 331,340 million for the year ended 31 December 2019 from KZT 291,631 million for the year ended 31 December 2018 as a result of an increase in passenger traffic by 18 per cent. in 2019 as compared to 2018.

Revenue from postal services

The Group's revenue from postal services decreased by KZT 4,538 million, or 9.8 per cent., to KZT 41,765 million for the year ended 31 December 2020 from KZT 46,303 million for the year ended 31 December 2019 as a result of a decrease in volume of international postal services due to the Covid-19 outbreak.

The Group's revenue from postal services increased by KZT 3,766 million, or 8.9 per cent., to KZT 46,303 million for the year ended 31 December 2019 from KZT 42,537 million for the year ended 31 December 2018 as a result of an increase in volume of postal services provided in 2019.

Interest income

The Group's interest income increased by KZT 1,314 million, or 3.4 per cent., to KZT 40,137 million for the year ended 31 December 2020 from KZT 38,823 million for the year ended 31 December 2019.

The Group's interest income decreased by KZT 7,344 million, or 15.9 per cent., to KZT 38,823 million for the year ended 31 December 2019 from KZT 46,167 million for the year ended 31 December 2018.

Revenue from railway passenger transportation

The Group's revenue from railway passenger transportation decreased by KZT 46,615 million, or 54.2 per cent., to KZT 39,397 million for the year ended 31 December 2020 from KZT 86,012 million for the year ended 31 December 2019 as a result of a decrease of rail passenger traffic by 50.3 per cent. due to the Covid-19 outbreak.

The Group's revenue from railway passenger transportation for the year ended 31 December 2019 were relatively flat compared to the year ended 31 December 2018.

Other revenue

Other revenue in the year ended 31 December 2020, 2019 and 2018 mainly consisted of well drilling revenues, revenue from services for maintaining the readiness of electrical power, airport services, revenue from sale of other products and other services related to the main activities of the Group.

Other revenue increased by KZT 42,617 million, or 10.7 per cent., to KZT 357,452 million for the year ended 31 December 2020 from KZT 400,069 million for the year ended 31 December 2019.

Other revenue increased by KZT 16,969 million, or 4.4 per cent., to KZT 400,069 million for the year ended 31 December 2019 from KZT 383,100 million for the year ended 31 December 2018.

Cost of sales

The Group's cost of sales decreased by KZT 1,370,060 million, or 17.1 per cent., to KZT 6,618,721 million for the year ended 31 December 2020 from KZT 7,988,781 million for the year ended 31 December 2019 due to a decrease in production services rendered, a decrease in materials and supplies, fuel and energy and mineral extraction tax expenses, which was partially offset by an increase in depreciation, depletion and amortisation and other expenses.

The Group's cost of sales increased by KZT 190,206 million, or 2.4 per cent., to KZT 7,988,781 million for the year ended 31 December 2019 from KZT 7,798,575 million for the year ended 31 December 2018 as a result of an increase in depreciation, depletion and amortisation and personnel costs, including social taxes and withdrawals. The cost of sales increase was partially offset by a decrease in expenses related to materials and supplies.

The table below shows a breakdown of the Group's cost of sales for the periods indicated:

	Year ended 31 December		
	2020 (audited)	**2019 (restated)**	**2018 (restated)**
	(*in millions of Tenge*)		
Materials and supplies	3,225,362	4,597,447	4,844,175
Depreciation, depletion and amortisation	940,167	849,888	698,317
Personnel costs, including social taxes and withdrawals	910,830	895,307	786,597
Fuel and energy	362,935	400,468	343,189
Repair and maintenance	254,890	244,487	190,570
Production services rendered	241,946	301,679	227,029
Taxes other than social taxes and withdrawals	103,853	93,694	76,049
Mineral extraction tax	86,858	142,825	158,867
Interest expense	62,544	69,004	84,051
Transportation expenses	58,662	49,629	38,268
Rent	46,152	82,149	75,531
Other	324,522	262,204	275,932
Total	**6,618,721**	**7,988,781**	**7,798,575**

Materials and supplies

The Group's materials and supplies expenses decreased by KZT 1,372,085 million, or 29.8 per cent., to KZT 3,225,362 million for the year ended 31 December 2020 from KZT 4,597,447 million for the year ended 31 December 2019 as a result of reduction of production volumes in the Group's portfolio companies operating

in natural resources and mining industries due to the Covid-19 outbreak and scheduled showdowns of certain refineries and mines for repairs.

The Group's materials and supplies expenses decreased by KZT 246,728 million, or 5.1 per cent., to KZT 4,597,447 million for the year ended 31 December 2019 from KZT 4,844,175 million for the year ended 31 December 2018 as a result of an increased sales volumes of refined gold and an increase in raw oil purchase expense for refinery.

Depreciation, depletion and amortisation

The Group's depreciation, depletion and amortisation expenses increased by KZT 90,279 million, or 10.6 per cent., to KZT 940,167 million for the year ended 31 December 2020 from KZT 849,888 million for the year ended 31 December 2019, primarily as a result of commissioning of new fixed assets acquired in accordance with the investment activities, changes in the calculation of the abandonment fund as well as the increase in the amortisation base, decrease in proved reserves in 2020 and increase in production volumes.

The Group's depreciation, depletion and amortisation expenses increased by KZT 151,571 million, or 21.7 per cent., to KZT 849,888 million for the year ended 31 December 2019 from KZT 698,317 million for the year ended 31 December 2018, this increase was primarily due to the increase in the value of fixed assets resulting from the implementation of investment projects and a rise in the value of fixed assets in the mining companies.

Personnel costs, including social taxes and withdrawals

The Group's personnel costs, including social taxes and withdrawals increased by KZT 15,523 million, or 1.7 per cent., to KZT 910,830 million for the year ended 31 December 2020 from KZT 895,307 million for the year ended 31 December 2019 as a result of an increase in the Group's staff and related increase in benefits payable to the Group's employees in 2020.

The Group's personnel costs, including social taxes and withdrawals increased by KZT 108,710 million, or 13.8 per cent., to KZT 895,307 million for the year ended 31 December 2019 from KZT 786,597 million for the year ended 31 December 2018 as a result an increase in the Group's staff and related increase in benefits payable to the Group's employees in 2019.

Fuel and energy

The Group's fuel and energy expenses decreased by KZT 37,533 million, or 9.4 per cent., to KZT 362,935 million for the year ended 31 December 2020 from 400,468 million for the year ended 31 December 2019 primarily due to a decrease in production on the Group's refineries and mines, as well as decrease of passengers turnover fuel and energy purchases as a result of the Covid-19 outbreak.

The Group's fuel and energy expenses increased by KZT 57,279 million, or 16.7 per cent., to 400,468 million for the year ended 31 December 2019 from KZT 343,189 million for the year ended 31 December 2018 due to increase in the volume of freight transportation, increase in consumption of energy due to the commissioning of new facilities in the Group's portfolio companies, as well as the growth of weighted average tariffs.

Repair and maintenance

The Group's repair and maintenance expenses increased by KZT 10,403 million, or 4.3 per cent., to KZT 254,890 million for the year ended 31 December 2020 from KZT 244,487 million for the year ended 31 December 2019 primarily as a result of the implementation of investment projects, including through the maintenance of commissioned wells, buildings and structures, as well as outsourcing the service maintenance of freight cars.

The Group's repair and maintenance expenses increased by KZT 53,917 million, or 28.3 per cent., to KZT 244,487 million for the year ended 31 December 2019 from KZT 190,570 million for the year ended 31 December 2018 as a result of the increased number of active equipment, including the acquisition of new equipment, as well as increased expenses on maintenance for wells and other facilities that were outdated.

Production services rendered

The Group's production services rendered expenses decreased by KZT 59,733 million, or 19.8 per cent., to KZT 241,946 million for the year ended 31 December 2020 from KZT 301,679 million for the year ended 31 December 2019 due to a decline of rendered production services volume as a result of the Covid-19 outbreak.

The Group's production services rendered expenses increased by KZT 74,650 million, or 32.9 per cent., to KZT 301,679 million for the year ended 31 December 2019 from KZT 227,029 million for the year ended 31 December 2018 due to a growth of demand in production service in 2019.

Transportation and selling expenses

The Group's transportation and selling expenses decreased by KZT 108,485 million, or 13.9 per cent., to KZT 670,549 million for the year ended 31 December 2020 from 779,034 million for the year ended 31 December 2019 primarily as a result of a decrease in rent tax expenses by KZT 92,024 million, or 69.1 per cent., and a decrease in custom duties expenses by KZT 59,436 million, or 44.9 per cent., due to an impact of the Covid-19 outbreak resulted in a decline in transportation traffic volume.

The Group's transportation and selling expenses increased by KZT 57,452 million, or 8.0 per cent., to KZT 779,034 million for the year ended 31 December 2019 from KZT 721,582 million for the year ended 31 December 2018 primarily as a result of a growth of a demand for transportation services in 2019.

The table below shows a breakdown of the Group's transportation and selling expenses for the periods indicated:

	Year ended 31 December		
	2020 (audited)	**2019 (restated)**	**2018 (restated)**
	(*in millions of Tenge*)		
Transportation	472,576	426,399	361,092
Custom duties	72,959	132,395	132,063
Rent tax	41,120	133,144	145,523
Rent expenses	27,224	27,064	--
Personnel costs, including social taxes and withdrawals	17,423	17,902	19,961
Depreciation and amortisation	17,356	13,877	12,112
Commission fees to agents and advertising	15,325	20,937	13,627
Other	6,566	7,316	37,204
Total	**670,549**	**779,034**	**721,582**

Transportation

The Group's transportation expenses increased by KZT 46,177 million, or 10.8 per cent., to KZT 472,576 million for the year ended 31 December 2020 from KZT 426,399 million for the year ended 31 December 2019 as a result of an increase in gas volumes transported and the commissioning of all transportation routes of the Beineu-Bozoi-Shymkent gas pipeline.

The Group's transportation expenses increased by KZT 65,307 million, or 18.1 per cent., to KZT 426,399 million for the year ended 31 December 2019 from KZT 361,092 million for the year ended 31 December 2018 primarily as a result of an increase in demand for transportation services in 2019.

Custom duties

The Group's custom duties expenses decreased by KZT 59,436 million, or 44.9 per cent., to KZT 72,959 million for the year ended 31 December 2020 from KZT 132,395 million for the year ended 31 December 2019 as a result of decline in oil prices in 2020 which impact the amount of custom duties payable by the Group.

The Group's custom duties expenses for the year ended 31 December 2019 were relatively flat compared to the year ended 31 December 2018.

Rent tax

The Group's rent tax expenses decreased by KZT 92,024 million, or 69.1 per cent., to KZT 41,120 million for the year ended 31 December 2020 from KZT 133,144 million for the year ended 31 December 2019 due to lower rent taxes on crude oil export, export customs duty, and mineral extraction tax amidst a decrease in oil prices.

The Group's rent tax expenses decreased by KZT 12,379 million, or 8.5 per cent., to KZT 133,144 million for the year ended 31 December 2019 from KZT 145,523 million for the year ended 31 December 2018 due to lower rent tax on crude oil export and a lower mineral extraction tax.

General and administrative expenses

The Group's general and administrative expenses decreased by KZT 43,982 million, or 9.4 per cent., to KZT 425,875 million for the year ended 31 December 2020 from KZT 469,857 million for the year ended 31 December 2019 primarily due to a decrease in allowance for expected credit losses for trade receivable, business trips, personnel costs, including social taxes and withdrawals and consulting services expenses.

The Group's general and administrative expenses decreased by KZT 18,776 million, or 3.8 per cent., to KZT 469,857 million for the year ended 31 December 2019 from KZT 488,633 million for the year ended 31 December 2018 primarily due to a decrease in fines and penalties and taxes other than social taxes and withdrawals expenses which was partially offset by an increase in personnel costs, including social taxes and withdrawals and depreciation and amortisation.

The table below shows a breakdown of the Group's general and administrative expenses for the periods indicated:

	Year ended 31 December		
	2020 (audited)	**2019 (restated)**	**2018 (restated)**
	(*in millions of Tenge*)		
Personnel costs, including social taxes and withdrawals	204,885	209,941	192,020
Depreciation and amortisation	36,172	36,317	30,911
Consulting services	34,755	39,100	38,117
Taxes other than social taxes and withdrawals	31,399	34,983	47,031
Sponsorship and charitable donations	10,596	7,977	7,298
Repair and maintenance	7,882	7,211	6,049
Allowance for expected credit losses for trade receivable and other assets	6,983	17,475	12,407
Other services by third parties	5,254	6,246	7,300
Rent	4,600	5,251	10,987
Utilities expenses and maintenance of buildings	3,677	4,641	4,070
Business trips	2,576	8,520	7,820
Transportation services	2,339	3,717	4,292
Bank services	1,733	2,053	2,448
Professional education and advanced trainings	1,526	3,196	3,719
Fines and penalties	1,229	(22,846)	33,448
Provision under Consortium case	–	34,132	–
Other	70,269	71,943	80,716
Total	**425,875**	**469,857**	**488,633**

Operating profit

The Group's operating profit decreased by KZT 684,374 million, or 56.2 per cent., to KZT 532,750 million for the year ended 31 December 2020 from KZT 1,217,124 million for the year ended 31 December 2019 primarily due to a decrease in the Group's revenue, which was partially offset by a decrease in the cost of sales and the transportation and selling expenses, in each case, for the reasons described above.

The Group's operating profit decreased by KZT 98,235 million, or 7.5 per cent., to KZT 1,217,124 million for the year ended 31 December 2019 from KZT 1,315,359 million for the year ended 31 December 2018 as a result

of an increase in costs of sales and impairment loss which was partially offset by an increase in the Group's revenue.

Finance costs

The Group's net finance costs decreased by KZT 30,827 million or 4.8 per cent., to KZT 608,953 million for the year ended 31 December 2020 from KZT 639,780 million for the year ended 31 December 2019 primarily due to a decrease in the Group's expenses for interest on oil supply agreement resulted from a decrease of the Group's liabilities under this agreement.

The Group's finance costs increased by KZT 6,625 million, or 1.0 per cent., to KZT 639,780 million for the year ended 31 December 2019 from KZT 633,155 million for the year ended 31 December 2018.

Finance income

The Group's net finance income decreased by KZT 100,761 million, or 35.9 per cent., to KZT 180,188 million for the year ended 31 December 2020 from KZT 280,949 million for the year ended 31 December 2019, which was primarily caused by a de-recognition of a KZT 111,476 million loan received by the Group as carry investment on a project that was subsequently cancelled by the decision of the Group's partners in the project.

The Group's finance income increased by KZT 74,429 million, or 36.0 per cent., to KZT 280,949 million for the year ended 31 December 2019 from KZT 206,520 million for the year ended 31 December 2018 due to write-off of the loan from partners of certain investment project, since the partners decided to voluntarily relinquish the contract area.

Share in Profit of Joint Ventures and Associates, Net

For the year ended 31 December 2020, the net share in profit of joint ventures and associates decreased by KZT 273,149 million, or 29.9 per cent., to KZT 641,608 million from KZT 914,757 million for the year ended 31 December 2019. This decrease was primarily due to a decrease in the share in profits of Tengizchevroil LLP as a result of a decline in average oil prices, declining production and recognition of losses on exchange rate differences in connection with the weakening of the Tenge against the U.S. Dollar.

The following table sets forth certain information regarding the income (loss) of the Company's joint ventures and associates for the periods indicated:

	For the year ended 31 December		
	2020 (audited)	**2019 (restated)**	**2018 (restated)**
	(KZT millions)		
Asia Gas Pipeline LLP	175,339	168,086	-
Tengizchevroil LLP	173,476	414,940	439,149
Caspian Pipeline Consortium JSC	81,582	70,869	57,965
Kazzinc LLP	75,280	51,579	46,637
Beineu Shymkent Gas Pipeline LLP	55,005	56,194	16,710
JV KATCO LLP	25,073	11,938	11,200
Mangistau Investments B.V.	16,749	81,991	95,510
JV Kazgermunai LLP	15,622	17,561	27,915
JV South Mining Chemical Company LLP	11,533	7,765	-
Forum Muider B.V.	11,504	12,243	13,259
Kazakhstan − China Pipeline LLP	10,380	3,313	-
Petro Kazakhstan Ink	(8,812)	(18,244)	14,591
Ural Group Limited BVI	(10,265)	(18,895)	(18,822)
AstanaGas KMG LLP	(15,007)	(596)	-
Other	24,149	56,013	50,787
	641,608	**914,757**	**754,901**

Profit before income tax

The Group's profit before income tax decreased by KZT 973,758 million, or 54.0 per cent., to KZT 829,157 million for the year ended 31 December 2020 from KZT 1,802,915 million for the year ended 31 December 2019 as a result of a decrease in operating profit which was partially offset by the recognition of a foreign exchange gain in the amount of KZT 50,094 million in the year ended 31 December 2020.

The Group's profit before tax increased by KZT 101,989 million, or 6.0 per cent., to KZT 1,802,915 million for the year ended 31 December 2019 from KZT 1,700,926 million for the year ended 31 December 2018 as a result of an increase in revenues and operating profit primarily driven by increases in sale of refined gold and revenue from telecommunication services.

Income tax expense

The Group's income tax expense decreased by KZT 135,819 million, or 35.5 per cent., to KZT 246,615 million for the year ended 31 December 2020 from KZT 382,434 million for the year ended 31 December 2019 primarily as a result of a decrease in the corporate income tax due to a corresponding decrease in net income.

The Group's income tax expense decreased by KZT 21,382 million, or 5.3 per cent., to KZT 382,434 million for the year ended 31 December 2019 from KZT 403,816 million for the year ended 31 December 2018 as a result of a decrease in the withholding tax on dividends and interest, which was primarily driven by a decrease in dividends and interest income compared to the previous year.

Net profit for the year

As a result of the foregoing, the Group's net profit decreased by KZT 837,939 million, or 59.0 per cent., to KZT 582,542 million for the year ended 31 December 2020 from KZT 1,420,481 million for the year ended 31 December 2019. The Group's net profit for the year ended 31 December 2019 increased by KZT 126,913 million, or 9.8 per cent., to KZT 1,420,481 million from KZT 1,293,568 million for the year ended 31 December 2018.

Liquidity and Capital Resources

Historically, the Group has relied on cash flows from its operating activities and external financings, in the form of loan facilities, as its main sources of liquidity. The Group had cash and cash equivalents of KZT 2,755,982 million at 30 June 2021, KZT 2,227,669 million at 31 December 2020, KZT 1,993,962 million at 31 December 2019 and KZT 2,487,553 million at 31 December 2018. Substantially all of the Group's cash is held in current accounts or on short-term deposits in U.S. dollars and Tenge.

The liquidity and working capital requirements of the Group are subject to fluctuations depending on the payment trends of the Group's customers. The Group's ability to generate cash from its operations depends on future operating performance, which is in turn dependent on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond the Group's control, as well as the other factors discussed in this Prospectus.

Cash flows

The table below shows a breakdown of the Group's cash flows for the periods indicated:

	Six months ended 30 June		Year ended 31 December		
	2021 (unaudited)	2020 (unaudited)	2020 (audited)	2019 (restated)	2018 (restated)
	(*in millions of Tenge*)				
Net cash flows received from operating activities....	858,988	388,523	911,385	671,149	1,080,594
Net cash flow (used in) / received from investing activities	(319,737)	(271,925)	(594,628)	(757,194)	834,024
Net cash flow (used in) / received from financing activities	(34,047)	27,472	(241,992)	(391,118)	(1,949,665)

Effects of exchange rate changes on cash and cash equivalents.....	24,737	91,109	158,524	(23,375)	244,566
Net increase / (decrease) in cash and cash equivalents..	505,204	144,070	74,765	(477,163)	(35,047)

Cash flows received from operating activities

In the six months ended 30 June 2021, the Group generated net cash of KZT 858,988 million from its operating activities, an increase of KZT 470,465 million, or 121 per cent. from KZT 388,523 million in the six months ended 30 June 2020. The increase was primarily the result of an increase in payments from customers and receipt of an amount payable by certain contractors pursuant to an arbitral award in the six months ended 30 June 2021.

In the year ended 31 December 2020, the Group generated net cash from operating activities of KZT 911,385 million, an increase of KZT 240,236 million, or 35.8 per cent. from KZT 671,149 million in the year ended 31 December 2019. The increase was primarily the result of a lower payments to suppliers and other taxes and payments in the year ended 31 December 2020.

In the year ended 31 December 2019, the Group generated net cash from operating activities of KZT 671,149 million, a decrease of KZT 409,445 million, or 37.9 per cent. from KZT 1,080,594 million in the year ended 31 December 2018. The decrease resulted from lower receipts from customers and an increase in other payments.

Cash flows (used in) / received from investing activities

In the six months ended 30 June 2021, the Group net cash outflow from investing activities was KZT 319,737 million, an increase of KZT 47,812 million, or 17.6 per cent. from KZT 271,925 million in the six months ended 30 June 2020. The increase was primarily the result of increase in placements of bank deposits and acquisition of property, plant and equipment, exploration and evaluation assets and other non-current assets in the six months ended 30 June 2021.

In the year ended 31 December 2020, the Group's net cash outflow from investing activities was KZT 594,628 million, a decrease of KZT 162,566 million, or 21.5 per cent., from KZT 757,194 million in the year ended 31 December 2019. The decrease was primarily attributable to a decrease of cash outflow for acquisition of subsidiaries and an increase of cash inflow from redemption of bank deposits.

In the year ended 31 December 2019, the Group's net cash outflow from investing activities was KZT 757,194 million, a decrease of KZT 1,591,218 million, or 190.8 per cent., from a net cash inflow of KZT 834,024 million in the year ended 31 December 2018. The decrease was primarily due to a decrease in cash inflow from redemption of bank deposits.

Cash flow (used in) / received from financing activities

In the six months ended 30 June 2021, the Group's net cash outflow from financing activities was KZT 34,047 million compared to KZT 27,472 million net cash inflow in the six months ended 30 June 2020. The decrease was primarily the result of lower proceeds from borrowings, increases in distributions to the shareholder and absence of cash inflows from disposals of interest that does not result in the loss of control in each case as compared to the six months ended 30 June 2020.

In the year ended 31 December 2020, the Group's net cash outflow from financing activities was KZT 241,992 million, a decrease of KZT 149,126 million, or 38.1 per cent., from KZT 391,118 million in the year ended 31 December 2019 as a result of an increase in cash inflow from proceeds from borrowings and decline in cash used for distributions to the Issuer's shareholder (the State).

In the year ended 31 December 2019, the Group's net cash outflow from financing activities was KZT 391,118 million, a decrease of KZT 1,558,547 million, or 79.9 per cent., from KZT 1,949,665 million in the year ended 31 December 2018 as a result of a decrease in the repayment of borrowings and share buyback by subsidiary.

Debt Maturity Profile

The table shown below summarises the maturity profile of the Group's financial liabilities as at 31 December 2020 and 2019 based on contractual undiscounted payments.

	On demand	Due later than 1 month but not later than 3 months	Due later than 3 month but not later than 1 year	Due later than 1 year but not later than 5 years	Due after 5 years	Total
			(in millions of Tenge)			
As at 31 December 2020						
Loans from the Government	13	24	43,343	92,154	2,007,592	2,143,126
Borrowings	79,199	89,703	1,005,031	3,509,439	7,506,849	12,190,221
Lease liabilities	4,953	25,395	106,419	335,323	123,909	595,999
Due to customers	40,356	-	8	13	-	40,377
Financial guarantees	27,404	20,525	64,625	273,599	103,299	489,452
Trade and other payables	348,453	416,480	64,588	22,227	1,448	853,196
Total	**500,378**	**552,127**	**1,284,014**	**4,232,755**	**9,743,097**	**16,312,371**
As at 31 December 2019						
Loans from the Government	331	377	23,166	136,666	2,118,816	2,279,356
Borrowings	172,546	187,028	671,439	3,466,395	7,033,406	11,530,814
Lease liabilities	5,230	20,200	69,599	257,676	110,251	462,956
Due to customers	34,762	-	7	86	-	34,855
Financial guarantees	22,839	23,980	76,603	414,912	110,477	648,811
Trade and other payments	432,641	496,024	112,264	11,135	-	1,052,064
Total	**668,349**	**727,609**	**953,078**	**4,286,870**	**9,372,950**	**16,008,856**

Borrowings

As at 30 June 2021, the Group had KZT 7,665,312 million of borrowings. The Group's total borrowings as at 31 December 2020, 2019 and 2018, was KZT 7,459,200 million, KZT 6,841,393 million and KZT 6,852,775 million, respectively.

The table below sets out a composition of borrowings, including interest payable as at 30 June 2021, 31 December 2020, 2019 and 2018.

	Six months ended 30 June	Year ended 31 December		
	2021 (unaudited)	**2020 (audited)**	**2019 (restated)**	**2018 (restated)**
		(*in millions of Tenge*)		
Fixed interest rate borrowings	6,264,950	6,026,196	5,519,465	5,053,961
Floating interest rate borrowings	1,400,362	1,433,004	1,321,928	1,798,814
Less: amounts due for settlement within 12 months	(1,095,073)	(850,210)	(737,950)	(817,319)
Amounts due for settlement after 12 months	**6,570,239**	**6,608,990**	**6,103,443**	**6,035,456**

The table below sets out a breakdown by currency of the Group's borrowings, including interest payable as at 30 June 2021, 31 December 2020, 2019 and 2018.

	Six months ended 30 June	Year ended 31 December		
	2021 (unaudited)	2020 (audited)	2019 (restated)	2018 (restated)
		(*in millions of Tenge*)		
U.S. Dollar-denominated borrowings	5,072,207	4,908,083	4,694,855	5,369,190
Tenge-denominated borrowings	1,871,850	1,893,815	1,758,863	1,116,301
Other currency-denominated borrowings	721,255	657,302	387,675	367,284
Total borrowings	**7,665,312**	**7,459,200**	**6,841,393**	**6,852,775**

Bonds issuance and repayment

On 19 March 2020, the Group placed bonds on the organised market with a maturity date in April 2021 of KZT 129,200 million.

In June 2020, the Group made a partial early repayment in the amount of U.S.$217 million (equivalent to KZT 86,503 million) of 2012 Eurobonds issued with a total nominal value of U.S.$1,100 million. The total amount paid amounted to U.S.$284 million (equivalent to KZT 113,229 million), including accrued interest of U.S.$6 million (equivalent to KZT 2,505 million) and an early repayment premium of U.S.$61 million (equivalent to KZT 24,221 million).

In October 2020, the Group placed bonds for U.S.$750 million (equivalent to KZT 321,698 million Tenge) at coupon interest rate of 3.5 per cent. per annum and due 2033.

In October-November 2020, the Group made an early full repayment of bonds due in 2022 and 2023 with nominal value of U.S.$906,564 thousand (equivalent to KZT 392,214 million). Bond repayment fee was U.S.$49 million (equivalent to KZT 21,057 million).

On 3 December 2020, the Group placed bonds for 3 years with a coupon interest of 10.9 per cent., with a par value of KZT 129,200 million. The Group used these funds for the early redemption of its bonds issued in 19 March 2020.

Other borrowings

In June 2018, the Issuer entered into a loan agreement with a syndicate of international and Kazakhstan banks - Bank of Tokyo Mitsubishi UFJ, Mizuho Bank, Ltd, Sumitomo Mitsui Banking Corporation, JSC Halyk Bank of Kazakhstan, JSC Commercial and Industrial Bank of China in Almaty and Citibank, N. A., Jersey Branch, LTD in accordance with which a loan was received for U.S.$600 million (equivalent to KZT 204,786 million). The loan was issued for a period until 30 October 2022 at an annual rate of 1.4 per cent. plus 3-month LIBOR. In April 2021, the Issuer repaid the principal debt under this syndicate loan in the amount of U.S.$150 million (equivalent to KZT 64,360 million) according to the loan repayment schedule. As of 30 June 30 2021, the total amount of the principal debt and interest payable under this syndicated loan amounted to KZT 192.551 million (as compared to KZT 252,558 million as of 31 December 2020). This syndicated loan is expected to be repaid from the proceeds of the issue of the Notes.

In June 2020, the Group borrowed 19,400 million Russian roubles (equivalent to KZT 112,296 million) for the purpose of early partial repayment of Eurobonds issued in 2012 in the amount of U.S.$ 1,100 million and maturing on 10 July 2042, under a loan agreement with Moscow Credit Bank dated 28 May 2020. Interest on the loan is repaid in quarterly instalments at the interest rate “Key rate of the Central Bank of the Russian Federation + 2.5 per cent.”. The principal debt is to be repaid in a lump sum in December 2021.

On 5 August 2020, the Group entered into a credit line agreement with Halyk Bank of Kazakhstan JSC to refinance loans from the Eurasian Development Bank and Vnesheconombank in the amount of KZT 105,000 million for a period of 8 years.

In 2020, the Group made partial repayment of the loan from Eximbank for U.S.$289 million (equivalent to KZT 112,494 million), including accrued interest.

During 2020, the Group received borrowed funds in the amount of U.S.$495 million (equivalent to KZT 205,868 million) under an open credit line with the State Development Bank of China with interest rate of 5.8 per cent. per annum and maturity until 2037. The principal will be repaid starting in 2022. Interest is paid in semi-annual installments.

On 1 October 2020, the Group and VTB Bank entered into a bank loan agreement, in accordance with which a loan was received for 10,400 million Russian rubles (equivalent to KZT 56,992 million at the exchange rate on the date of the transaction). The loan was issued for a period until 1 October 2023 and at an interest rate equal to the key rate of the Central Bank of the Russian Federation and a fixed interest rate spread of 1.75 per cent. per annum.

In November 2020, the Group received a long-term loan from VTB Bank Kazakhstan and VTB Bank (PJSC) for the total amount of 15,152 million Russian rubles (equivalent to KZT 84,621 million) at the rate of Key Rate of Central Bank of Russia + 2.15 per cent. per annum and maturity of 3 years. The Group used proceeds from these loans to make a full early repayment of its syndicated loan of U.S.$205 million (equivalent to KZT 86,971 million), including accrued interest. This syndicated loan was raised to partially fund a strategic project − construction of three compressor stations at MG "Beineu-Bozoi-Shymkent".

In December 2020, the Group received a long-term loan from Halyk bank for the total amount of KZT 41,089 million with 11 per cent. interest rate and maturity of 4 years, and used it to fully refinance its long-term loan from Halyk bank for U.S.$144 million (equivalent to KZT 59,007 million), including accrued interest.

During 2020, the Group received and repaid a short-term loan from Bank of Tokyo-Mitsubishi UFJ, Ltd (London branch) with interest rate COF (0.18 per cent.) + 1.50 per cent. for working capital financing for U.S.$91 million (equivalent to KZT 37.539 million).

During 2020, the Group received and repaid a short-term loan from ING Bank NV with interest rate COF (0.28 per cent.) + 2.00 per cent. for working capital financing for U.S.$83 million (equivalent to KZT 34.409 million).

In January 2021, the Group and Sberbank entered into a loan agreement according to which a loan was received in two tranches for a total amount of 4 billion Russian rubles (equivalent to KZT 22,620 million). The loan is to be repaid on 26 January 2024 and at an interest rate equal to the key rate of the Central Bank of the Russian Federation and a fixed interest rate spread of 1.8 per cent. per annum. The proceeds were used for working capital purposes.

In April 2021, the Group and Sberbank entered into a loan agreement according to which a loan was received for a total amount of U.S.$20 million (equivalent to KZT 8,588 million). The loan is to be repaid on 26 April 2024 and with an interest rate of 3-month LIBOR plus a fixed interest rate spread of 1.39 per cent. per annum. The proceeds were used to partially refinance the Group's existing indebtedness.

In May 2021, the Group and Industrial and Commercial Bank of China JSC entered into a loan agreement, in accordance with which a loan was received for a total amount of U.S.$25 million (equivalent to KZT 10,671). The loan was issued for a period until 4 May 2024 and with an interest rate of 3-month LIBOR plus a fixed interest rate spread of 1.3 per cent. per annum. The proceeds were used to partially refinance the Group's existing indebtedness.

In April 2021, the Group and First Heartland Jusan JSC entered into a loan agreement, in accordance with which a loan was received in the total amount of U.S.$40 million (equivalent to KZT 17,177 million). The loan was issued for a period until 27 April 2024 and with an interest rate of 3-month LIBOR plus a fixed interest rate spread of 1.39 per cent. per annum. The proceeds were used to partially refinance the Group's existing indebtedness.

In April 2021, the Group and Halyk Bank JSC entered into a loan agreement, in accordance with which a loan was received in the total amount of U.S.$40 million (equivalent to KZT 17,177 million). The loan was issued for a period until 26 April 2024 and with an interest rate of 3-month LIBOR plus a fixed interest rate spread of 1.3 per cent. per annum. The proceeds were used to partially refinance the Group's existing indebtedness.

In April 2021, the Group and DB Bank of China entered into a loan agreement, in accordance with which a loan was received in the total amount of U.S.$25 million (equivalent to KZT 10.736 million). The loan was issued for a period until 26 April 2024 and with an interest rate of 3-month LIBOR plus a fixed interest rate spread of 1.41 per cent. per annum. The proceeds were used to partially refinance the Group's existing indebtedness.

State subsidy of the interest rate

In May 2020, the Group entered into a contract with the Transport Committee of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan to subsidise part of the coupon rate in the amount of KZT 307,194 million, on bonds issued in 2019 at the coupon rate of 11.5 per cent. per annum and used for early repayment of Eurobonds issued in 2017 in the amount of U.S.$780 million, which in turn were attracted and utilised for infrastructure modernisation, updating locomotives and freight cars. The contract stipulates that the amount of subsidy should be provided for under the Government budget programme No. 010 "Subsidising the coupon rate on the carrier's bonds issued for the development of the main railway network and rolling stock of railway transport". Since the budget programme is available to all transportation companies that have the status of a "carrier" in accordance with the legislation on railway transportation, the Group's management accounts for the financing under this budget programme as a government grant were recognised as finance income.

Capital expenditures

The Group manages its capital primarily through capital management of its subsidiaries while conducting its oversight function. Major objective of the capital management is to ensure that subsidiaries of the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary.

The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary. Key performance indicators ("**KPI**") used by the Group to manage capital of its subsidiaries are ratios of: Debt to Earnings before Interest, Taxes, Depreciation and Amortisation, and Interest ("**D/EBITDA**") from continuing and discontinued operations; and Debt to Equity ("**D/E**"). See "*Selected Consolidated Financial Information—Alternative Performance Measures*" for more information on these KPIs.

For more information on the Group's total capital expenditures for the periods discussed, see "*Selected Consolidated Financial Information—Alternative Performance Measures*".

Commitments and Contingencies

Kazakhstan local market obligation

The Government requires oil companies in the Republic of Kazakhstan to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group's business, prospects, consolidated financial position and results of operations.

During six months ended 30 June 2021, in accordance with its obligations, the Group, including joint ventures, delivered 3,396 thousand tonnes of crude oil to the Kazakhstan market. In 2020, 2019 and 2018 in accordance with its obligations, the Group delivered 6,401 thousand tonnes, 6,224 thousand tonnes and 6,224 thousand tonnes of crude oil, respectively, including joint ventures, to the Kazakhstan market.

Oil supply commitments

As at 30 June 2021 the Group had commitments under the oil supply agreement in the amount of 9.4 million tonnes that is planned to be delivered till November 2021. As of 31 December 2020 the Group had commitments

under the oil supply agreements in the total amount of 13.5 million tonnes (as at 31 December 2019: 19.2 million tonnes; as at 31 December 2018: 30.1 million tonnes).

Commitments under oilfield and mining field licenses and subsurface use contracts

As at 30 June 2021, the Group had following commitments on fulfilment of minimal work programs with respect to the requirements of their oilfield and mining licenses and related subsurface use contracts with the Government (in millions of Tenge):

Year	Capital expenditures	Operational expenditures
2021	448,309	149,592
2022	250,953	132,069
2023	192,289	95,211
2024	227,498	95,370
2025-2058	2,865,760	1,566,064
Total	**3,984,809**	**2,038,306**

Capital commitments

As at 30 June 2021, the Group, including its joint ventures, had capital commitments of approximately KZT 2,747,958 million related to acquisition and construction of property, plant and equipment (31 December 2020: KZT 2,479,603 million; 31 December 2019: KZT 2,979,596 million).

Commitments on use of anti-crisis funds

As at 31 December 2020, the Fund's commitments included commitments to finance the programme "Affordable housing − 2020" in the amount of KZT 3,241 million and commitments to finance investment projects of KZT 63,110 million (as at 31 December 2019: KZT 4,284 million and KZT 80,637 million, respectively).

Financial Stability Monitoring

The Issuer actively monitors the liquidity and financial stability of its portfolio companies, including checking the portfolio companies' implementation of Group's development plan on a quarterly basis and monitoring each portfolio companies' implementation of their own business plans on a monthly basis. This allows the Issuer to analyse cash flows on both a standalone and consolidated basis, to analyse debt obligations and repayment schedule and to efficiently manage free cash flows in the short term and also mid-term. In addition, the Issuer is able to analyse key financial indicators of stability at both the Issuer level and the level of each portfolio company, as well as to monitor the compliance with key performance indicators set to achieve the Group's strategic objectives.

The policy of debt and financial stability management sets out a target and a threshold for each of the three financial stability ratios (Debt / EBITDA, Debt / Equity, and EBITDA / Interest expenses) for each portfolio company. The targets, which represent the best indicators of financial stability evidencing a portfolio company's improvement of financial stability, are based on Standard & Poor's methodology and benchmarked against industry indicators of financial stability of peer companies. The thresholds are based on existing covenants under the portfolio companies' loan agreements. Portfolio companies are classified into three categories (green, yellow and red) accordingly, with green category consisting of those successfully achieving the targets, yellow category consisting of those that do not achieve the targets but have not breached the thresholds, and red category consisting of those that have breached the thresholds.

Dividend Policy for Portfolio Companies

Dividends payable to the Issuer are paid out of net profit of each portfolio companies, and no dividend needs to be paid if a portfolio company does not have net profit. For each financial year, executive governing bodies of each portfolio company prepare a proposal on dividend payments, and the decision on the amount of dividend payments is ultimately made by the shareholders or sole shareholder of each portfolio company. The Issuer has the discretion to determine that zero dividends should be paid by certain portfolio companies, and shareholders of the portfolio companies can also determine that a company pays out special dividends on a quarterly or semi-

annual basis. In addition, dividends payable can be decreased by the amount of capital expenditure needs of a portfolio company, provided that this has been approved by the Issuer's Board. Listed portfolio companies and companies in which third parties have blocking stakes are also allowed to have their own dividend policies.

For companies that are subject to the Issuer's dividend policy, the criteria for dividend proposals depend on whether the Issuer classifies a portfolio company as systemic portfolio company or non-systemic portfolio company. As of the date of this Prospectus, systemic portfolio companies include KMG, Kazatomprom, KTZ, Air Astana, Kazakhtelecom, Kazpost, Samruk-Energy, KEGOC and Kaz Zinc (a subsidiary of Tau-Ken Samruk).

For systemic portfolio companies, if the company falls into the green category based on the financial stability indicators, dividend proposals should be between 50 per cent. and 100 per cent. of the company's free cash flow; if the company falls into the yellow category based on the financial stability indicators, dividend proposals should be up to 50 per cent. of the company's free cash flow; if the company falls into the red category based on the financial stability indicators, dividend proposals should be between 20 per cent. and 50 per cent. of the company's free cash flow, in which case the Issuer shall determine to direct a portion of that portfolio company's free cash flow to repay debt and remedy the breach.

For non-systemic portfolio companies, if the company falls into the green category based on the financial stability indicators, dividend proposals should be between 20 per cent. and 50 per cent. of the company's free cash flow; if the company falls into the yellow or red category based on the financial stability indicators, no dividend needs to be paid.

See "—*Financial Stability Monitoring*" for more information on the categorisation of portfolio companies based on financial stability indicators.

Quantitative and Qualitative Disclosures about Market Risk

The Group's principal financial instruments consist of borrowings, loans from the Government, lease liabilities, amounts due to the customers, derivatives, cash and cash equivalents, loans issued, amounts due from credit institutions, other financials assets, as well as accounts receivable and accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group also monitors the liquidity risk arising from all financial instruments. For detailed discussion of the Group's financial risk management objectives and policies, see Note 38 of the 2020 Financial Statements.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash, investments and borrowings are denominated. The Group's exposure to interest risk relates primarily to the Group's long-term and short-term borrowings with variable interest rates.

Foreign currency risk

As a result of significant borrowings, lease liabilities, and trade accounts payable, cash and cash equivalents, amounts due from credit institutions and accounts receivable denominated in the U.S. Dollars, the Group's consolidated financial position can be affected significantly by movement in the U.S. Dollar / Tenge exchange rates.

Credit risk

Credit risk arising from the inability of a party to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group to that party. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by carrying amount of each financial asset.

The Group considers that its maximum exposure is reflected by the amount of loans issued, amount due from credit institutions, trade accounts receivable and other current assets, other financial assets, and cash and cash equivalents, net of allowances for expected credit losses recognised as at 31 December 2020.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The Group has a policy that ensures enforcement of constant control procedures for sales to only be made to buyers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimised by the fact that the Group operates on a prepayment basis with the majority of its buyers.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at price close to its fair value. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Critical Accounting Policies, Estimates and Judgments

In 2020, the Group restated certain amounts in the consolidated statements of financial position as at 31 December 2019 and 1 January 2019, consolidated financial statements of comprehensive income for the year ended 31 December 2019 and consolidated statements of cash flows for the year ended 31 December 2019 to reflect the effect of changes in the accounting policy as a result of adoption of the IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements.

In November 2019, the IFRS Interpretations Committee published an agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements. The conclusions are summarised below:

Lease term

The IFRS Interpretations Committee noted that, in determining the enforceable period of the lease, an entity considers:

- The broader economics and not only the contractual termination payments. For example, if either party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is enforceable beyond the date on which the contract can be terminated;

- Whether each of the parties has the right to terminate the lease without permission of the other party with no more than an insignificant penalty. A lease is no longer enforceable only when both parties have such a right. Consequently, if only one party has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the contract is enforceable beyond the date on which the contract can be terminated by that party.

If an entity concludes that the contract is enforceable beyond the notice period of a cancellable lease, it should assess whether the lessee is reasonably certain not to exercise the option to terminate the lease.

Useful life of non-removable leasehold improvements

An entity applies IAS 16 in determining the useful life of non-removable leasehold improvements. If the lease term of the related lease is shorter than the economic life of those leasehold improvements, the entity considers whether it expects to use the leasehold improvements beyond that lease term. If the entity does not expect to do so, then, applying IAS 16, it concludes that the useful life of the non-removable leasehold improvements is the same as the lease term. Since the Group's practice was in line with this clarification, it did not impact the consolidated financial statements of the Group.

This IFRIC agenda decision should be applied retrospectively and were effective immediately from date of its publication in November 2019.

The Group re-assessed its accounting for the lease contracts of technical sites with the governmental entities which were previously recognised as short-term leases as the Group applied recognition exemptions for short-term leases as in accordance with paragraph 5 of IFRS 16.

As the Group applies the agenda decision it considers all relevant facts and circumstances that create an economic incentive for the lessee but not only contractual termination penalties, in assessing whether the Group is reasonably certain to extend (or not to terminate) a lease. The Group determined the lease term for technical sites lease contracts with the governmental entities equalled to average useful lives of cellular network stations.

The Group adopted the agenda decision and retrospectively recalculated lease contracts with governmental entities effective as at 1 January 2019, the Group's date of adoption IFRS 16. The right-of-use assets for the leases were recognised based on the carrying amount as if the agenda decision had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Since the Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 with the cumulative effect of initially applying the standard recognised at the date of initial application, adjustments related to the abovementioned agenda decision of IFRS Interpretations Committee were reflected in the line "Effect of adoption of IFRS 16".

For further details on the significant accounting policies adopted by the Group, see Note 3 to the 2020 Consolidated Financial Statements.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the reporting date and reported amounts of assets, liabilities, revenues, expenses and contingent assets and liabilities during the reporting period. Actual outcomes could differ from these estimates. For information on the key assumptions concerning the future and other key sources of estimation uncertainty as well as those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, see Note 4 to the 2020 Consolidated Annual Financial Statements.

BUSINESS OF THE GROUP

Overview

The Issuer is a joint stock company established in November 2008. The Government is the sole shareholder of the Issuer. The Government's overall objective in establishing the Issuer was to increase management efficiency and to optimise organisational structures for them to successfully achieve their strategic objectives as set in the respective Government programmes. The Group's current mission is to create long-term value and stimulate sustainable development of the economy via efficient asset management in the interests of people of Kazakhstan.

The Group's portfolio companies represents a cross-section of Kazakhstan's most recognised and significant companies in sectors which the Government has deemed to be strategic for the continued development and growth of Kazakhstan, including oil and gas, mining, transportation, communication, energy and industrial.

As at 30 June 2021 and 31 December 2020, the Group had total assets of KZT 28,719.4 billion and KZT 27,482.8 billion, respectively, with a total equity value of KZT 16,066.8 billion and KZT 15,151.6 billion, respectively. The Group generated KZT 5,334.7 billion and KZT 928.2 billion of revenue and net income, respectively, for the six months ended 30 June 2021, and KZT 8,556.0 billion and KZT 582.5 billion of revenue and net income, respectively, for the year ended 31 December 2020.

The Issuer's registered office is 17/10 Syganak str., Nur-Sultan, Kazakhstan.

History and Development

The Issuer was established on 3 November 2008 in accordance with a decree of the President of Kazakhstan dated 13 October 2008 and a resolution of the Government dated 17 October 2008. The formation was enacted by the merger of "Sustainable Development Fund "Kazyna" JSC and "Kazakhstan Holding Company for State Assets Management "Samruk" JSC and the additional transfer to the Issuer of interests in certain entities owned by the Government.

Prior to 1 February 2012, the Issuer's activities were governed by the Law of Kazakhstan "On National Welfare Fund No. 134-4" dated 13 February 2009 and were aimed at assisting in the provision of stable development of the state economy, modernisation and diversification of the economy, and the improvement of the Group's portfolio companies' efficiency.

According to the Law of Kazakhstan enacted on 1 February 2012 "On the Sovereign Wealth Fund No. 550-4", the Issuer's activity is focused on improving sovereign wealth of Kazakhstan by increasing the long-term value of the portfolio companies and by effective management of the Group assets.

In 2014, the transformation programme of the Group (the "**Transformation Programme**") was launched, which assigned the Group with a task to move from the model of the administrator of state assets to the model of a commercial holding company that effectively manages its assets portfolio and develops new industries.

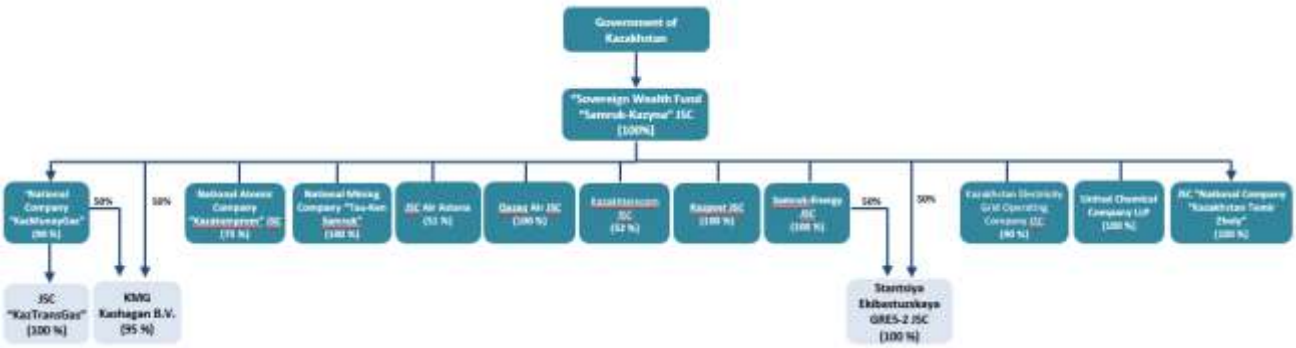
In 2018, the Group's development strategy for 2018-2028 (the "**2018-2028 Development Strategy**") was approved, which set out the Group's main priority as improving the national wealth, through increasing the profitability of the Issuer's portfolio companies. The 2018-2028 Development Strategy has been replaced with an updated development strategy for 2022-2031 (the "**2022-2031 Development Strategy**") that the Group approved and adopted in September 2021.

In 2020, the Council for the Fund Governance (the "**Council**") approved the concept of transforming the Group into an investment holding similar to leading sovereign wealth funds in the world. As part of the active transition into an investment holding, the Group's Board of Directors (the "**Board**") approved in December 2020 the Group's development plan for 2021-2025 (the "**2021-2025 Development Plan**"), which sets out that the main tasks of the Group for the next five years are to ensure its financial sustainability and stability, and to maintain an adequate level of liquidity in the corporate centre and in the portfolio companies. However, in light of the adverse and unforeseen impacts of the Covid-19 pandemic, global megatrends and the macroeconomic conditions in Kazakhstan and worldwide, the transformation of the Group into an investment holding is tentatively postponed and planned for a later stage.

In September 2021, the 2022-2031 Development Strategy was approved and adopted by the Group. According to the 2022-2031 Development Strategy, the Group will retain its focus on improving the efficiency of its portfolio companies, introducing best corporate governance practices and undertaking digital transformation. In addition, the Group will prioritise sustainable development, the observance of environmental, social and governance ("**ESG**") principles as well as the improvement of occupational safety and health.

Group Structure

The following chart provides an overview of the corporate structure of the Group and the Issuer's ownership interests in its principal portfolio companies as at 30 June 2021.



Key Strengths

The Issuer believes that it benefits from the following key strengths:

Significant role in the Kazakhstan economy and largest employer in the country

Since its establishment, the Group has had, and continues to have, the important function of stabilising, modernising and developing the national economy as a whole. As a state-owned holding, the Group represents a significant portion of the Kazakhstan economy. The contribution of the Group to the economy of Kazakhstan also remains substantial. The Group is a significant contributor to the state budget, having contributed KZT 870.9 billion in the form of taxes and other payments in the year ended 31 December 2020. Dividends paid to the Government as the Group's sole shareholder amounted to KZT 120 billion in 2020. The Group has historically been a significant employer in Kazakhstan. As at 31 December 2020, it is the largest employer in the country. In 2020, the average headcount of the Group amounted to 265,820 people. In addition, the Group's staff turnover rate has been steadily decreasing, and was approximately 9 per cent. at the end of 2020.

The Group's principal portfolio companies consist of a number of Kazakhstan's largest, most recognised companies, some of which enjoy the status of Kazakhstan's national operators in a variety of industries. For example, KMG (as defined below) is a national company with extensive oil and gas pipeline networks and the largest producer of crude oil in the country; KTZ (as defined below) is the national transportation and logistics operator for Kazakhstan; Kazakhtelecom (as defined below) is the largest telecommunications company in Kazakhstan and is the national telecommunications operator; KEGOC (as defined below) is a system operator of the unified electric power system of Kazakhstan; and Kazatomprom (as defined below) is the national operator for the export and import of uranium and its compounds, nuclear power plant fuel, special equipment and technologies, as well as rare metals. As such, the Group's portfolio plays a crucial role in the fundamental sectors of the national economy and consists of strategic platforms for the future growth of Kazakhstan and essential for the long-term prosperity of the country.

Abilities and skills to attract investment in Kazakhstan

The Group has been actively engaged in, and continues to engage in, attracting international investors to invest in Kazakhstan. As part of the Kazakhstan-2050 Strategy and the Strategic Plan 2025, the Group has invested in, and continues to invest in, new initiatives together with strategic investors that have experience and technologies to jointly finance and implement projects. The Group has also organised international events aimed at increasing the investment attractiveness of Kazakhstan and the Group among the international business and investment community.

Such efforts have been carried out in strategically important industries such as chemical, manufacturing, mining and metallurgic complex, transport and logistics, IT and digitalisation, engineering, infrastructure and renewable energy sources. Two schemes have been established to promote potential partnerships through mutually beneficial investment structures – co-investment with the Group, or direct investment through the Group's private equity funds. In 2020, the Group signed agreements to participate in the Da Vinci Emerging Technologies Fund III in the amount of U.S.$100 million to invest in technology projects together with Da Vinci Capital and other institutional investors. It also signed co-investment agreement with the French sovereign fund Bpifrance to jointly finance projects that will involve both French and Kazakhstan companies. The Group believes that establishing integrated businesses in partnership with leading investors enables the Group to diversify its portfolio and create new companies that will drive the structural transformation of the Kazakhstan economy.

Competent personnel and experienced management

The Issuer and its portfolio companies have curated highly skilled and experienced boards of directors and senior management team who contribute to the success and growth of these companies. The Group also has a team of highly professional workers with competent skillsets in their areas of expertise. In addition, each of the Issuer's principal portfolio companies also benefits from management teams with strong industry expertise and a proven track record of delivering on the relevant portfolio company's focused strategy and achieving robust performance amid a challenging industry and macroeconomic environment. In its position as shareholder of the portfolio companies, the Issuer has access to, and may from time to time consult with and acquire strategic advice from, the management teams of its portfolio companies who, collectively, have significant management experience across a wide variety of industries.

Impact on portfolio performance through divestments and reinvestments

As part of the comprehensive privatisation plan for 2016-2020 adopted by the Government (the "**2016-2020 Privatisation Plan**"), the Issuer has actively engaged in bringing in public investors into its core assets as well as divesting or exiting from its non-strategic assets. As of 31 December 2020, a total of 90 assets of the Group were sold to strategic and other investors for an aggregate amount of over KZT 491 billion. Also, Kazatomprom's GDRs began trading on the London Stock Exchange (the "**LSE**") and the Stock Exchange of the Astana International Financial Centre (the "**AIX**") in November 2018. As of 31 December 2020, the Group had sold 25 per cent. of its shares in Kazatomprom on the LSE and AIX. Such efforts have allowed for the flow of funds for new qualified investments.

Active support from the Government to the Group's development

Since the Government is the sole shareholder of the Issuer, it benefits from the strong support of the Government. Amongst other things, the Group, and primarily its principal portfolio companies directly, have historically received, and continue to receive strong financial support from the Government. For example, the Government has assisted KMG by providing significant equity and debt financing in order to expand its operations, reserves, production levels and transportation and refining networks. KTZ has also received significant capital contributions from the Government to finance its operations, railway and logistics infrastructure development and capital expenditures, as well as government grants for its passenger transportation business and other financial support.

In addition, the Government has provided, and continues to provide, strategic support and plays a crucial role in assisting the Group's development and transition into an investment holding similar to leading sovereign wealth funds in the world. In particular, the Council was established by the Government to consider issues on the Group's management and to develop proposals to improve the competitiveness and efficiency of the Group. The Council is an advisory body chaired by the First President of Kazakhstan and also includes the Prime Minister of Kazakhstan, the Head of Administration of the President of Kazakhstan, as well as the Chief Executive Officer of the Group.

Improved corporate governance policy in line with international standards

The Issuer has implemented robust corporate governance policies, highlighted by the composition of its Board and the Management Board. The Board has an independent chairman and overall four highly qualified and well regarded independent directors with extensive international experience in investments and business

managements. The Board also has five committees (Audit Committee, Nomination and Remuneration Committee, Strategy Committee, Transformation Programme Oversight Committee and Specialised Committee) in order to improve the efficiency of the Board and to improve the corporate governance structure.

In addition, the Issuer and all of its principal portfolio companies operate under a Corporate Governance Code that is based on the principle of "comply or explain". This ensures that the Group operates an efficient and transparent corporate governance system that meets international standards and also demonstrates the Group's commitment to comply with the highest standards of corporate governance.

Hub in Central Asia with high logistics development potential

The Group is able to leverage Kazakhstan's location in the heart of the Central Asian region, in order to maximise its logistics development potential, optimise its portfolio performance and fulfil its mission to improve the national welfare of Kazakhstan. Kazakhstan is a key transport hub connecting China, the EU, Russia and CIS countries. In particular, the Group believes that Kazakhstan's geographic position relative to China affords Kazakhstan unique opportunities to capitalise on China's economic growth. Since the implementation of "One Road – One Belt" programme by the Chinese government, there has been an increasing amount of infrastructure being created to connect China to infrastructure in other countries. With five out of six routes passing through Kazakhstan, the country has attracted an increasing amount of logistics traffic. The midstream segment of KMG operates multiples pipelines for transporting oil and gas between Europe and China. In addition, KTZ facilitates both China's import of raw materials from the EU and its export of finished goods to countries in Europe as the volume of trade between the EU and China continues to increase. The Group believes that such advantages will help increase Kazakhstan's role in acting as a bridge between the East and West, paving the way for logistics development to encourage further transit of natural resources and goods between China and Europe.

Strategy

In accordance with the Group's 2022-2031 Development Strategy that was approved by the Board in September 2021, the vision of the Group is to become the leader of the national economy, implementing innovative development of Kazakhstan based on the principles of welfare of the people and environmental protection through responsible investments. In particular, the Group aspires to achieve (i) a 1.5-fold increase in the output of non-primary goods and services, (ii) a 2-fold increase in the value of the Group's net assets, (iii) a 50 per cent. increase in the Group's labour productivity and (iv) a 10 per cent. cut in the Group's net carbon footprint, in each case by 2031 as compared to the respective level in 2021.

The Group's ultimate mission is to create long-term value and stimulate sustainable development of the economy via efficient asset management in the interests of people of Kazakhstan. In order to effectively achieve its strategic goals and mission, and taking into account the challenges and unique opportunities at the global, national and corporate levels, the Group has identified and prioritised the following areas of key strategic initiatives:

Sustainable Development

Sustainable development is an integral part of the Group's 2022-2031 Development Strategy. Within the sustainable development framework, the Issuer and all of its portfolio companies are continuously working on the consistent implementation of the principles of sustainable development and the integration of economic, environmental and social goals into key business processes and decision-making systems in order to create long-term value for stakeholders.

The Issuer has identified nine sustainable development initiatives that its portfolio companies are in the process of implementing – (i) strong corporate governance and improved risk culture; (ii) financial sustainability, (iii) development of human resources, (iv) high ethical standards and anti-corruption, (v) responsible procurement, (vi) good reputation and high transparency, (vii) strong culture in health and safety, (viii) environmental responsibility and (ix) responsible investment.

In particular, the Group is implementing a low carbon development programme that aims to achieve 10 per cent. reduction of greenhouse gas emissions by 2030 from the level of 2020 (45.6 million tonnes), and to achieve carbon neutrality by 2060. The low carbon development programme focuses on developing alternative energy and infrastructure (including renewables, nuclear power plant construction, hydrogen energy and smart grid and

accumulation), carbon reduction and capture (through coal to gas substitution, "green" coal and carbon capture, utilisation and storage, energy saving technologies and carbon capture farms and offsets) and supporting initiatives (such as green transport, digital solutions, green financing and green mind-set).

In addition, the Group regards corporate governance as a key factor in the growth of its value and its investment attractiveness. The 2022-2031 Development Strategy emphasises improvement in corporate governance as one of the main aspects and includes the principles of (i) separation of the Government's power as the sole shareholder and state regulator in regard to the governance of the Issuer, (ii) leveraging the role of the Council, (iii) enhancing the role of the Board, (iv) management of portfolio companies on the principles of corporate governance and (v) acting on the basis of commercial interests. The Group is committed to continuously improve its corporate governance system, ensure transparency of management and reaffirm the commitment of the Group to follow the standards of good corporate governance.

Responsible Investments

The Group acknowledges its responsibilities for promoting ESG principles and the long-term health and stability of society as a whole. As such, the Group plans to carry out major infrastructure projects and green investments in Kazakhstan, with the goal of making high impact export-oriented investments and establishing its international presence in the medium term. In the long-term, the Group aims to expand its global footprint by investing in other countries and building global partnerships.

Another aspect of the Group's focus on responsible investments is the creation of new industries. The Group has identified 12 priority sectors (including information technology, infrastructure construction, green energy, chemical, healthcare, mechanical engineering, logistics, agriculture, mining, scientific research) that it plans to invest in, and will revisit this list periodically in light of changes in global macroeconomic conditions and other trends.

Efficient and Active Portfolio Management

One of the Group's key initiatives to achieve efficient and active portfolio management is to optimise its portfolio structure. The Group is carrying out its privatisation plans to transfer assets to the competitive environment and to exit from non-strategic assets. As part of the Government's mission to decrease state ownership in key sectors, the 2016-2020 Privatisation Plan was adopted, under which the Group sold 25 per cent. of its shares in Kazatomprom on the LSE and the AIX. Another eight large assets of the Group are expected to be transferred to the competitive environment through initial public offerings or sales to strategic investors between 2021 and 2024. The Group has also exited from a total of 149 medium-sized companies as of 31 December 2020, with ten other assets to be sold, liquidated or reorganised between 2021 and 2023. At the end of 2020, the Government adopted a new comprehensive privatisation plan for 2021-2025 (the "**2021-2025 Privatisation Plan**"), which sets out additional assets to be transferred to the competitive environment or to be sold by the Group. The Group believes that the privatisation plans will be able to attract strategic partners and also facilitate the flow of funds for further investments, which will diversify the national economy and also create new industries and job opportunities.

The Group also expects to focus on income diversification in order to achieve efficient and active portfolio management. This primarily involves rebalancing of the investment portfolio. The Group has formed plans to implement direct investments in the form of co-investments with strategic partners, which will increase the volume of commercial assets and start the transition into active investment portfolio management.

As part of the efforts to actively manage portfolio companies, the Group has implemented a digital transformation programme to solve business problems and simplify operational processes through the use of digital technologies. The Group believes that this will benefit portfolio companies by reducing downtime, minimising commercial losses and increasing operational efficiency.

Significant Holdings

The Group's portfolio companies span across sectors including oil and gas, mining, transportation, communication, energy and industrial.

The table below provides, by operating segments, certain information on the principal portfolio companies of the Group and the Group's ownership as at the date of this Prospectus.

	Operating Segment	Year Founded	The Group's ownership (per cent.)	Equity Listing
KMG	Oil and gas	2002	90	Local listing (KASE)
Kashagan	Oil and gas	2005	95	No
Kazatomprom	Mining	1997	75	International listing (LSE) and local listing (KASE and AIX)
Tau-Ken Samruk	Mining	2009	100	No
KTZ	Transportation	2004	100	No
Air Astana	Transportation	2001	51	No
Qazaq Air	Transportation	2015	100	No
Kazakhtelecom	Communication	1994	52	Local listing (KASE)
Kazpost	Communication	1991	100	No
Samruk-Energy	Energy	2007	100	No
KEGOC	Energy	1996	90	Local listing (KASE)
EGRES-2	Energy	2000	100	No
United Chemical	Industrial	2009	100	No

The discussion below sets forth the Group's principal portfolio companies by operating segments, as well as each segment's contribution to the Group as at 30 June 2021 and 31 December 2020, respectively.

Oil and Gas

The oil and gas segment includes operations related to the exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil, gas and refined products. The Group's significant holdings in the oil and gas segment are its majority interests in KMG and Kashagan. KMG has a wholly owned subsidiary, KTG, the national operator for the transportation of gas. Since 2020, the Government, the Issuer, KMG and KTG have been involved in discussions to explore the possibility of transferring KTG directly under the management of the Issuer. The Issuer believes that this transfer, upon completion, will improve the position of KTG as an independent national gas company that can focus on important investment projects and will strengthen KTG's interaction with the Government in order to speed up the consideration of the most pressing issues in the gas industry development. The contemplated transfer is in the process of obtaining corporate and government approvals and creditor waivers.

For the year ended 31 December 2020, the oil and gas segment generated total revenue and net income of KZT 4,867.7 billion (56.9 per cent. of the Group's total revenue) and KZT 262.5 billion, respectively. As at 31 December 2020, the oil and gas segment's total assets were KZT 16,854.5 billion (61.3 per cent. of the Group's total assets). For the six months ended 30 June 2021, the oil and gas segment generated total revenue and net income of KZT 3,382.9 billion (63.4 per cent. of the Group's total revenue) and KZT 694.6 billion, respectively. As at 30 June 2021, the oil and gas segment's total assets were KZT 17,594.5 billion (61.3 per cent. of the Group's total assets).

KMG

KMG is the Kazakhstan operator on hydrocarbon exploration, production, processing and transportation. It is the national oil and gas company of Kazakhstan with vertically-integrated upstream, midstream and downstream operations. It was established on 27 February 2002. KMG's revenues are split mainly amongst (i) exploration and production ("**upstream**"), (ii) transportation of crude oil and transportation and trading of gas ("**midstream**") and (iii) refining, marketing and trading ("**downstream**").

KMG's upstream segment is one of the largest crude oil and condensate producers in Kazakhstan in terms of production volume. The portfolio includes three megafields operated by joint ventures – the Kashagan field, the Tengiz field and the Karachaganak field. In particular, the Kashagan field is one of the world's largest and most complex offshore oil fields discovered during recent decades with an area of approximately 75 kilometres by 45 kilometres. Additionally, KMG's upstream segment operates approximately 122 additional fields, which

comprise 23 jointly and individually managed projects, including 14 onshore and 9 offshore projects. In 2020, KMG produced a total of 21,752 thousand tonnes of oil and 8,191 million m^3 of associated gas and natural gas.

The midstream segment consists of the largest crude oil and gas transportation pipeline network in Kazakhstan in terms of length and throughput capacity. As at 31 December 2020, the total length of the crude oil pipeline networks that KMG owns and operates was 9,090 km and the total length of the gas pipeline networks that KMG owns and operates was 17,847 km (primarily through its subsidiary Joint Stock Company KazTransOil, which transports oil, and its subsidiary KTG, which transports gas, respectively). The midstream segment also engages in gas trading primarily through its subsidiary, KTG, which exercises the Government's pre-emptive right to purchase raw and/or commercial gas from subsoil users/suppliers. In 2020, KMG transported a total of 73,171 thousand tonnes of oil and 86,590 million m^3 of gas.

The downstream segment includes a controlling or significant interest in all major refineries in Kazakhstan. KMG operates each of the three principal refineries in Kazakhstan, as well as a major refinery in Romania. In 2020, downstream oil refineries refined a total of 18.1 million tonnes of oil.

Kashagan

Kashagan is a private limited liability company incorporated in Amsterdam, the Netherlands. Each of the Issuer and Cooperatieve KazMunaiGaz U.A., a subsidiary of KMG, owns 50 per cent. of shares in Kashagan, and so both have joint control over Kashagan's activities. Kashagan was formed for the purpose of managing Kazakhstan's interest in the North Caspian Sea Project (the "**NCP**"). The NCP consortium was formed to develop the major offshore oil and gas fields in the northern part of Kazakhstan's sector of the Caspian Sea – Kashagan, Aktoty, Kairan, Kalamkas "A" offshore, an area covering 5,642 square kilometre under a license for exploration and production of hydrocarbons and associated products. As at 31 December 2020, Kashagan had investments in the form of an indivisible share of 16.88 per cent. in NCP. The commercial discovery at Kashagan, the largest field in the project, was in June 2002. The Kashagan field has been under development since 2002. Started from 2016, oil production has commenced at the Kashagan field.

Mining

The mining segment includes exploration, mining, processing, sales of mineral resources and geological exploration. The Group's significant holdings in the mining segment are its majority interests in Kazatomprom and Tau-Ken Samruk.

For the year ended 31 December 2020, the mining segment generated total revenue and net income of KZT 1,227.2 billion (14.3 per cent. of the Group's total revenue) and KZT 293.8 billion, respectively. As at 31 December 2020, the mining segment's total assets were KZT 2,411.8 billion (8.8 per cent. of the Group's total assets). For the six months ended 30 June 2021, the mining segment generated total revenue and net income of KZT 552.6 billion (10.4 per cent. of the Group's total revenue) and KZT 100.5 billion, respectively. As at 30 June 2021, the mining segment's total assets were KZT 2,472.9 billion (8.6 per cent. of the Group's total assets).

Kazatomprom

Kazatomprom is a Kazakhstan operator on the import and export of uranium, rare metals and nuclear fuel for nuclear power plants. Its principal activities include production of uranium and sale of uranium products. It is one of the leading uranium producing companies in the world, as well as the only uranium miner in Kazakhstan. Kazatomprom is also involved in the processing of rare metals, manufacture and sale of beryllium and tantalum products and scientific support of operational activities. In 2020, Kazatomprom's uranium output (based on attributable share of production) amounted to 10,736 tonnes, niobium product output was 15.4 tonnes, beryllium product output amounted to 1,364.5 tonnes, tantalum product output was 149.6 tonnes and fuel pellet output was 60.3 tonnes.

Kazatomprom operates, through its subsidiaries, joint ventures and associates, 26 deposits grouped into 13 asset clusters, all of which are located in Kazakhstan. All of Kazatomprom's uranium deposits are suitable for in-situ recovery ("**ISR**"). Kazatomprom benefits from more than 40 years of ISR experience accumulated by the Kazakhstan uranium mining industry. In addition to being cost-efficient and being least environmentally impactful, the ISR technology offers enhanced operational flexibility as compared to conventional mining,

which improves the scalability of Kazatomprom's operations and allows it to ramp up or down its production in a quick and cost-efficient manner in response to evolving market conditions.

Kazatomprom's primary customers are operators of nuclear generation capacity, and the principal export markets for the Group's products are China, South and Eastern Asia, North America and Europe. Kazatomprom sells uranium and uranium products under long-term contracts, short-term contracts, as well as in the spot market, utilising its Switzerland-based trading subsidiary.

As part of the 2016-2020 Privatisation Plan, Kazatomprom's GDRs began trading on the LSE and AIX in November 2018. As of 31 December 2020, the Group has sold 25 per cent. of its shares in Kazatomprom on the LSE and AIX.

Tau-Ken Samruk

Tau-Ken Samruk is a Kazakhstan operator for exploration, development, production, processing and sale of solid minerals. It is a vertically integrated company and was established to ensure efficient subsoil use activities in the field of (i) exploration, development, extraction, processing activities and sale of solid minerals, (ii) effective management of subsidiaries and associates of the mining and metallurgical industry, (iii) development and implementation of new high-tech and efficient technologies in the mining and metallurgical industry, (iv) restoration of mineral resources of Kazakhstan, and (v) development of off-balance reserves of deposits.

Tau-Ken Samruk contributes to the development of certain sectors of the mining and metallurgical industry of Kazakhstan by implementing projects jointly with strategic investors. By 2028, Tau-Ken Samruk aims to transform into a company with a diversified portfolio of assets and a reliable strategic partner for a wide range of investors in the mining and metals sector of Kazakhstan.

Transportation

The transportation segment includes operations related to railway and air transportation of cargo and passengers. The Group's significant holdings in the transportation segment are its majority interests in KTZ, Air Astana and Qazaq Air.

For the year ended 31 December 2020, the transportation segment generated total revenue and net loss of KZT 1,313.9 billion (15.4 per cent. of the Group's total revenue) and KZT 35.7 billion, respectively. As at 31 December 2020, the transportation segment's total assets were KZT 3,861.1 billion (14.0 per cent. of the Group's total assets). For the six months ended 30 June 2021, the transportation segment generated total revenue and net income of KZT 758.2 billion (14.2 per cent. of the Group's total revenue) and KZT 65.1 billion, respectively. As at 30 June 2021, the transportation segment's total assets were KZT 3,968.1 billion (13.8 per cent. of the Group's total assets).

KTZ

KTZ is the national transportation and logistics operator for Kazakhstan and is responsible for rail and sea transportation, as well as the provision of transport and logistics centres, including a seaport, airports and railroad infrastructure. It is the largest operator of the main railway network in Kazakhstan. As Kazakhstan's national railway company, it has a natural monopoly over the provision of services on Kazakhstan's mainline railway network and, through its subsidiary, JSC KTZ-Freight Transportation, is the dominant provider of railway freight transportation and, through its subsidiary, JSC Passenger Transportation, is the dominant provider of passenger transportation. KTZ is responsible for the maintenance, operation and modernisation of Kazakhstan's mainline railway network and provides railway transportation, infrastructure and support services. In 2020, KTZ dispatched approximately 8,150 thousand customers, transported approximately 287.4 million tonnes of freight and a total of 876 thousand TEU containers were in transit.

In addition, in connection with the Government initiatives for the development of transportation logistics, which is a relatively new priority in Kazakhstan's transportation sector, First President of Kazakhstan, Nursultan Nazarbayev, instructed the Government and the Group to create a multi-level vertically-integrated transport and logistics holding company, combining, inter alia, logistics and transport companies, with the objective of developing Kazakhstan's transit capacity and integrating infrastructure. Accordingly, in 2013, KTZ's subsidiary, KTZ Express JSC, became the national transportation and logistics operator responsible for

institutional development and operational coordination and tasked with the expansion of transportation and logistics services to create a viable infrastructure and consolidating operating assets to achieve the Government's freight transportation and handling objectives. Since 2013, KTZ has transitioned from a railway company to a national logistics group that is responsible for rail and sea transportation.

Air Astana

Air Astana is the largest air carrier in Kazakhstan. Its principal activity is the provision of scheduled domestic and international air services for passengers. Other business activities include freight and mail transportation. Air Astana operated its maiden flight on 15 May 2002, a Boeing-737 service from Almaty to Kazakhstan's national capital, Nur-Sultan (Astana at the time). As at 31 December 2020, Air Astana operated 34 aircraft that are acquired under lease.

Air Astana provides an expanding network of route connections in fast-growing markets to tap into increasing levels of mobility in large neighbouring countries. Differentiated by its high reliability, cabin experience and competitive product, its full-service carrier operates a fleet of comfortable, young aircraft.

Air Astana also launched a high-quality, low-cost carrier in May 2019 under the FlyArystan brand to stimulate a heavily underdeveloped market, as more than half of the Kazakhstan population had never flown domestically. FlyArystan is bringing air travel to a new, cost-conscious audience. It is seen as a crucial enabler to the Kazakhstan domestic economy and has significant growth potential.

Qazaq Air

Qazaq Air is a Kazakhstan airline operating regional flights. It was established by the Group in accordance with the initiative of the First President of Kazakhstan, Nursultan Nazarbayev, to improve the safety and availability of inter-regional air traffic in Kazakhstan and border areas of neighbouring countries. Qazaq Air is headquartered at the Nursultan Nazarbayev International Airport. It provides a network of inter-regional carrier with a hub in the capital of Kazakhstan, Nur-Sultan. Its route network is organised to provide comfortable connecting flights between country regions with a transfer at the hub airport.

Qazaq Air aims to increase the availability of safe inter-regional air transportation in Kazakhstan and neighbouring countries, thereby stimulating social and economic development of the regions and their stable radial air connection with the Nur-Sultan hub.

Communication

The communication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries), as well as renting out of lines, data transfer services and wireless communication services. The Group's significant holdings in the communication segment are its majority interests in Kazakhtelecom and Kazpost.

For the year ended 31 December 2020, the communication segment generated total revenue and net income of KZT 566.3 billion (6.6 per cent. of the Group's total revenue) and KZT 59.9 billion, respectively. As at 31 December 2020, the communication segment's total assets were KZT 1,220.5 billion (4.4 per cent. of the Group). For the six months ended 30 June 2021, the communication segment generated total revenue and net income of KZT 304.3 billion (5.7 per cent. of the Group's total revenue) and KZT 55.6 billion, respectively. As at 30 June 2021, the communication segment's total assets were KZT 1,212.7 billion (4.2 per cent. of the Group's total assets).

Kazakhtelecom

Kazakhtelecom is the largest telecommunications company in Kazakhstan and is the national telecommunications operator. It is included in the register of natural monopolists in relation to transit traffic services provided to telecommunication operators, public switch telecommunication network ("**PSTN**"), connection services provided to third-party telecommunication operators, and rental of phone channels to telecommunication operators for connection to PSTN. Kazakhtelecom and its subsidiaries have a significant share of the fixed line and mobile communication markets, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries), and provide services including

leasing out lines, data transfer services, selling mobile devices and other telecommunication services. Kazakhtelecom also owns the national information superhighway, which is a transport fiber-optic ring that connects large cities of Kazakhstan with digital streams with high data transmission speed. As of 31 December 2020, Kazakhtelecom has operations in 237 cities and regional centres in Kazakhstan.

Kazpost

Kazpost is the national postal operator in Kazakhstan, with the mission to encourage the development of a modern digital society on the basis of an effective ecosystem giving customers the opportunity to receive postal, logistics, financial and agent services in a quick and reliable manner. Kazpost provides a wide range of postal, financial, brokerage, agency and electronic services. It has the largest branch network in the country, covering almost the entire territory of Kazakhstan, especially at the level of regional and rural areas.

Kazpost is in the process of actively modernising and transitioning to qualitative services provision, which requires improvement of service quality as well as updates to the technical, operational, technological, informational systems of the postal network.

Energy

The energy segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralised operation and dispatch of facilities in the unified energy system of Kazakhstan. The Group's significant holdings in the energy segment are its majority interests in Samruk-Energy, KEGOC and EGRES-2.

For the year ended 31 December 2020, the energy segment generated total revenue and net income of KZT 680.4 billion (8.0 per cent. of the Group's total revenue) and KZT 72.8 billion, respectively. As at 31 December 2020, the energy segment's total assets were KZT 1,574.9 billion (5.7 per cent. of the Group's total assets). For the six months ended 30 June 2021, the energy segment generated total revenue and net income of KZT 379.2 billion (7.1 per cent. of the Group's total revenues) and KZT 56.5 billion, respectively. As at 30 June 2021, the energy segment's total assets were KZT 1,629.3 billion (5.7 per cent. of the Group's total assets).

Samruk-Energy

Samruk-Energy is the largest diverse energy holding in Kazakhstan, successfully integrated into the international energy balance. Its principal activities are production of electricity, heating energy, hot water on the basis of coal, hydrocarbons and water resources, and renewable energy sources, and sale to households and industrial enterprises, transmission of electricity and technical distribution of electricity within the network, as well as leasing of property of hydro power plants. Samruk-Energy is vertically integrated, giving it greater control over its supply chain and distribution channels. It also benefits from being an affiliate of many of its customers and contractors through the Group.

In 2020, Samruk-Energy generated coal production volume of 43.3 million tonnes and electricity production volume of 31.4 billion kilowatt-hour. As at 31 December 2020, it operated 3 thermal power plants, 2 hydropower plants, 2 wind power plants, 1 renewable power plant and 1 coal mining plant.

KEGOC

KEGOC is a system operator of the unified electric power system of Kazakhstan. It provides electricity transmission, dispatch and electricity production-consumption balancing services in Kazakhstan. As the state-appointed system operator, KEGOC provides centralised dispatching control, ensures parallel work with energy systems of other countries, maintains the balance in energy system, provides system services and acquires auxiliary services from wholesale entities at energy market, as well as transmits electricity through unified power system (the "**NES**") and ensures its technical support and maintenance. The NES consists of substations, distribution devices, interregional and international power transmission lines which provide the output of electricity of electrical stations with the voltage of 220 kW and more.

EGRES-2

EGRES-2 is an energy company in Kazakhstan with installed capacity of 1,000 megawatts. Its first power unit was commissioned in 1989 and the second power unit was put into operation in 1991. Construction of the main building for the third power unit was 70 per cent. complete in 1993, when the development on the third unit was halted. Part of the infrastructure of the third unit has been fully completed, including cooling pond, chemical water treatment station, startup boiler house, coal storage with the railway infrastructure and ash dump. New power units are expected to be constructed to ensure necessary security of supplies. The feasibility study of EGRES-2 has recommended the expansion of the plant by a new 500 megawatt unit with supercritical parameters.

Industrial

The industrial segment includes industry enterprises and projects of chemical industry. The Group's significant holding in the industrial segment is its majority interest in United Chemical.

For the year ended 31 December 2020, the industrial segment generated total revenue and net loss of KZT 20.7 billion (0.2 per cent. of the Group's total revenue) and KZT 52.2 billion, respectively. As at 31 December 2020, the industrial segment's total assets were KZT 805.0 billion (2.9 per cent. of the Group's total assets). For the six months ended 30 June 2021, the industrial segment generated total revenue and net loss of KZT 17.7 billion (0.3 per cent. of the Group's total revenue) and KZT 12.5 billion, respectively. As at 30 June 2021, the industrial segment's total assets were KZT 1,094.1 billion (3.8 per cent. of the Group's total assets).

United Chemical

United Chemical is a company that develops and implements investment projects in the chemical industry. Its principal activities are (i) organisation and realisation of surveys, expertise and other works as may become necessary for implementation of investment projects in the chemical industry, (ii) organisation and realisation of projects in subsoil use sphere for organisation of investment projects in the chemical industry, and (iii) establishment of new and/or acquisition of interest in existing entities for the purpose of implementing investment projects in the chemical industry with possibility of further disposition of those entities.

Transformation Programme

The Kazakhstan-2050 Strategy outlines Kazakhstan's target to become one of the world's top 30 developed nations. To achieve this goal, Kazakhstan will need to make a major breakthrough in terms of investment growth and improved productivity in its economy. The Group controls some of Kazakhstan's key assets and plays a critical role in setting the necessary conditions to achieve this goal.

In order to deliver the required improvement in operational and investment performance, the Group developed the Transformation Programme, a large-scale transformation of the Group itself and of the portfolio companies it controls. The Transformation Programme encompasses the following three axes, which in turn involve a total of nine initiatives across the Group:

- Transformation axis 1: value improvement in portfolio companies. Becoming a "private equity-like owner" requires a value improvement focus within the core business, enabled by the initiatives of (i) implementing business process re-engineering, (ii) redefining the strategic key performance indicators ("**KPIs**") for the Issuer and its portfolio companies and (iii) aligning portfolio companies' strategies with the strategic KPIs.

- Transformation axis 2: portfolio restructuring and changing the Group's approach to investing. Becoming an "active investor" requires portfolio restructuring and revising the investment approach, enabled by the initiatives of (i) simplifying the legal structures of the portfolio companies, (ii) bringing public investors into core assets, and removing non-core business assets and social assets from the portfolio and (iii) establishing a new and active investment approach.

- Transformation axis 3: reforming powers and responsibilities in the Group's and portfolio companies' governance. Becoming a "commercial strategic holding" requires major changes in powers and responsibilities in the Issuer and its portfolio companies' governance system, enabled

by the initiatives of (i) increasing effectiveness of interactions with the Government, (ii) strengthening the sectorial teams and (iii) clarify the role, mandate and capacity of the board of directors.

To date, the Transformation Programme is being implemented in the Issuer's six large portfolio companies (KMG, KTZ, Kazpost, Kazatomprom, Samruk-Energy and KEGOC). One key part of the Transformation Programme is digital transformation, which aims to solve business problems through the use of digital technologies and results in benefits for the businesses in terms of reduced downtime, lower commercial losses and increased operational efficiency. In the year ended 31 December 2020, net benefits from implementation of the Transformation Programme amounted to KZT 44.8 billion, of which direct benefits amounted to KZT 30.6 billion.

The Group established a Transformation Programme oversight committee (the "**Transformation Programme Oversight Committee**"), a consultative and advisory body of the Board, to monitor and assess the implementation of the Transformation Programme and to prepare necessary recommendations to the Board. The Transformation Programme Oversight Committee meets on a regular basis to discuss, among other things, progress of implementation of the Transformation Programme of the Issuer and its portfolio companies, progress on the withdrawal of assets of the Issuer and its subsidiaries for sale as part of the implementation of the privatisation plans, acquisition by the Issuer of interests in the authorised capital of other entities and various issues that arise in the implementation of the Transformation Programme.

While the goal was for the Group to undergo transformation by 2024, full implementation of the Transformation Programme may require a longer period of time, as the Group is in the process of revisiting certain initiatives and approaches in light of the Covid-19 pandemic, global megatrends and the macroeconomic conditions in Kazakhstan. The Group is currently developing an updated timeline for the completion of the Transformation Programme, as well as its key approaches and targeted results. The Group expects that it will retain its focus on improving the efficiency of portfolio companies, introducing best corporate governance practices and undertaking digital transformation. In addition, the Group will prioritise sustainable development, the observance of ESG principles as well as the improvement of occupational safety and health.

Privatisation Plans

As part of the Group's effort to improve the efficiency of Kazakhstan's economy and to reduce state ownership in the Kazakhstan economy, the Issuer has been actively involved in the privatisation plans adopted by the Government. A team of 6 people in the Department of Assets Privatisation and Restructuring are primarily in charge of timely implementation of the plans by actively managing the execution of privatisation projects and programmes, as well as the restructuring of the Group's assets. The Group believes that the privatisation plans will have the benefit of, among others, enhancing the corporate governance system, developing healthy competition in the private sector, reducing the presence of the Government in competitive sectors of the economy, improving the investment climate in Kazakhstan, attracting new technologies to the economy as well as decreasing government regulations in the business sector.

As part of the 2016-2020 Privatisation Plan, the Group has transferred multiple assets to the competitive environment and is also working to exit from non-strategic assets in order to achieve efficient portfolio management and optimisation of the asset structure.

The 2016-2020 Privatisation Plan provides for the minority stake of nine large assets of the Group to be transferred to the competitive environment through an initial public offering or sold to a strategic investor. As of 31 December 2020, 25 per cent. of shares in Kazatomprom have been placed on the LSE and AIX. For the other eight assets, the process to sell minority stake has been postponed by the Government as a result of the challenging macroeconomic conditions in 2020 caused by the Covid-19 pandemic and the volatility of energy prices. It is currently expected that the sale of majority stake in Kazpost will occur in 2021-2022. In addition, it is also expected that the sale or listing of minority stakes will occur in 2022 for KMG, Samruk-Energy, Air Astana and Qazaq Air and in 2023 for KTZ.

Additionally, the 2016-2020 Privatisation Plan set out the plan for the Group to exit from 159 medium-sized companies. As of 31 December 2020, 89 assets had been sold for an aggregate amount of KZT 188.3 billion

and 60 assets were liquidated or reorganised (or in the process of liquidation or reorganisation). Exit from the remaining ten assets has been postponed by the Government to 2021 to 2023.

At the end of 2020, the Government adopted the 2021-2025 Privatisation Plan, according to which a total of 22 assets of the Group will be transferred to the competitive environment, including those originally included in the 2016-2020 Privatisation Plan that were postponed by the Government.

The general framework for the transfer of Group assets to the competitive environment is set in the Law "On the Sovereign Wealth Fund", dated 1 February 2012. The procedure for transferring the Group's assets into the competitive environment is determined by the Board of the Issuer. The transfer of assets to the competitive environment may be carried out by means of an open two-stage tender, direct targeted sale, electronic tender, auction, listing on the stock exchange, and other ways not prohibited by the laws of Kazakhstan.

Under the 2021-2025 Privatisation Plan, the sale of minority stakes in KMG, Air Astana, Tau-Ken Samruk and KTZ shall be carried out through initial public offering, and shares in Kazpost and Samruk-Energy may be disposed of through initial public offering or direct targeted sale to a strategic investor. Currently, these companies as well as other portfolio companies to be privatised are undergoing presale preparations.

Investment Activities

The Group's main capital investments are the implementation of investment projects in five principal portfolio companies (KMG, United Chemicals, KTZ, Samruk-Energy and Tau-Ken Samruk). The major investment projects that require large capital investments include exploration and production of oil and gas, construction of railways, construction of a gas chemical complex, construction of a railway station, exploration, production and sale of solid materials, and construction of power plants and lines. The Group is also constantly supporting Kazakhstan's economy through participation in large infrastructure projects, as well as regional and industrial development projects, in industries such as transportation, logistics, energy and infrastructure.

Investment activities of the Issuer is regulated by its investment policy, the main purpose of which is to define the investment goals and principles of the Issuer, as well as the main provisions and tools for managing the Issuer's investment portfolio. The Issuer believes that an actively, efficiently managed and diversified portfolio will help the Issuer to achieve the highest possible level of return on the portfolio in the long term, including through the implementation of investment projects that bring a synergistic effect within the Group's investment portfolio.

The Issuer's target structure of its portfolio is that, by 2028, the current traditional portfolio will decrease from 94 per cent. of the Group's total portfolio value to 70 per cent., new investments in Kazakhstan will increase from 2 per cent. of the Group's total portfolio value to 10 per cent., and the international investments will increase from 4 per cent. of the Group's total portfolio value to 20 per cent..

Ongoing Investment Projects

The table below sets forth the major investment projects that are currently under implementation by the Group's portfolio companies. The Group reviewed the list of major investment projects on an annual basis. For further information on the Group's capital expenditure during the periods discussed, see "*Operating and Financial Review—Liquidity and Capital Resources—Capital Expenditure*".

Segment	Portfolio Company	Project Name	Expected Timeframe
Oil and Gas	KMG	North Caspian Project (Experimental Programme Development)	2002-2022
Oil and Gas	KMG	Construction of the Beineu-Bozoi-Shymkent gas pipeline	2011-2022
Mining	Tau-Ken Samruk	Industrial development of the Shalkiya polymetallic ore deposit in the Kyzylorda region	2014-2023

Mining	Tau-Ken Samruk	Mining and processing of polymetallic ores at the Alaigyr deposit in the Karaganda region	2013-2022
Transportation	KTZ	Construction of a ferry complex in the Kuryk port and operation of universal cargo and passenger ferries	2012-2021
Energy	Samruk-Energy	Expansion and reconstruction of Ekibastuz GRES-2 with installation of power unit of station No. 3	2006-2024
Energy	Samruk-Energy	Expansion and reconstruction of power unit No. 1 of GRES-1 with the installation of new electrostatic precipitators	2012-2023
Industrial	United Chemical	Construction of an integrated gas chemical complex (second phase)	2018-2026
Industrial	United Chemical	Construction of an integrated gas chemical complex (first phase)	2010-2022
Industrial	United Chemical	Construction of a gas separation unit	2018-2027
Industrial	United Chemical	Construction of infrastructure facilities of National Industrial Petrochemical Technology Park	2014-2021

New Investment Criteria

In evaluating new investment opportunities, the Group's investment strategy is underpinned by five key pillars that determine the feasibility of potential investments, namely, that each opportunity:

- aligns with the Group's development strategy;
- aligns with the principles established by the Government to not hinder the development of the private sector;
- meets the investment attractiveness indicator requirements, which are (i) positive net present value and (ii) internal rate of return is higher than the cost of equity;
- aligns with the Group's risk appetite; and
- is in an industry that has a positive market trend (in the form of a positive compound annual growth rate) for the last three years and in the long-term.

Based on regular assessments of prevailing global and regional economic and financial market conditions, the Group periodically reviews and, if appropriate, revises its capital deployment strategy for new investments.

Approval and Implementation Process

At each stage of assessing and executing proposed investments, the Investment and Strategy Committee of the Issuer's management board will make recommendations to, and seek approval from, the Board (or the supervisory board of portfolio companies, as applicable) for proposed investments.

For a capital expenditure project, project implementation is divided into the following five stages:

- **Identification and Valuation**: identification of needs, generation of investment projects' ideas, a clear understanding of the business initiative and verification of its compliance with the development of the Group; development of a project concept (from long to short list); definition of project scope; conduction of a pre-feasibility study, assessment of the potential benefits from the project implementation and the associated risks.
- **Selection**: valuation of alternative project concepts (based on a short list); selection of the optimal concept that can lead to the highest benefits for business; development of the project implementation strategy; conduction of a feasibility study.

- **Definition**: basic engineering of the selected concept, preparation of documentation for project implementation, a detailed description of the project, conduction of calculations in accordance with the scope of work and the strategy of project implementation; development of the design and budget documentation.

- **Execution**: detailed engineering; implementation / creation of a product, integration, launch and testing in accordance with the plan and strategy of the project implementation as well as with other documents developed at the "definition" stage.

- **Exploitation / Operation**: production ramp-up till the target level of exploitation; analysis of the results and effectiveness of the project; collection, accumulation and distribution of lessons learned.

For a long-term financing project, project implementation is divided into the following three stages:

- **Identification and Valuation**: the internal resources of the relevant portfolio company must prepare an expert opinion, including alignment with the Group's development plan and development strategy, economic feasibility of the project (transaction), identification of the strengths and weaknesses of the transaction, preparation of preliminary valuation (transaction cost range), development of a preliminary strategy for transaction implementation, preliminary determination of the sources of financing, memorandum of cooperation or agreement on the main terms of the transaction (term sheet), determination of the preliminary structure/terms for joining the private equity fund, and reception of key corporate decisions.

- **Selection and Definition**: non-disclosure agreement signed; distribution of the information memorandum and teaser; preparation of a list of potential buyers / proof of inclusion in the list of buying; analysis / preparation of non-binding offers; determination of the sources of financing; virtual/physical data room preparation; provision of an access to comprehensive due diligence and valuation; valuation / preparation of binding offers; financial and economic, tax and legal due diligence of the asset (comprehensive analysis); negotiations based on the results of a comprehensive analysis; marketing strategy development; transaction consultant engagement; independent valuation engagement; determination of the transaction method (initial public offering, direct sale, auction or liquidation); determination of the final structure/terms for joining the private equity fund; and reception of key corporate decisions.

- **Execution**: negotiations regarding the closure of balance sheet accounts and adjustments to financial performance indicators prior to restructuring / transfer of control; reception of all necessary permits and approvals from government agencies; signing of a sales contract; signing of an agreement to entry of private equity fund by the issuer or/and a portfolio company; closure of a transaction; preparation and implementation of an integration strategy (in case of incomplete sale of assets); assessment of the business goals achievement; assessment of a return rate at the exit from investments (aligned with exit strategy); and development of a register of lessons learned.

Health, Safety, Environment and Sustainable Development

Health, Safety and Environment

The Group recognises the priority of the life and health of its employees, especially with respect to production activities. It understands the responsibilities to ensure safe working conditions and trouble-free production activities for employees, to maintain the health of the population living in the regions where the Group is present, as well as to minimise the negative impact on the environment and to preserve a favourable environment for present and future generations. In light of the ongoing Covid-19 pandemic, over 70 per cent. of employees of the Issuer's portfolio companies have been fully vaccinated.

The Group is constantly improving approaches to the management of the labour protection system, industrial safety and environmental safety. It operates an industrial safety and labour protection management system, which is part of the overall management system and ensures risk management through prioritising preventive measures over measures aimed at localising and eliminating the consequences of incidents.

Notwithstanding all the measures taken by the Group to ensure safe working conditions, 11 fatal accidents were recorded in 2020. However, the number of injured workers is steadily decreasing, as 121 employees were injured in 2020, a 28 per cent. decrease compared to 168 people injured in 2019.

Additionally, a unified methodology for assessing health, safety and environmental ("**HSE**") control systems was finalised by the Issuer in 2020, as an effort to improvement the management systems of the portfolio companies' HSE protection. This methodology defines the procedure for assessing the maturity of the HSE management system, as well as the main principals and steps of the assessment. The Issuer has also made plans to carry out training of portfolio companies' specialists on diagnosis of HSE control systems, followed by the actual diagnosis of HSE issues, as well as the gap analysis and improvement of the control systems.

Sustainable Development

The Group strives to comply with and implement in its activities the best practices in the field of sustainable development, including the key principles of the United Nations Global Compact (the "**UN Global Compact**"), and is consistently building up its competencies in partnership with the global community. The main principles of the Group's sustainable development are ecological balances, social well-being and corporate governance.

The Group's 2018-2028 Development Strategy includes the main goals and benchmarks in the field of sustainable development, and formulates a unified approach to activities in the field of sustainable development. The Group's activities are integrated into the context of achieving the United Nations Sustainable Development Goals (the "**UN Sustainable Development Goals**"). Ten out of the 17 UN Sustainable Development Goals were selected as strategic priorities for the Group, including (i) good health and wellbeing, (ii) quality education, (iii) gender equality, (iv) affordable and clean energy, (v) decent work and economic growth, (vi) industry, innovation and infrastructure, (vii) reduced inequalities, (viii) sustainable cities and communities, (ix) climate action and (x) partnerships for the goals.

In addition to defining the priority UN Sustainable Development Goals, the Group has also adopted the following sustainable development initiatives, which are being implemented on a regular and systematic basis:

- strong corporate governance and improved risk culture
- financial sustainability
- development of human resources
- high ethical standards and anti-corruption
- responsible procurement

- good reputation and high transparency
- strong culture in health and safety
- environmental responsibility
- responsible investment

In accordance with these priorities, the Issuer and its portfolio companies are taking measures to ensure sustainable development. The Issuer's approach to sustainable development management is regulated by a number of internal regulations that systematise the Issuer's activities in the field of sustainable development. The practice of sustainable development management of the Group continues to improve as the internal regulatory framework develops, which determines various aspects of sustainable development management and the integration of sustainable development principles into the corporate management system.

In response to the strengthening of international regulation in favor of a green economy, the Issuer is directing additional efforts to develop long-term approaches to managing risks and opportunities. Thus, in the long-term development strategy of the Issuer, one of the main priorities is sustainable development through promoting ESG principles, reducing the carbon footprint and transforming the activities of portfolio companies, including through renewable energy projects.

The Issuer is also seriously considering the issues of obtaining ESG ratings, which is an important tool to increase the investment attractiveness of its portfolio companies. For example, as part of KMG's listing on the LSE and AIX, KMG is building work to promote the Sustainalytics ratings, having received 69 points out of 100 in 2020. Sustainalytics also gave KMG an ESG risk rating of 34.5 points.

The Issuer and its portfolio companies have been publishing, and continue to publish, annual integrated and separate sustainability reports in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (the "**GRI Standards**"). The process of integrating the priority UN Sustainable Development Goals into the business processes of portfolio companies is also underway.

In addition, negotiations are underway with leading institutions and international consultants on the possibilities of advanced training programs for the management of the Issuer and its portfolio companies in the areas of energy transition, ESG principles and, in general, in the areas of the green global agenda. The exchange of experience with international agencies and experts will be taken into account in the formation of fundamental policies, norms, principles, rules, approaches for the Issuer and its portfolio companies when building a management system in the field of sustainable development.

Employees and Human Resources

Employees

The Group is one of the largest employers in Kazakhstan. In 2020, the average number of personnel employed by the Group amounted to approximately 265,800. The table below sets forth the average number of employees and turnover rate of the Issuer and the Group, respectively, for the periods indicated.

	For the six months ended 30 June 2021	For the year ended 31 December		
		2020	2019	2018
Number of employees of the Issuer	162	156	185	182
Turnover rate of the Issuer (per cent.)	15	10	15	27
Number of employees of the Group	261,974	265,820	307,637	316,181
Turnover rate of the Group (per cent.)	5	9	9	10

As at 31 December 2020, eight of the Group's principal portfolio companies practice collective bargaining agreements. In particular, as at 31 December 2020, approximately 99 per cent. of KMG employees, 98 per cent. of Kazatomprom employees and 77.4 per cent. of KTZ employees are covered by collective bargaining agreements, respectively. Collective bargaining agreements have also been signed in many of the portfolio companies' manufacturing facilities. The collective bargaining agreement provides employees with additional

social guarantees in terms of wages, material assistance, social benefits for temporary disability, pension programs, payments to provide assistance in various life situations, as well as labour protection and safety.

Since 1 January 2018, the Group has not experienced any material strikes or work stoppages.

Human Resources

The Issuer has a human resources policy that aims at forming a team of highly professional workers capable of ensuring the effective and stable development of the Issuer. The Issuer fosters an environment that maximises the intellectual, professional and creative potential of employees. A large scale of complex measures have been implemented by the Issuer to work with human resources, including the creation of an effective system for motivating and retaining employees, training and improving their qualifications, implementing the institute of mentoring, attracting young personnel and promoting their professional growth.

Developing a corporate culture that unites professional and motivated employees is a key focus of the Issuer's human resources policy. Such culture will allow the Issuer to implement its growth strategy and successfully carry out its own activities. In particular, training and development of employees are one of the priority areas of the Group's activities within the framework of developing corporate culture. Approaches to employee training reflect the goals of (i) improvement and implementation of the leadership development programme taking into account the needs of the business, (ii) domestic and foreign educational programmes for training of current employees to future changes in the qualifications, competencies and skills on issues including asset management (asset allocation, investment management and risk management), (iii) desire to develop global financial and investment experts who will contribute to the growth of the national economy and the financial industry of the country, and (iv) development of specialised competence models for certain investment positions.

The Issuer continuously implements measures to develop the investment competencies of relevant employees, further develop the corporate culture and increase staff engagement, as well as improve the employer's brand image. The Issuer has also launched multiple programmes implemented for the development of future leaders – for example, the "Zhas Orken" programme was launched in 2017 to attract, select and develop talented graduates from universities and it is positioned as an investment in the human capital of Kazakhstan, a long-term tool for increasing the managerial potential and attractiveness of the Group for young professionals. In 2020, the Issuer launched an internship programme "Digital Summer" to involve young specialists with relevant knowledge in optimising processes and increasing the efficiency of digitalisation and transformation projects of the Group's portfolio companies.

Competition

The Issuer's principal objective is to improve the national welfare of Kazakhstan and to ensure long-term sustainability for future generations. It does not believe that it faces significant competition within Kazakhstan in carrying out this mandate. However, the Group does face competition from international competitors which may be interested in pursuing similar investments and certain of the Group's operating segments and/or portfolio companies face competition in their specific business areas. The nature and extent of this competition, and its effect on the Group as a whole, varies depending on the business concerned. The Group believes that the diversification of the Group's activities offers a level of protection against the adverse effects of one or more of its projects or portfolio companies facing significant competition in their sphere of operations.

Information Technology

The Group seeks to ensure that its information technology ("**IT**") systems and software meet the requirements of its business, are effectively maintained and are kept up to date. The IT management of the Issuer is undertaken by the IT department, which performs the following functions: development and implementation of the IT programme, development of technical requirements for IT projects, control of implementation and use of information systems and maintenance of uninterrupted performance of the information and telecommunication infrastructure of the Issuer. In line with the Group's Transformation Programme, efforts have been made to increase IT and information management security and to encourage centralisation, as well as digitalisation initiatives launched by each of the largest portfolio companies within the Group. As part of the Group's cyber shield implementation within the transformation projects, an information security operational centre was created on the basis of QazCloud LLP. This operational centre has a cybersecurity team dedicated to cybercrime

preventions on a 24/7 basis. In addition, each of the portfolio companies has an internal regulatory document governing disaster recovery process.

Legal Proceedings

Other than as set out below, there are no governmental, legal or arbitration proceedings, including any such proceedings pending or threatened of which the Issuer is aware, during the last 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or the Group.

In January 2018, the Amsterdam District Court issued a judgment in which it upheld an earlier ex parte attachment granted with respect to 50 per cent. shareholding in KMG Kashagan B.V., which is owned by the Issuer and under trust management by KMG (the "**Stati Attachment**") which was imposed as part of the claim for recognition and enforcement of the arbitral award on the matter of Anatolie Stati, Gabriel Stati, Ascom Group SA and Terra Raf Trans Trading Ltd (the "**Stati Parties**") against the Republic of Kazakhstan issued in 2013 by the Arbitration Tribunal at the Arbitration Institute of the Stockholm Chamber of Commerce (the "**Stati Arbitral Award**"). Although Stati Attachment has no effect on the day to day management of the Issuer's stake in KMG Kashagan B.V., it does impose a restriction on the payment of dividends by KMG Kashagan B.V. to the Issuer.

On 7 May 2019, the Amsterdam Court of Appeal confirmed the Stati Attachment. On 14 July 2020, the Amsterdam Appeal Court has issued a decision recognizing the Stati Arbitral Award on the territory of the Netherlands, though the court rejected enforcement of this award in relation to the Issuer on technical grounds. On 18 December 2020, the Supreme Court overturned the decision of the Amsterdam Court of Appeal to maintain the Stati Attachment and sent the case to the Court of Appeal in The Hague. It is currently expected that the hearing at the Court of Appeal in The Hague will take place in April 2022.

In addition, on 7 December 2017 the Stati Parties filed another claim with the District Court of Amsterdam seeking to recognise the Issuer as part of the Republic of Kazakhstan and oblige the Issuer to comply with the Stati Arbitral Award (the "**Main Stati Proceedings**"). A number of hearings were held in relation to this claim and on 28 April 2021 the District Court of Amsterdam satisfied the Issuer's motion to postpone the Main Stati Proceedings pending the decision of the Court of Appeal in The Hague regarding the Stati Attachment.

RELATIONSHIP WITH THE GOVERNMENT

State authorities in the management of the Issuer

The Issuer's shares are the exclusive property of the State and are not subject to alienation. The sole shareholder of the Issuer is the Government. The Government manages the Issuer exclusively through the exercise of the powers of the sole shareholder provided for by the law and/or the charter of the Issuer, as well as the representation of members of the Government on the Board of the Issuer.

The Government as the sole shareholder is empowered, among other things, to approve the Issuer's development strategy, appoint members of the Board of Directors and Chief Executive Officer and early terminate their powers, approve financial results, and determine the dividend policy.

In addition, the relationship between the Issuer and the Government is defined in the bilateral agreement on interaction of these parties (*Agreement on Interaction between the Government of the Republic of Kazakhstan and Joint-Stock Company "Sovereign Wealth Fund" Samruk-Kazyna" dated 14 December 2012)*. Their interaction is based on the following principles:

1) management of the Issuer by the Government is carried out exclusively by virtue of its powers as the sole shareholder and representation of the Government's members on the Issuer's Board of Directors;

2) non-interference of the Government, its members, as well as officials of State authorities in the operational activities of the Group, with the exception of cases provided for by laws, acts and instructions of the President of Kazakhstan;

3) reporting and transparency of the activities of the Group.

The composition of the Board of Directors of the Issuer is formed from the following persons:

- the first head of the central authorised body for State planning (the Minister of National Economy of the Republic of Kazakhstan) - a representative of the sole shareholder of the Issuer;
- Assistant to the President of Kazakhstan;
- Assistant to the First President of Kazakhstan – Yelbasy;
- four independent directors; and
- the Chairman of the Management Board of the Issuer.

Other bodies

The Issuer also has an advisory body, the Governance Council, which is chaired by the First President of the Republic of Kazakhstan (*Yelbasy*) Nursultan Nazarbayev.

Council members are:

- Prime Minister of the Republic of Kazakhstan;
- Head of the Presidential Administration of the Republic of Kazakhstan;
- Chairman of the Management Board of the Issuer (as agreed);
- two representatives of domestic business; and
- a representative of a foreign business.

The functions of the Governance Council are:

1) development of proposals to improve the competitiveness and efficiency of the Issuer;

2) approval of the Issuer's development strategy and consideration of the Issuer's annual report on the progress of its implementation;

3) consideration of proposals of the Government on the Issuer's participation in State programmes for diversification and modernisation of the economy of Kazakhstan, including the implementation of socially significant and industrial-innovative projects, including with the allocation of funds from the republican budget and the National Fund of Kazakhstan;

4) approval of candidates for election as independent directors of the Issuer, as well as the amount and terms of payment of remuneration to independent directors of the Issuer;

5) recommendations for the election of a member of the Government or another civil servant to the Board of Directors or supervisory board of an organisation that is a member of the Group.

Interaction between State bodies and the Issuer

Interaction between State bodies and the Issuer and its portfolio companies, not related to interaction within the framework of the activities of the sole shareholder of the Issuer, membership of heads of State bodies in the Board of Directors of the Issuer, is regulated by the laws of the Kazakhstan, acts of the President of Kazakhstan and the Government.

Interference by State bodies in the operational activities of the Issuer and its portfolio companies is not normally allowed, except when the State bodies perform their functions provided for by the laws of Kazakhstan.

Features of the Issuer's implementation of socially significant and industrial-innovative projects

The Issuer and its portfolio companies may participate in the implementation of socially significant and industrial-innovative projects, taking into account the main directions of state policy in industrial-innovative, socio-economic and other spheres, in the areas of the Issuer's activities.

The implementation by the Issuer and its portfolio companies of socially significant and/or industrial-innovative projects initiated by the Government, which are low-profit, can be carried out with the provision of full or partial budget financing and/or state guarantees for non-state loans in the manner and on the conditions stipulated by the budgetary legislation of Kazakhstan.

The Government's Long-Term Plans for the Issuer

According to the 2022-2031 Development Strategy, the Government expects the Issuer to continue its development as an independent commercial entity with the growing role of the Board and the Council. In particular, the Council will enhance its participation in increasing the competitiveness and efficiency of the Issuer and consideration of the Government's proposals on the participation of the Issuer in State programmes for diversification and modernisation of the Kazakhstan economy.

Contributions from the Government

For the periods under discussion, the Issuer received capital injections as authorised capital from the Government of KZT 25 billion in 2019, KZT 26 billion in 2020 and KZT 9.9 billion as of the date of this Prospectus in 2021.

In the event the Issuer identifies a liquidity shortage risk, the Issuer can apply for extraordinary support from the Government by sending a letter to the President or the Prime Minister of Kazakhstan at least eight months prior to the date of the requested support. The President or the Prime Minister then have up to one month to engage with the NBK, the Ministry of Finance or the Ministry of National Economy of Kazakhstan to determine the sources of support. The extraordinary support from the Government can be allocated using various tools, including funding from the Kazakhstan National Fund or the Unified Accumulative Pension Fund, funding from the Government budget as well as subsidised interest rates on debt obligations of the portfolio companies.

Dividends distributed to the Government

The size of dividends to be paid by the Issuer to the Government as its sole shareholder for each reporting year is determined by the Government, and should not be less than the amount of dividends provided for in the Government's budget for the year following that reporting year. To make a decision on the payment of dividends, the Issuer's Board submits proposals on the distribution of net profit of the Issuer (on a consolidated basis) for the last financial year and the size of dividend for the year for consideration of the Government.

In 2020, the Issuer declared and paid dividends to the Government as its sole shareholder of KZT 120,000 million, as compared to dividends of KZT 63,750 million and KZT 12,732 million paid to the Government in 2019 and 2018, respectively.

OVERVIEW OF KAZAKHSTAN

The information set forth in this section is based on publicly available information. The Group only accepts responsibility for accurately reproducing such information and accepts no responsibility for the accuracy of such information, which may also be approximate or use rounded numbers.

Introduction

The Republic of Kazakhstan, which is the second largest former Soviet Union republic after Russia based on land mass, became an independent state in 1991. Kazakhstan adopted the Constitutional Law on State Independence on 16 December 1991. Kazakhstan is also a signatory to the agreement putting a formal end to the former Soviet Union and creating the Commonwealth of Independent States. Nursultan Nazarbayev, then First Secretary of the Kazakh Communist Party, became President of Kazakhstan with the formation of the newly independent state and held the position of head of state since that time and until March 2019 when he announced his retirement as President.

History

In the 13th century, the region, where modern Kazakhstan is, had been inhabited by various, mostly nomadic, peoples, including the Persian horsemen, the Kushanads, the Persian dynasty of the Sassanids, the Turks, the Abbasids and the Seljuk Turks. Over time in the 17th century, the Kazakh nomads joined in establishing a political federation which, although it later split, left an important legacy of cultural ties and influences.

Russian influence in the region began in the 17th century. By 1854, the year of the founding of the garrison town of Verny (now Almaty), all of present day Kazakhstan was under Russian administration. The fall of the Tsarist Empire in 1917 liberated the country from Russian rule for a short period and, during this time, the Alash Orda government was formed by the Kazakhs. However, Russian rule was reasserted in 1920 when the Bolsheviks consolidated power.

Kazakhstan played a vital industrial and agricultural role within the Soviet system. Many European Soviet citizens and much of Russia's industry were relocated to Kazakhstan during the Second World War. In the years 1953-1965, large tracts of Kazakhstan's territory were used for the cultivation of wheat and other cereal grains during the so-called "Virgin Lands Campaign". In the late 1960s and in the 1970s, there was a programme to relocate Soviet industry close to the extensive coal, gas and oil deposits of Kazakhstan and elsewhere in Central Asia.

Kazakhstan adopted the Constitutional Law on State Independence on 16 December 1991. Kazakhstan is also a signatory to the agreement putting a formal end to the former Soviet Union and creating the Commonwealth of Independent States. Nursultan Nazarbayev, then First Secretary of the Kazakh Communist Party, became President of Kazakhstan with the formation of the newly independent state and held the position of head of State since that time and until March 2019 when he announced his retirement as President. See "Overview of Kazakhstan –The President" for more information on President Nazarbayev's announcement of his retirement as President, the appointment of Kassym-Jomart Tokayev as President until the next presidential election and the most recent presidential election, which Kassym-Jomart Tokayev won on 9 June 2019 with 70.96 per cent. of the vote.

Territory

Kazakhstan is located in Central Asia and is bordered by Russia to the north and west, China to the east, Kyrgyzstan, Uzbekistan and Turkmenistan to the south and the Caspian Sea to the west. In the Caspian Sea, Kazakhstan shares maritime boundaries with Russia, Iran, Turkmenistan and Azerbaijan. It is the ninth largest country in the world based on land mass, covering 2.7 million square kilometres, approximately the same size as Western Europe, and spans two time zones. In December 1997, the capital moved from Almaty to Astana (formerly known as Akmola), which is located in northern Kazakhstan, and the President, the Parliament and all ministries have since relocated to Astana. In 2019, Astana was renamed as Nur Sultan to honour the first President of the Republic of Kazakhstan, Nursultan Nazarbayev, who resigned in March 2019. Almaty remains, however, the financial, cultural and scientific capital of the country and is the largest city in Kazakhstan.

Population

As at 1 July 2021, the population of Kazakhstan was approximately 19.0 million. Kazakhstan is one of the most sparsely populated countries in the world with an average population density of approximately 7.0 people per square kilometre. The population of Kazakhstan is ethnically diverse. Kazakhs are the largest among the country's approximately 130 different ethnic groups, accounting for 68.5 per cent. of the population at the beginning of 2020, followed by Russians (18.9 per cent.), Uzbeks (3.3 per cent.), Uigurs (1.5 per cent.), Ukrainians (1.4 per cent.), Tatars (1.1 per cent.), Germans (0.9 per cent.) and others (4.4 per cent.). The relative size of the Kazakh ethnic group has increased since the country's independence, mainly because of the emigration of non-Kazakh ethnic groups and because of the return of many ethnic Kazakhs to the country.

Natural Resources

Kazakhstan is rich in natural resources. According to the BP Statistical Review of World Energy 2021, Kazakhstan was the fourteenth largest oil producer in the world in 2020 and the second largest oil producer in the CIS after Russia. The country is also a significant exporter of wool, wheat, meat, machinery and various chemicals. Kazakhstan has enjoyed relatively high levels of foreign direct investment, particularly in the oil and gas sector.

Economy

Kazakhstan has experienced extensive economic transformation since it gained independence in 1991. By mid-1999, the Government's structural reforms had achieved significant results in the key areas of financial stabilisation, privatisation and price liberalisation. Real GDP, which decreased by 36 per cent. between 1990 and 1995, started increasing in 1996 and 1997, but decreased in 1998 in the aftermath of the 1998 Russian financial crisis, which exacerbated the effect of significantly decreased commodity prices. The flotation of the Tenge in April 1999, coupled with the improvement in the global economic environment and strong agricultural growth, enhanced the international competitiveness of Kazakhstan's exports and enabled the economy to revive. In 1999, real GDP resumed growth. Economic reforms and Government-sponsored privatisation in the mid-1990s helped transfer assets to the private sector, which contributed to economic growth in the early 2000s. In 2002, the U.S. Department of Commerce granted market economy status to Kazakhstan under U.S. trade law in recognition of the country's substantive market economy reforms in the areas of currency convertibility, wage rate determination, openness to foreign investment and Government control over the means of production and allocation of resources. Real GDP more than doubled between 1998 and 2008, due to the Tenge's subsequent devaluation, improvements in the global economic environment and rising commodity prices over the period.

Kazakhstan's economy was adversely affected by the global financial crisis, with the real GDP growth rate sharply declining from 8.9 per cent. in 2007 to 1.2 per cent. in 2009. The global financial crisis resulted in, among other things, lower liquidity levels across the banking sector, tighter credit conditions for Kazakhstan companies generally and, through mid-2009, weakened global demand for, and an overall decline in prices of, crude oil and other commodities. Weaknesses in the global financial markets also put downward pressure on the Tenge. A lack of availability of wholesale debt financing, volatility of deposits and significant losses caused a destabilisation of Kazakhstan's banking sector in 2008 and 2009, which led to a Government bail-out programme in 2009.

Following the most acute stage of the global financial crisis, the Kazakhstan economy returned to higher levels of growth in the last quarter of 2009, driven primarily by rising commodity prices, which resulted in a growth of extractive industries and related manufacturing, a good grain harvest and a continued fiscal stimulus. Following real GDP growth of 8.9 per cent., 3.3 per cent. and 1.2 per cent. in 2007, 2008 and 2009, respectively, Kazakhstan had real GDP growth of 7.3 per cent. in 2010, 7.4 per cent. in 2011 and 4.8 per cent. in 2012. Growth rates in 2010, 2011 and 2012 were driven by rising commodity prices and fiscal measures. The decrease in real GDP growth in 2012 was a consequence of a decrease in external demand and decreased oil production, which, including gas condensate, was 79.2 million tonnes in 2012, as compared to 80.1 million tonnes, 79.7 million tonnes and 76.5 million tonnes in 2011, 2010 and 2009, respectively.

In the years following the global financial crisis, Kazakhstan's economy has been primarily driven by increasing exports of oil and gas. However, other sectors have also been growing at a moderate rate. Sectors closely associated with exports of oil and gas, such as construction and oil extraction and oil transportation services have grown the fastest, and there has also been growth in the real estate, financial services and trade sectors.

While the oil and gas sector continues to represent the biggest portion of Kazakhstan's industrial output (by sector), and is a key source of revenue for Kazakhstan and an important area of foreign direct investment, the non-oil sector has gained in importance for the economy of Kazakhstan overall in recent years.

GDP growth between 2015 and 2019 was largely driven by the expansion of the volume of production in the mining sector and processing sector. Kazakhstan's real GDP growth decreased from 4.2 per cent. in 2014 to 1.2 per cent. in 2015, remaining stable at 1.1 per cent. in 2016 and increasing to 4.1 per cent. in 2017 and 2018 and 4.5 per cent. in 2019.

From 2014 to 2018, Kazakhstan's production of natural gas increased year on year. In 2019, Kazakhstan's production of natural gas was 34.0 billion cubic metres, representing a decrease of 0.31 per cent. as compared to 2018. Exports in 2017 amounted to U.S.$53.8 billion (33.0 per cent. of total GDP for the year) and increased to U.S.$67.1 billion (37.4 per cent. of total GDP for the year) in 2018. In 2019, exports amounted to U.S.$65.9 billion (36.3 per cent. of total GDP for the year). In 2015, 2016, 2017, 2018 and 2019, Kazakhstan's unemployment rate was 5.1 per cent., 5.0 per cent., 4.9 per cent., 4.9 per cent. and 4.8 per cent., respectively. The inflation rate for 2015, 2016, 2017, 2018 and 2019 was 13.6 per cent., 8.5 per cent., 7.1 per cent., 5.3 per cent. and 4.9 per cent., respectively.

Since 2020, Kazakhstan's economic growth was materially and adversely affected by the Covid-19 pandemic and the related global financial instability. The sharp decline in global economic activity, the disruption of the supply chains of goods and services, the restriction of the free movement of people, and the transition to self-isolation caused by the Covid-19 pandemic led to a significant drop in GDP around the world in 2020. According to statistics published by the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, Kazakhstan's total GDP decreased from U.S.$181.7 billion in 2019 to U.S.$171.1 billion in 2020, and the real GDP contracted by 2.5 per cent. in 2020. Exports decreased to U.S.$51.8 billion (30.2 per cent. of total GDP for the year), unemployment rate reached 4.9 per cent. and inflation rate amounted to 7.5 per cent. in 2020. External debt as a percentage of total GDP increased from 87.3 per cent. in 2019 to 95.4 per cent. in 2020, and to 96.6 per cent. in the first three months of 2021. Trade balance as a percentage of total GDP decreased from 10.0 per cent. in 2019 to 6.1 per cent. in 2020, but then increased to 10.1 per cent. in the first three months of 2021.

The ongoing Covid-19 pandemic is having an indeterminable adverse impact on the Kazakhstan economy. The pandemic has affected investment sentiment and resulted in sporadic volatility in the global capital and financial markets. This has had a material adverse effect on the global economy, slowing national economic development and adversely affecting the Kazakhstan economy. In addition, the Kazakhstan economy was significantly impacted by the sharp decrease in oil prices following the outbreak of the Covid-19 pandemic. Due to business disruption and lockdowns in many countries as a result of the Covid-19 pandemic, global oil demand has substantially decreased, leading to oversupply and a significant decrease in oil prices. On 12 April 2020, major global oil producers, including Kazakhstan, agreed to a record cut of 9.7 million barrels per day in crude oil production aimed at stabilising the market. Such decreases in oil prices and production volumes have resulted in corresponding decreases in oil producers' income and contribution to the Government's budget, negatively impacting the Kazakhstan economy and public sector spending. Nevertheless, the Kazakhstan economy has been slowly recovering, with the real GDP growth for the first half of 2021 amounted to 2.3 per cent. Total GDP for the six months ended 30 June 2021 was U.S.$75.5 billion. Exports for the first quarter of 2021 was U.S.$12.7 billion, 33.4 per cent. of total GDP for the period.

Constitution, Government and Political Parties

Constitution

Kazakhstan's current constitution (the "**Constitution**") was adopted in August 1995 by a general referendum and came in to force on 5 September 1995. The Constitution has since been amended in 1998, 2007, 2011, 2017 and 2019. The Constitution provides for a separation of powers between the executive, legislative and judicial functions. It establishes and sets out the powers and functions of the President, the Parliament, the Government, the Constitutional Council and local governments and administrations and establishes an independent judicial system. The Constitution protects certain fundamental rights and personal freedoms of the citizens of Kazakhstan, including protection from discrimination based on ethnicity, social status, occupation, gender, race, nationality or beliefs. The Constitution also provides for the right to a private life, the right to own property and

the right to defend oneself in a court of law. Foreign individuals and stateless persons benefit from the fundamental rights under the Constitution (although this is subject to statutory derogations).

The President

Under the Constitution, the President is the head of State and Kazakhstan's highest ranking official. The President ensures the responsibility and accountability of Kazakhstan's authorities to the citizens of Kazakhstan, is commander-in-chief of the armed forces and has the power to issue decrees and orders that are binding on the entire State. The President can initiate constitutional amendments and call referenda. The President also appoints administrative heads of oblasts and the heads of the capital, Nur Sultan, the city of Shymkent and the city of Almaty with consent from the local representative body (the "**maslikhat**") of the relevant oblast, the capital, Nur Sultan, the city of Shymkent and the city of Almaty. The President has the power to dissolve Parliament as a whole or solely the lower chamber of the Parliament (the "**Majilis**") following consultation with the chairpersons of both chambers of Parliament and the Prime Minister.

The President has other significant powers of appointment and dismissal, including the power to appoint and dismiss the Prime Minister (in consultation with and following the approval of the Majilis), members of the Government (in consultation with the Prime Minister) and the Governor of the NBK (following approval from the upper chamber of Parliament (the "**Senate**")).

Executive Branch

The executive branch of Government is responsible for the development and implementation of social and economic policies of the State, its defence, security and ensuring public order; implementation of legislation and international treaties; preparation and implementation of the Republic Budget, as well as the conduct of the foreign policy of the Republic of Kazakhstan. The Government is a collegial body, which exercises the executive power of the State, heads the countrywide system of various executive bodies and manages their activities. The Government is formed by the President of the Republic in the manner prescribed by the Constitution of Kazakhstan. The Government consists of members of the Government - the Prime Minister of the Republic, his deputies, ministers and other officials.

Political Parties

The principle of political plurality is enshrined in the Constitution. There are seven registered political parties, the main ones being the "Nur Otan" party, the "Ak Zhol" Democratic party of Kazakhstan, the Communist People's party of Kazakhstan, the National Social Democratic party and the Democratic party of Kazakhstan "Azat". The First President Nursultan Nazarbayev is the head of the "Nur Otan" party.

Legal System

Kazakhstan has a civil law legal system. The central legal act is the Civil Code of the Republic of Kazakhstan, which consists of a general part and a special part. The general part was adopted on 27 December 1994, and became effective on 1 March 1995. The special part entered into force on 1 July 1999. The general part of the Civil Code regulates such issues as the legal status of private and legal entities, transactions, general provisions of obligations, ownership rights and general provisions of contracts. The special part of the Civil Code regulates specific types of obligations (such as sale and purchase, leases and the provision of services), intellectual property rights, inheritance rights and international private law.

The current investment regime is principally governed by the Entrepreneurship Code of the Republic of Kazakhstan, dated 29 October 2015 (the "**Entrepreneurship Code**"). The Entrepreneurship Code sets out the rights of market participants and consumers and protects against anti-monopoly activity, anti-competitive actions of state authorities and unfair competition. The aim of the Entrepreneurship Code is to protect competition, create conditions for the efficient functioning of commodity markets and ensure unity of economic space and the free movement of goods and free economic activity in Kazakhstan.

With effect from 29 June 2018, a new Subsoil and Subsoil Use Code (the "**Subsoil Code**") replaced the Law "On Subsoil and Subsoil Use" from 2010. The Subsoil Code's main aims include the attraction of investment into the mining sector and expansion of exploration activities. The Subsoil Code has for the first time introduced the rule under which licences for exploration of solid subsoil resources can be granted to the first applicant (provided no one else has applied for the same deposit), while retaining the pre-existing procedure under which

licences are granted on the basis of a tender. The Subsoil Code has also significantly simplified the licence application process. Taken together with the changes in tax laws (including beneficial tax treatment of exploration activities and the decrease in the administrative and tax burdens on taxpayers), the introduction of the new Subsoil Code is expected to foster foreign and local direct investments in the subsoil sector.

Currency legislation, including the Law "On Currency Regulation and Currency Control" dated 2 July 2018 (the "**Currency Control Law**"), stipulates that payments and money transfers between residents may be made only in Tenge (except for certain statutory exceptions), while there are no restrictions on payments and money transfers between residents and non-residents. Non-residents may, without limitation, receive and transfer dividends, interest and other income received on deposits, securities, loans and other currency transactions with residents, in accordance with the procedures established in currency legislation.

Certain natural monopolies are permitted in Kazakhstan including those whose activities are related to: transportation of crude oil and crude oil products; natural gas; electricity and heat; railways, air transport, port and airport services; and telecommunications, postal services and water supply services. Such entities are subject to specific restrictions and additional obligations, including the obligation to provide services and products in accordance with specified tariffs and prices as approved by the authorised agency.

All transactions with securities in Kazakhstan are subject to registration. Starting from 1 January 2019, the Central Securities Depository JSC is responsible for maintaining the system of securities holders' registers in Kazakhstan. Kazakhstan issuers may offer their securities in the other jurisdictions and on stock exchanges located in other jurisdictions (subject to statutory restrictions, including the requirement to offer a portion ofsuch securities on the domestic stock market). At the moment, the main securities trading platform is the KASE, whose members include Kazakhstan's leading banks, investment companies and brokers.

Kazakhstan has also ratified the following international conventions and treaties related to investment protection: the New York Convention; Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) (Washington, DC, 18 March 1965); Convention Establishing the Multilateral Investment Guarantee Agency (Seoul, 11 October 1985); and Convention for the Protection of Investors' Rights (Moscow, 28 March 1997).

Recently enacted laws and agreements relating to the economy of Kazakhstan include the following:

- To date, the legislative framework has been established and the basis for supervision and regulation of the Islamic financial services market has been laid down (a regulatory legal framework for the supervision and regulation of Islamic banks and non-banking organisations has been approved). On 27 April 2015, the Law of the Republic of Kazakhstan "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Insurance and Islamic Finance" was adopted, which includes issues of Islamic insurance, banking and leasing. This Law addresses issues of Islamic insurance, including the introduction of the concepts of "Islamic insurance (reinsurance) organisation", "Islamic insurance fund", the definition of the basic principles of Islamic insurance, the establishment of requirements for the activities of the Islamic insurance (reinsurance) organisation, the formation, accounting and the use of an Islamic insurance fund, the establishment of requirements for the content of an Islamic insurance contract and the procedure for paying compensation to an Islamic insurance (reinsurance) authority.

- On 24 November 2015, the President of Kazakhstan signed the Law of the Republic of Kazakhstan "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Issues of Non-performing Loans and Assets of Second-tier Banks, Financial Services and the Activity of Financial Organisations and the National Bank of the Republic of Kazakhstan.", aimed at implementing the Plan of The Nation - 100 concrete steps to implement the five institutional reforms and to strengthen the protection of borrowers' rights, ensure the stability of the financial system and further the development of capital markets and Islamic financing in Kazakhstan. The law provides for improving the existing structure of issuing state Islamic securities and creating conditions for the conversion of traditional banks into Islamic banks. It is envisaged that traditional banks can be reorganised in the form of conversion to an Islamic bank. The procedure for issuing and denying permission to issue a permit by an authorised body for the voluntary reorganisation of a bank in the form of conversion to an Islamic bank was set out in a resolution of the Management Board of the ARDFM of 30 March 2020 No. 31,

as amended. The law provides for the introduction of changes in the eight Codes of the Republic of Kazakhstan and 35 laws of the Republic of Kazakhstan.

Furthermore, the said law introduced amendments to widen access to the local financial market for foreign banks. These amendments came into force starting from December 2020. Foreign banks are now able to provide a full range of banking services in Kazakhstan through their Kazakhstan branch offices by submitting applications. Previously, foreign banks were required to set up a local entity (i.e., a Kazakhstan joint stock company) and obtain a regular local banking license to operate in Kazakhstan.

Similarly it was allowed for foreign insurance companies to operate in the Republic of Kazakhstan through their branches starting from December 2020.

- In December 2017, Kazakhstan adopted a new Subsoil Code which came into force from 29June 2018. Over the past year, Kazakhstan adopted 7 laws amending the Subsoil and Subsoil Code. Part of the novelties entered into force starting from 1 July 2021, for example, with respect to additional competence of the authorised agency in the sphere of solid minerals. The amendments mostly tighten the requirements to subsoil users and clarify the procedure for obtaining the subsoil use right.

- On 25 June 2020 the Law "On Introduction of Amendments into Certain Legislative Acts of the Republic of Kazakhstan on the Issues of Regulation of Digital Technologies" was adopted, which was put into effect on 7 July 2020. Many new concepts were introduced into the Kazakhstan legislation in the sphere of information technologies, including “digital asset”, “blockchain”, “digital mining”, etc. Inter alia, amendments to the personal data protection legislation were made, imposing additional obligations of an owner and/or operator, person responsible for the organisation of the personal data processing and introducing voluntary cyber insurance.

- On 29 June 2020, Kazakhstan adopted the Administrative Procedure Code (the “**APC**”) of the Republic of Kazakhstan, which was put into effect starting from 1 July 2021. Adoption of the APC led to changes in a number of legislative acts of the Republic of Kazakhstan. The Administrative Procedure Code was developed in accordance with the Concept of Legal Policy of the Republic of Kazakhstan for the period from 2010 to 2020. It establishes in a single legislative act the legal framework, principles, rules for the implementation of administrative procedures, including the organisation of intradepartmental activities of state bodies, and legal proceedings in the field of public relations. Reforming the legislation on administrative procedures is one of the mechanisms to counter bureaucracy, administrative arbitrariness and the manifestation of corruption.

- In November and December 2020 amendments into certain legislative acts, including in the sphere of power industry, specifically, into the Kazakhstan Law No. 588-II "On Electric Power Industry" dated 9 July 2004 and the Law No. 165-IV "On Support to the Use of Renewable Energy Sources" dated 4 July 2009, were adopted. The said amendments were introduced to improve the investment attractiveness of legislation in the power industry and waste recycling spheres, eliminate regulation gaps in these economy sectors, including with a view to transition to "green economy".

Anti-Corruption, Anti-Money Laundering and Anti-Terrorist Financing

As in many other countries of the world, fight against corruption is still one of the high-priority items on the State’s agenda. On 13 June 2019, the National Bureau for Combating Corruption (Anti-Corruption Service) of the Agency of the Republic of Kazakhstan for Civil Service Affairs and Anti-Corruption was transformed into the Agency of the Republic of Kazakhstan on Combating Corruption (Anti-Corruption Service), with responsibilities for detecting, fighting, uncovering and investigating criminal offenses involving corruption.

Since independence, Kazakhstan has been gradually creating effective anti-corruption institutions and mechanisms that meet international standards. Kazakhstan was one of the first in the post-Soviet space to create a legal framework for combating corruption. Since 2001, a number of anti-corruption programmes have been implemented and specific measures have been taken within the framework provided by these programmes to eliminate the causes of, and conditions conducive to, corruption.

In recent years, Kazakhstan has taken a number of measures to improve domestic anti-corruption legislation. The country's Criminal Code provides an extensive list of corruption-related crimes. A life-long ban has been

introduced on holding public office in Government bodies for persons who have committed corruption offenses, as well as the mechanisms for seizing property or income derived from property obtained in violation of criminal law.

When the Kazakhstan – 2050 Strategy was adopted in December 2012, the anti-corruption policies were further refined. They are now implemented taking into account the goals specified in the Anti-corruption Strategy approved for a ten-year period. The main focus of this strategy is on preventive measures designed to eliminate conditions conducive to the spread of corruption, and not on fighting against its consequences once it becomes deeply rooted. Systematic monitoring of corruption-related offences was introduced and, based on the results of such monitoring, analysis of corruption-related risks was regularly performed and measures were taken to createand strengthen the anti-corruption culture among the population of Kazakhstan.

When the Plan of the Nation – 100 Concrete Steps was adopted in 2015, large-scale reforms were carried out to implement it, including with respect to anti-corruption legislation. A new Law on Prevention of Corruption was adopted in November 2015. A numbers of other measures followed, including the adoption of the Law on Public Councils, the Law on Access to Information, the Code of Ethics for Civil Servants and the introduction of the institution of an ethics ombudsman.

Public involvement in the fight against corruption increased significantly. One example of this involvement is the activities of special monitoring groups. Today, they provide an example of successful cooperation with the State's efforts to combat corruption. Among the new initiatives of special monitoring groups is public assessment of opinion leaders and prominent entrepreneurs with respect to payment of taxes. Enhancing the role of the public in monitoring of Government procurement processes and procurement processes by state-owned companies is currently under consideration.

Recently, the principles of project management have been introduced into the anti-corruption campaign. A number of anti-corruption project offices have been opened recently, such as "Adaldyk Alany" (aimed at eradication of petty corruption in governmental institutions), "Protecting business and investments", "Adal Zhol – The Honest Way", "Sanaly Orpak" (aimed at eradication of corruption in the educational system and helping to form and strengthen anti-corruption culture through the educational system) and "Adal bilim" (aimed at eradication of petty corruption and increasing the trust of citizens to the educational system).

Kazakstani state-owned companies have adopted and implemented anti-corruption guidelines. They regularly review and analyse corruption-related risks and also seek to increase transparency in hiring and promoting their employees.

The adoption of anti-corruption measures is positively evaluated by the international community. In 2008, the country became a full member of the UN Convention against Corruption. Kazakhstan also takes part in the sub-regional programme of the Istanbul Anti-Corruption Action Plan, within the framework of which, the anti-corruption policy of Kazakhstan is subject to periodic expert assessment. Kazakhstan, represented by the Anti-Corruption Agency, is a member of the International Association of Anti- Corruption Agencies (IACCA, with headquarters in Beijing), the OECD Anti-Corruption Network for Eastern Europe and Central Asia (ACN OECD), the Asian Development Bank and OECD Anti-Corruption Initiative for Asia and the Pacific (with headquarters in Manila), International Anti-Corruption Academy (IACA, withheadquarters in Luxemburg) and the CIS Interstate Anti-Corruption Council (МГСПК, with headquarters in Minsk).

Development Strategy

In October 1997, President Nazarbayev presented a strategy for the development of Kazakhstan through to 2030 (the "**Kazakhstan-2030 Strategy**") and then, in December 2012, replaced it with the Kazakhstan-2050 Strategy (the "**Kazakhstan-2050 Strategy**"), which is a long-term development strategy with seven main focus areas that aims for Kazakhstan to become one of the 30 most developed countries in the world by 2050. The focus areas cover economic development, encouragement of entrepreneurship, social policy, knowledge and skills development, public service delivery, corporate governance, foreign policy and ethnic and religious diversity. The Kazakhstan-2050 Strategy includes Kazakhstan's objective of becoming a member of the WTO, which Kazakhstan achieved on 30 November 2015.

The implementation of the Kazakhstan-2030 Strategy was, and the Kazakhstan-2050 Strategy is being, carried out through a series of 10-year plans developed by the Government. The first 10-year plan was approved by the

President in December 2001 and included goals of achieving a 100 per cent. increase in GDP between 2001 and 2010, the establishment of an effective state social support system, improving living standards and improving the effectiveness and efficiency of public administration. In February 2010, the President approved the second 10- year plan setting out specific development goals to be met by the year 2020 (the "**Strategic Plan 2020**") to be implemented int two stages. In order to meet a number of the primary goals under the Strategic Plan 2020 during the first stage (2010-2014), a state programme of forced industrial and innovative development for 2010 to 2014 was introduced in March 2010. For the second stage (2015-2019) of the Strategic Plan 2020, a state programme for industrial and innovative development for 2015 to 2019 was introduced in August 2014 (the "**Development Programme 2015-2019**").

The main goal of the Development Programme 2015-2019 is to stimulate the diversification and improve the competitiveness of the processing industries (such as ferrous metallurgy, non-ferrous metallurgy, oil refining, petrochemical and agricultural and other chemicals) and certain specific manufacturing sectors (such as production of automobiles, electrical equipment, agricultural machinery and rail related products) with a focus on particular products, activities and projects specified in the Development Programme 2015-2019. The measures to be implemented in order to achieve the main goal of the Development Programme 2015-2019 include improving the environment for private investment, standardisation, supporting exports, providing grants to finance the acquisition of technology, supporting and developing research and development facilities, improving professional education and the development of engineers and specialists, developing infrastructure, creating a venture capital and infrastructure fund and involving the existing development institutions (such as DBK, Baiterek and others).

By his decree dated 15 February 2018, the President approved the Strategic Development Plan through 2025 (the "**Strategic Plan 2025**") (which constitutes part of the Kazakhstan-2050 Strategy). Among other things, the Strategic Plan 2025 envisages achieving a qualitative and sustainable recovery of the economy, leading to an increase in the living standards to the level of the OECD countries. The Strategic Plan 2025 is based on seven major systemic reforms that include development of human capital, technology and business, the rule of law, development of regions, the society and the public sector.

The Government hopes to further Kazakhstan's integration into the regional economy and attract investment into sectors other than natural resources. A policy paper adopted by President Nazarbayev in May 2013 outlines plans for developing a "green economy", proposing that 1 per cent. of GDP be invested in the "green economy" each year until 2050, of which 75 per cent. will come from the private sector. In furtherance of the policy paper on the "green economy", the Government adopted Decree No. 750 dated 31 July 2013 setting out measures for the implementation of such policy paper relating to water, agriculture, energy efficiency, electricity and air pollution. This policy paper has also received support by the State Programme on Infrastructure "Nurly Zhol", which provides for structural reforms in the economy and, in particular, the sustainable ecological development of the oblasts.

In May 2015, following the presidential election, President Nazarbayev announced a "Plan of the Nation" that outlined 100 specific steps to implement five institutional reforms. The aim is to provide a clear sense of direction for Kazakhstan's development and to allow the international community to track Kazakhstan's progress. The "100 Steps" programme is also a response to global and local challenges and its ultimate goal is for Kazakhstan to be one of the 30 most-developed countries in the world.

International Relations

Kazakhstan has established diplomatic relations with over 186 countries and is a member of 73 international organisations. Kazakhstan is a full member of the United Nations, the International Monetary Fund, the World Bank (including the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation), the Organisation for Security and Co-operation in Europe, the United Nations Educational, Scientific and Cultural Organisation, the International Atomic Energy Agency, the European Bank for Reconstruction and Development, the Asian Development Bank, the Multilateral Investment Guarantee Agency, the International Organisation of Securities Commissions, Japan International Cooperation Agency and the Islamic Development Bank. Kazakhstan was elected a member of the UN Human Rights Council for the first time in November 2012. Kazakhstan maintains peaceful relations with countries of the global community and has no outstanding disputes relating to state borders.

Russia

Kazakhstan has maintained significant political and economic relations with Russia since the dissolution of the Soviet Union. After the dissolution of the Soviet Union, Kazakhstan concluded a so-called zero option agreement with Russia, which provided for Russia's acceptance of responsibility for virtually all external debt liabilities of the former Soviet Union, in return for Kazakhstan waiving all claims on former Soviet Union assets located outside the territory of Kazakhstan.

Space exploration began for the first time in 1957 when the first satellite was launched by the former Soviet Union from the Baikonur Space Centre located in Kazakhstan from which, in 1961, the first man was launched into space. In 1994, Kazakhstan concluded a series of agreements with Russia (the "**Baikonur Agreements**") on the future use of the Baikonur Space Centre. Under the Baikonur Agreements, the Government leased the facilities to Russia for 20 years in return for the payment of annual rent of U.S.$115 million. An agreement to extend the lease until 2050 was signed between Russia and Kazakhstan in January 2004 and was ratified in April 2010. Russia currently leases approximately 6,000 square kilometres of territory enclosing the Baikonur Space Centre.

In May 1997, Kazakhstan and Russia (together with other parties) signed documents conforming their legal status as the shareholders of the Caspian Pipeline Consortium in relation to a pipeline linking the Tengiz oil field in the western part of Kazakhstan with the Black Sea port of Novorossiysk in Russia.

There is a number of bilateral and multilateral treaties between Russia and Kazakhstan concerning mutual support and cooperation in various spheres.

Russia is one of Kazakhstan's largest trading partners and, together with other parties, is a member of the Customs Union and the EEU with Kazakhstan. For instance, in the first six months of 2021, based on actual trade flows, Kazakhstan's imports from Russia accounted for 41 per cent. of Kazakhstan's total imports, and Kazakhstan's exports to Russia accounted for 12.1 per cent. of Kazakhstan's total exports.

China

Political relations with China, Kazakhstan's other significant neighbour, have been developing steadily since Kazakhstan's independence. Kazakhstan first established diplomatic relations with China in 1992. In 1994, the Chinese Premier, Li Peng, signed an accord in Almaty defining the China-Kazakhstan border, over which China had a 30-year dispute with the Soviet Union. This position was reaffirmed in the signing of a further accord on the China-Kazakhstan border in mid-1996. Further agreements defining the border were entered into in 1997, 1998 and 1999. In 2001, Kazakhstan and China signed an agreement on cooperation on cross boundary river use and protection. China has also made public its intention to cease testing nuclear weapons at the Lop Nur test site, which is located near the Kazakhstan border in the Xinjiang province and has been a source of dispute between the two countries. The last official nuclear test of China was conducted in Lop Nur in 1996. China subsequently announced a moratorium on nuclear testing and, in 2012, published plans to clean up the test site. Kazakhstan and China continue to cooperate, including within such international and regional frameworks as the United Nations and the Shanghai Cooperation Organisation.

China entered the Kazakhstan energy market after signing an Intergovernmental Agreement on Cooperation in the Field of Oil and Gas in September 1997. At that time, a general agreement between the Ministry for Energy and Mineral Resources of Kazakhstan and China's National Petroleum Corporation was also signed, under which the development of oil projects in Kazakhstan and the construction an oil pipeline from Kazakhstan to China was agreed. The agreement has also allowed for the implementation of a number of additional joint projects beneficial to the two countries.

There is a number of memorandums of understanding, cooperation and mutual development between Kazakhstan and China. The two countries also cooperate in the security and military fields. Economic relations between Kazakhstan and China continue to develop. According to the NBK's statistics, gross inflow of Chinese direct investment into Kazakhstan since 2005 till 2020 amounted to U.S.$38.8 billion, and U.S.$221.1 million was invested in the first quarter of 2021.

China remains one of the largest external trade partners of Kazakhstan, with a 18.2 per cent. share in the total external trade turnover in the first six months of 2021. Kazakhstan's imports from China accounted for 20 per

cent. of Kazakhstan's total imports, and Kazakhstan's exports to China accounted for 17 per cent. of Kazakhstan's total exports.

MANAGEMENT

The Issuer's management structure consists of its sole shareholder (the Government), its Board of Directors, the Board Committees, its Management Board, the Committees of the Management Board, Internal Audit Service and the Corporate Secretary.

The Issuer operates an efficient and transparent corporate governance system that meets international standards. It strives to comply with the highest standards of corporate governance, since it considers this to be one of the most important conditions for high efficiency and business sustainability, as well as the basis for socially responsible management of the Group's activities.

Sole Shareholder

The sole shareholder of the Issuer is the Government. The relationship between the Issuer and the Government is regulated by JSC Law, the Law "On the Sovereign Wealth Fund" (№ 550-IV, dated 13 February 2012, as amended) (the "**Sovereign Wealth Fund Law**") and the Agreement on Interaction between the Government and the Issuer, which establish the basic principles of interaction and the requirements of the Government to the Issuer regarding its activities.

The main principles of interaction between the Government and the Issuer are:

- The Issuer is managed by the Government solely through the exercise of the powers of the sole shareholder provided for by the Sovereign Wealth Fund Law and the charter of the Issuer, and the representation of members of the Government on the Board of Directors of the Issuer;
- Non-interference of the Government, its members, as well as government officials in the operational activities of the Group, except for the cases stipulated by the laws, acts and instructions of the President of Kazakhstan;
- Reporting and transparency of the activities of the Group.

The sole shareholder of the Issuer has a list of tasks, decisions on which must be taken directly by the Government as the sole shareholder. Such tasks include, amongst others, the following:

- Approval of the charter of the Issuer;
- Approval of the annual financial statements of the Issuer;
- Approval of the development strategy of the Issuer;
- Approval of the Issuer's corporate governance code;
- Determination of the Issuer's dividend policy, making a decision on the distribution of the Issuer's net income based on the results of the reporting period, making a decision on the payment of dividends;
- Making decisions on voluntary reorganisation or liquidation of the Issuer;
- Determination of the quantitative composition, term of office of the Board of Directors of the Issuer, election of its members and early termination of their powers;
- Appointment and early dismissal of the Issuer's CEO;
- Alienation of shares of companies according to the list determined by the sole shareholder of the Issuer, as well as transfer of these shares to trust management; and
- Making decisions on liquidation, reorganisation of companies according to the list determined by the sole shareholder of the Issuer.

Board of Directors

The Board is a governing body accountable to the sole shareholder of the Issuer. It provides strategic guidance and control over activities of the Management Board. The role of the Board is to guide the Issuer by ensuring

proper top-down governance. In particular, the powers of the Board include decisions and approvals of, amongst others, the following:

- Medium and short-term planning, key performance indicators of the Issuer;
- Determination of the audit organisation, the maximum amount of payment for audit services;
- Policies for risk management, social responsibility, sponsorship and charitable assistance, disclosure of information;
- Credit and industrial innovation policy;
- Committees of the Board;
- Quantitative composition, term of office of the Management Board, election and early termination of powers of members of the Management Board, with the exception of the CEO;
- Quantitative composition, term of office of the Internal Audit Service, appointment and early termination of powers of its head;
- Appointment of the Corporate Secretary and early termination of his powers, determination of the term of office of the Corporate Secretary;
- Acquisitions by the Issuer of 10 or more per cent. of shares of other legal entities;
- Consideration of reports on the results of assessment of corporate governance and performance evaluation of the Board;
- Determination of the order for conclusion of deals between the member organisations of the Group in respect of the commitments for which the Law of the Republic of Kazakhstan "On Joint Stock Companies" sets special conditions; and
- Annual report of the Issuer.

As at the date of this Prospectus, the Board consists of eight members, four of whom, Messrs. Dudas, Kim, Ong and Sutera are considered to be independent directors.

The Issuer's Board consists of the following members:

Name	Date of birth	Appointed	Current Position
Jon Dudas	24 Dec. 1959	2019	Chairman of the Board, Independent Director
Kanat Bozumbayev	8 Jan. 1969	2019	Member of the Board, Aide to the President of Kazakhstan
Daniyar Akishev	25 May 1976	2021	Member of the Board, Aide to the First President of Kazakhstan – Yelbasy
Asset Irgaliyev	18 June 1986	2021	Member of the Board, Minister of National Economy of Kazakhstan
Vyacheslav Kim	12 June 1969	2021	Member of the Board, Independent Director
Ong Boon Hwee	27 Oct. 1956	2019	Member of the Board, Independent Director
Luca Sutera	7 June 1971	2020	Member of the Board, Independent Director
Almassadam Satkaliyev	31 Oct. 1970	2021	Member of the Board, CEO of the Issuer

The business address of each of the members of the Board and of the members of the Board's committees is the registered office of the Issuer at 17/10 Syganak str., Nur-Sultan, Kazakhstan.

Jon Dudas. Mr. Dudas has been a member of the Board since 2019 and chairman of the Board since 2020. Mr. Dudas began his working career at Rand Mines Ltd in 1984 and has held a variety of senior managerial positions across a number of commodities and functions at companies such as Gencor Ltd and BHP Billiton, where he was CEO of the Aluminum division. Since 2012, Mr. Dudas has been working as an independent corporate adviser to multinational mining and professional service companies. From November 2015 to December 2019, he was a member of the Board of Directors of Kazatomprom. He graduated from the University of Witwatersrand with a Bachelor in Mining and a Master in Mining Metallurgy, as well as from Heriot-Watt University with a Master's in Business Administration.

Kanat Bozumbayev. Mr. Bozumbayev has been a member of the Board since 2019. Mr. Bozumbayev began his career as an economist at Edem Ltd LLP. In different years, he held the positions of Director of the Oil and Gas Department, Vice Minister of the Ministry of Energy, Industry and Trade of Kazakhstan. In January 2001, he joined KEGOC as the First Vice President. In May 2001, he became President of KEGOC. In 2007, he was appointed as Chief Executive Officer of JSC Kazakhstan Holding for Assets Management Samruk. Since 2009, he worked in the public sector, held the posts of Akims of Zhambyl and Pavlodar regions, Minister of Energy of Kazakhstan. Since 18 December 2019, he took the position of the Assistant to the President of Kazakhstan. Mr. Bozumbayev was awarded with Order "Honour", medal "For contribution to the development of the Eurasian Economic Union". Mr. Bozumbayev is Honoured Power Engineer of the CIS. He graduated from Kazakh State Academy of Management with a degree in Economics.

Daniyar Akishev. Mr. Akishev has been a member of the Board since 2021. In 1996, Mr. Akishev graduated with high honours from the Kazakh State Academy of Management, with a degree in Finance and Credit. He completed courses and seminars of the International Monetary Fund and the World Bank in various countries, including the United States, Japan, South Korea, Austria and Turkey. In 2008, he completed the internship at the Harvard Kennedy School, USA. Mr. Akishev started his working experience at the Central Asian Stock Market as a Senior Economist. From October 1996 to August 2007, he worked in various positions in the Research and Statistics Department of the National Bank of the Republic of Kazakhstan, and from June 2003 to August 2007, he served as a Director of the Research and Statistics Department of the National Bank of the Republic of Kazakhstan. From August 2007 to August 2014, Mr. Akishev served as Deputy Governor of the National Bank of the Republic of Kazakhstan. From August 2014 to October 2015, he was Head of the Department of Socio-Economic Monitoring of the Administration of the President of the Republic of Kazakhstan. From August 2015, Mr. Akishev served as Acting Aide to the President of the Republic of Kazakhstan. From November 2015 to February 2019, he was Governor of the National Bank of the Republic of Kazakhstan. From February to April 2019, he served as Adviser to the President of the Republic of Kazakhstan. Since April 2019, Mr. Akishev has acted as Aide to the First President of the Republic of Kazakhstan - Yelbasy. He is fluent in Kazakh, Russian and English.

Asset Irgaliyev. Mr. Irgaliyev has been a member of the Board since 2021. Mr. Irgaliyev began his career in the economic department of the European Bank for Reconstruction and Development in London in 2010. From 2013 to 2016, he held the position of Director, Vice President, Deputy Chief Executive Officer, First Deputy Chief Executive Officer of the Centre for Entrepreneurship Development at the Institute for Economic Research JSC. In 2016, he was the Chief Executive Officer of Institute for Economic Research JSC, Advisor to the Chief Executive Officer of JSC NMH Baiterek. From 2016 to 2019, he held the positions of Advisor to the Prime Minister of Kazakhstan, Vice Minister of National Economy of Kazakhstan, Deputy Head of the Office of the Prime Minister of Kazakhstan. From 18 January 2021, he is the Minister of National Economy of Kazakhstan. Mr. Irgaliyev was awarded with medals "For exceptional work". He graduated from Kazakhstan Institute of Management, Economics and Forecasting with a degree in Economics, International Business School, Sweden with a degree in Economics, University of York with a degree in Economics and University of Nottingham with a degree in Economics.

Vyacheslav Kim. Mr. Kim has been a member of the Board since 2021. Mr. Kim is an economist, financier, public figure, co-founder, shareholder and Chairman of the Board of Directors at Kaspi.kz, as well as the President of the National Federation of Taekwondo of Kazakhstan. In the early stage of his career, Mr. Kim was a co-founder of Konovalov's Ophthalmology Clinic and was engaged in retail business and electronic equipment distribution at ALTAIR JSC, Asia Technics LLP and ATG LLP. He also served as chairman of the Supervisory Board of the Kazakhstan Association of Goods and Technics Manufacturers, the president of Asia Technics Group JSC, the adviser to the Minister of Economy and Budget Planning of Kazakhstan and a Managing Director of Economics at Kazakhstan Temir Zholy JSC. From 2002 to 2006, Mr. Kim was a shareholder and a member of the Board of Directors at Bank Kaspiyskiy JSC. In 2006, he became the largest shareholder and chairman of the Board of Directors at Bank Kaspiyskiy JSC. Since 2008, Mr. Kim has been the chairman of the Board of Directors at Kaspi Bank JSC. In December 2018, he became the chairman of the Kaspi.kz Board of Directors. Mr. Kim is a graduate of the National School of Physics and Mathematics. In 1998 he graduated from Almaty State University named after Abay with a degree in Economics and Finance. In 2002 he received a degree in Finance from the Russian-Kazakh Contemporary Humanitarian University.

Ong Boon Hwee. Mr. Ong has been a member of the Board since 2019. At the beginning of his military career, Mr. Ong held various key command and staff positions in the Armed Forces and the Ministry of Defense of

Singapore. From 2002 to 2012, he has held various key positions as Managing Director at Temasek Holdings, CEO of Temasek Management Services, Chief Operating Officer at Singapore Power. From 2012 to 2014, he was the Chief Executive Officer of Beyond Horizon Consulting. From 2014 to 2020, he served as Chief Executive Officer at the Stewardship Asia Center, a thought leadership hub that promotes leadership across Asia and empowers business leaders and organisations to turn concepts into action. Currently, he is a corporate adviser to this organisation. Over the years, Mr. Ong has served as a member of the Board of Directors of companies in various sectors of the economy, including Singapore Technologies Kinetics, AETOS Security Management Ltd, A-STAR Research, Singapore Power Global Solutions and SIM Ltd. Mr. Ong is the co-author of books "Inspiring Stewardship" and "ENTRUSTED". He graduated from the National University of Singapore with a Bachelor of Social Sciences (with Honours) and the US College of Command and General Staff with a Master of Military Services.

Luca Sutera. Mr. Sutera has been a member of the Board since 2020. Mr. Sutera is an experienced business manager with over 22 years of post-graduate experience, of which 15 years served as CFO for global energy companies and Sovereign Wealth Funds in Europe, Russia and the Middle East. Mr. Sutera is currently Chief Financial Officer of the Energy Asset Group, a leading UK-based integrated diversified utility company. Prior to joining Energy Asset Group, from 2015 to 2020, Mr. Sutera served as Chief Financial Officer of the Nebras Power Group, a Qatar-based state-owned global energy company. From 2011 to 2015, he served as Senior Vice President and Chief Financial Officer of the Global Energy and Water Business TAQA (National Energy Company of Abu Dhabi). Mr. Sutera's global career is complemented by board-level appointments as an independent non-executive director of large and complex enterprises in the energy and infrastructure sectors. From 2012 to 2018, he was an independent non-executive director and Chairman of the Audit Committee of KEGOC JSC. From 2012 to 2020, he also served as senior independent director, Chairman of the Audit Committee of Samruk-Energy. Mr. Sutera graduated from Bocconi University with a Bachelor of Business Administration – Accounting, Finance and Control and from School of Management, Enel SpA / SAA. With a Master of Planning and Control.

Almassadam Satkaliyev. Mr. Satkaliyev has been a member of the Board and the CEO of the Group since 2021. Mr. Satkaliyev in different years worked as a director of TASSAT LLP, Head of the Project Management Department of CJSC National Oil Transportation Company KazTransOil, and Managing Director of the Nur-Sultan Representative Office of CJSC NOTC KazTransOil. He held the positions of First Vice President of KEGOC, Director for Electricity Assets Management at Samruk Kazakhstan Holding for State Assets Management JSC, Vice Minister of Energy of Kazakhstan, Chief Executive Officer of KEGOC, Managing Director of Samruk-Kazyna JSC, Chief Executive Officer of Samruk-Energy, Deputy Chairman of ALE "Kazakhstan Association of Oil and Gas and Energy Complex Organisations "KAZENERGY", Managing Director for Asset Management of Samruk-Kazyna JSC. He served as a member of the boards of directors of KTZ, Kazatomprom, KazMunayGas, Chairman of the Board of Directors of KEGOC, member of the Board of Directors of the Kazakhstan Electricity Association, Chairman of the Kazakhstan National Committee of the World Energy Council, member of the Council of the KAZENERGY Association, Chairman of the Coordinating Council of the KAZENERGY Association for the development of the energy industry, Chairman of the Energy Committee of Atameken National Chamber of Entrepreneurs of Kazakhstan, member of the Presidium of Atameken National Chamber of Entrepreneurs of Kazakhstan, Chairman of the Committee on energy and electrical engineering under Union of Machine Builders of Kazakhstan ALE. Mr. Satkaliyev was awarded with Orders "Honour", "Parasat"; with Medals: "10th anniversary of the Constitution of Kazakhstan", "10th anniversary of Astana", "20th anniversary of the Independence of Kazakhstan", "Jubilee Medal of the 20th anniversary of the Constitution of Kazakhstan", "25th anniversary of the Independence of Kazakhstan" and "10th anniversary of the KAZENERGY Association". Mr. Satkaliyev was awarded the honorary title "Honoured Power Engineer of the CIS". He has received Letter of gratitude from N.A. Nazarbayev, the President of Kazakhstan, and Letter of gratitude from K.K. Massimov, the Prime Minister of Kazakhstan. He graduated from Kazakh National University named after Al-Farabi with a degree in Mechanical Engineer, Application Mathematician, from Russian Academy of National Economy and Public Administration with a Master in Economics and from Graduate School of Business of Nazarbayev University, with a Master of Business Administration.

Committees of the Board of Directors

The Issuer's Board includes the Audit Committee, the Strategy Committee, the Nomination and Remuneration Committee, the Transformation Programme Oversight Committee and Special Committee.

Audit Committee

The Audit Committee is a consultative and advisory body of the Board of the Issuer and was created to assist the Board in fulfilling its oversight functions over the integrity of financial statements, the effectiveness of internal control and risk management systems, and for compliance with corporate governance principles and legislation. The Audit Committee also makes recommendations to the Board on the appointment or reappointment of an external auditor.

As at the date of this Prospectus, the Audit Committee consists of the following members:

Name	Position
Luca Sutera	Chair of the Committee since 2020; Member of the Committee since 2020; Independent Director
Ong Boon Hwee	Member of the Committee since 2020; Independent Director
Daniyar Akishev	Member of the Committee since 2021

Strategy Committee

The Strategy Committee was established in 2018 with the role of making recommendations to the Board on the following issues:

- Pre-approval of the Issuer's development strategy for a 10-year period and the Issuer's development plan for a 5-year period for further consideration by the Board;
- Review of reports on the implementation progress (monitoring) of the development strategy and the development plan in order to monitor and control the implementation of the development strategy and the development plan of the Issuer by the Board;
- Review of the Issuer's information on the compliance of development strategies of national companies with decomposed strategic indicators of national strategies, objectives and state programs;
- Investment activities of the Group, the consideration of which is referred to the competence of the Board; and
- Approval of the indicative forecast / forecast range of preliminary and final macroeconomic indicators for use in the Issuer's development strategy, the development plan and business plans of the Issuer's portfolio companies.

As at the date of this Prospectus, the Strategy Committee consists of the following members:

Name	Position
Asset Irgaliyev	Chair of the Committee since 2021; Member of the Committee since 2021
Jon Dudas	Member of the Committee since 2020; Independent Director
Ong Boon Hwee	Member of the Committee since 2020; Independent Director
Vyacheslav Kim	Member of the Committee since 2021; Independent Director

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for providing recommendations and formulating proposals on the issues of attracting qualified specialists to the Board, the Management Board, the position of Corporate Secretary, providing recommendations on the policy and structure of the remuneration of independent directors, making proposals on the amount and terms of remuneration and bonus payments paid to members of the Management Board and Corporate Secretary.

As at the date of this Prospectus, the Nomination and Remuneration Committee consists of the following members:

Name	Position
Jon Dudas	Chair of the Committee since 2020; Member of the Committee since 2020; Independent Director

Kanat Bozumbayev	Member of the Committee since 2020
Luca Sutera	Member of the Committee since 2020; Independent Director
Daniyar Akishev	Member of the Committee since 2021

The Transformation Programme Oversight Committee

The Transformation Programme Oversight Committee is a consultative and advisory body of the Board and was established to carry out the task of monitoring and assessing the implementation of the Group's Transformation Programme and preparing the necessary recommendations to the Board.

As at the date of this Prospectus, the Transformation Programme Oversight Committee consists of the following members:

Name	Position
Jon Dudas	Chair of the Committee since 2020; Member of the Committee since 2020; Independent Director
Kanat Bozumbayev	Member of the Committee since 2020
Ong Boon Hwee	Member of the Committee since 2020; Independent Director
Vyacheslav Kim	Member of the Committee since 2021; Independent Director

Special Committee

The Special Committee carries out a comprehensive and objective analysis of the impact of the activities of organisations of the Group on the development of the economy or a particular sector of the economy, with the exception of issues related to their use of the funds of the National Fund of Kazakhstan, the Government budget, as well as guarantees and state assets.

Management Board

The Management Board is the collegial executive body of the Issuer, which manages its current activities and is responsible for implementing the development strategy and development plan, as well as decisions taken by the Board and the sole shareholder of the Issuer. The Management Board carries out its activities in accordance with the legislation of Kazakhstan, the charter of the Issuer, decisions of the sole shareholder and the Board of the Issuer, the regulations on the Management Board and other internal documents of the Issuer.

The Management Board's responsibilities include the following:

- Making decisions on issues referred in accordance with the legislation of Kazakhstan and/or the Issuer's charter to the competence of the general meeting of shareholders, of another body of the company or other legal entity in relation to which the Issuer is a shareholder, participant or has the right to a share in the property, with the exception of decisions on issues made by the sole shareholder or the Board of the Issuer in accordance with the Sovereign Wealth Fund Law;
- Taking prompt actions in respect of portfolio companies to prevent disruptions in the completeness and deadline of the implementation of investment decisions and investment projects;
- Formation of a unified (including by industry sectors of companies) financial, investment, production and economic, scientific and technical, money management, HR, social and other policies in relation to portfolio companies;
- Approval of the rules for the development, approval, adjustment, execution and monitoring of the implementation of portfolio companies' development plans;
- Approval of the staff size, staff schedule and organisational structure of the Issuer;
- Hearing on an annual basis the results of the portfolio companies activities and reporting on the results of portfolio companies' activities to the Board; and
- Making decisions on issues of the Issuer's internal activities.

As at the date of this Prospectus, the Issuer's Management Board consists of the following members:

Name	Date of birth	Appointed	Position with the Issuer
Almassadam Satkaliyev	31 Oct. 1970	2021	Member of the Board, CEO of the Issuer
Andrey Kravchenko	19 July 1966	2018	Managing Director for Legal Support and Risks

Yernar Zhanadil	15 Dec. 1984	2016	Managing Director for Investments, Privatisation and International Cooperation
Marat Aitenov	20 May 1978	2021	Managing Director for Public and Government Relations
Nazira Nurbayeva	16 Dec. 1975	2021	Managing Director for Economy and Finance

The business address of each of the members of the Management Board is the registered office of the Issuer at 17/10 Syganak str., Nur-Sultan, Kazakhstan.

Almassadam Satkaliyev. See "—*Board of Directors*".

Andrey Kravchenko. Mr. Kravchenko began his career in 1983 in the judiciary and worked in the tax service since 1991. In 1994, Mr. Kravchenko joined the prosecutor's office. From 2002 to 2011, he served as the Head of the Department for Supervision of Legality in the social and economic sphere of the General Prosecutor's Office of Kazakhstan. He was directly involved in the establishment of institutions for the support and protection of small and medium-sized businesses, financial monitoring. From 2011 to 2017, he served as Deputy Prosecutor General of Kazakhstan. He was awarded the titles of Honorary Lawyer and Honorary Worker of the Prosecutor's Office of Kazakhstan. Since 2018, he has been the Managing Director for Legal Support and Risks, a member of the Management Board of the Issuer.

Yernar Zhanadil. Over the years, Mr. Zhanadil has worked for Philip Morris Kazakhstan, ElitStroy LLP, and PricewaterhouseCoopers, the international auditing firm. After joining the Issuer, he was responsible for the activities of the Internal Audit Service, and also served as a Secretary of the Audit Committee and the Transformation Programme Oversight Committee of the Board of the Issuer and was a member of the Audit Committees under the Board of Directors of a number of subsidiaries of the Issuer. In 2016, he was appointed to the position of Financial Controller of the Issuer with subsequent approval as Managing Director for Finance and Operations and Co-Managing Director for Economics and Finance, a member of the Management Board of the Issuer. Currently, he is the Managing Director for Investments, Privatisation and International Cooperation, a member of the Management Board of the Issuer.

Marat Aitenov. Mr. Aitenov began his career as a legal consultant in 2000 at the Asyk-Ata-Gaz firm, then he worked at National Legal Service CJSC. He held various managerial positions in the Ministry of Justice of Kazakhstan, Ministry of Economy and Budget Planning of Kazakhstan, Center for Marketing and Analytical Research JSC, RSE Institute for Economic Research, National Innovation Fund JSC, Kazyna SDF JSC, the Issuer, Development Bank of Kazakhstan JSC, Administration of Astana International Financial Center JSC. Since 2008, he has been a member of the Board of Directors of Astana-Finance JSC. Since April 2021, he has been appointed to the position of Managing Director for Public and Government Relations, a member of the Management Board of the Issuer.

Nazira Nurbayeva. Ms. Nurbayeva began her career in 1998 at the PriceWaterhouse Branch. From 2002 to 2003, she worked as a senior consultant in tax services. From 2003 to 2004, she took the position of a senior tax advisor at LUKOIL Overseas Services, Ltd. From 2004 to 2014, she served as a senior manager in PriceWaterhouseCoopers Tax & Advisory LLP. From 2014 to 2020, she held the position of Director of PriceWaterhouseCoopers Tax & Advisory LLP. From June 2020 to April 2021, she worked as a Partner at Deloitte TCF LLP. Since April 2021, she has been appointed to the position of Managing Director for Economics and Finance, a member of the Management Board of the Issuer.

Committees of the Management Board

Five committees of the Management Board were established in order to improve the efficiency of the decisions taken by the Management Board.

Academic Council

The purpose of the Academic Council is to promote efficiency in decision-making in managing the Issuer's asset portfolio in order to achieve strategic key performance indicators of the Issuer by providing a platform for discussion, making recommendations and proposals on industrial and innovative development of the Issuer and its portfolio companies.

The functions of the Academic Council are the development of corporate standards, uniform policies, rules and guidelines for the implementation of the industrial and innovation policy of the Issuer, the development of a list

of priority tasks in the implementation of such policy, consideration of innovative initiatives, assignment of an innovativeness rating, attraction of domestic and foreign scientific, educational and other organisations, world leading companies in various fields of activity and other issues.

Investment and Strategy Committee

The objective of the Investment and Strategy Committee is to assist in increasing efficiency in decision-making when managing the Issuer's asset portfolio to achieve the Issuer's strategic key performance indicators by presenting a platform for discussion, developing recommendations and proposals on the following issues (including ensuring the adoption of risk-based decisions):

- Strategic development of the Issuer and the portfolio companies;
- Management of the Issuer's portfolio of assets and the portfolio of investment projects of the Issuer and portfolio companies;
- Risk management (financial, investment and operational);
- Implementation of the investment policy, credit policy, debt management and financial sustainability policy;
- Implementation of corporate standards for investment activities, strategic and business planning, management of large capital projects.

Human Resources Committee

The purpose of the Human Resources Committee is to ensure the coordination and implementation of the Issuer's human resources policy, preparation of recommendatory decisions on human resource management, and providing of methodological and expert-analytical support in the field of human resources for the Group.

Modernisation Council

The main goal of the Modernisation Council is to manage and coordinate activities aimed at implementing the Transformation Programme in the Group and introducing advanced practices, technologies and standards for effective management of portfolio companies. The Modernisation Council is a collegial consultative and advisory body under the Management Board, the decisions of which should be taken into account when implementing the Transformation Programme.

Health, Safety and Environment Committee

The purpose of the Health, Safety and Environment Committee is to develop recommendations for the Management Board and representatives of the Issuer on the Boards of Directors of the Issuer's portfolio companies, as well as to coordinate activities undertaken by the portfolio companies in the field of occupational health, safety and environmental protection.

Internal Audit Service

The Internal Audit Service is a unified centralised body of the Issuer directly subordinate to and accountable to the Board. The main purpose of the Internal Audit Service is to provide the Board and the Board Committees with independent and objective information designed to ensure effective management of the Issuer by providing assessments and recommendations for improving the Issuer's internal control, risk management and corporate governance systems.

Management Remuneration

In accordance with the Issuer's Charter and the Sovereign Wealth Fund Law, the remuneration of the independent directors of the Board are determined by the Government as sole shareholder of the Issuer. Remuneration of the CEO and members of the Management Board of the Issuer are determined by the Board. The Nomination and Remuneration Committee of the Board plays a key role in determining their remuneration.

For the six months ended 30 June 2021, the total compensation to key management personnel amounted to KZT 3,545 million, compared to KZT 3,265 million for the six months ended 30 June 2020. Total compensation to

key management personnel amounted to KZT 6,247 million for the year ended 31 December 2020, compared to KZT 8,870 million for the year ended 31 December 2019 and KZT 6,145 million for the year ended 31 December 2018. Compensation to key management personnel consists primarily of contractual salary and performance bonus based on operating results.

Employment Contracts with Senior Executive Officers

The Issuer enters into employment contracts for a fixed term with its senior executive officers. Under these contracts, the senior executive officers of the Issuer receive bonuses or other forms of compensation in addition to their regular salary.

Conflicts of Interest

There are no actual or potential conflicts of interest between any duties owed to the Issuer by members of the Board, the Management Board and the Internal Audit Service and their private interests or other duties.

Kazakh-Chinese Business Council

The Kazakh-Chinese Business Council (the "**KCBC**") was founded in September 2013 at a meeting participated by the President of Kazakhstan N.A. Nazarbayev and the President of China Xi Jinping. The purpose of establishing KCBC was to further stimulate trade activities between the two countries, including through economic interaction, promotion and development of cooperation in various sectors of the economy.

The organisational work of the KCBC is carried out by the Secretariats of the parties. The Secretariat of the Kazakhstan party is the Issuer and the Secretariat of the Chinese party is the China Council for the Promotion of International Trade.

Today, the KCBC is a dialogue platform for representatives of the business communities between Kazakhstan and China. It also serves as an important tool for the development of trade, economic and, investment cooperation of the two countries.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, the Group considers both the substance of the relationship and the legal form.

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel and other entities controlled by the Government. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following table provides the total amount of related party transactions, which have been entered into with related parties for the periods and as at the dates indicated:

(*in millions of Tenge*)	**For the period ended**	**Associates**	**Joint ventures**	**Other state-controlled entities**
Sales of goods and services	30 June 2021	122,494	194,731	365,335
	30 June 2020	58,462	150,628	312,162
	31 December 2020	137,678	324,665	736,717
	31 December 2019 (restated)	115,182	370,651	506,918
	31 December 2018 (restated)	63,550	324,313	319,208
Purchase of goods and services	30 June 2021	92,926	846,281	16,128
	30 June 2020	85,391	562,616	12,529
	31 December 2020	268,838	1,163,124	23,381
	31 December 2019 (restated)	194,076	1,547,959	20,833
	31 December 2018 (restated)	171,577	1,515,461	17,162
Other income/(loss)	30 June 2021	(143)	4,666	2,289
	30 June 2020	8,087	15,529	(206)
	31 December 2020	8,870	26,557	3,756
	31 December 2019 (restated)	(2,531)	(1,748)	2,342
	31 December 2018 (restated)	16,343	47,590	(50,629)
Interest accrued due from related parties	30 June 2021	5,209	12,131	7,075
	30 June 2020	3,253	15,876	16,717
	31 December 2020	6,733	31,424	26,820
	31 December 2019 (restated)	11,049	43,425	10,901
	31 December 2018 (restated)	10,428	27,264	19,919
Interest accrued due to related parties	30 June 2021	2,404	354	40,131
	30 June 2020	8,690	230	50,789
	31 December 2020	12,462	4,763	79,974
	31 December 2019 (restated)	1,676	11,362	88,097
	31 December 2018 (restated)	(1,280)	3,258	106,181

(*in millions of Tenge*)	**As at**	**Associates**	**Joint ventures**	**Other state-controlled entities**
Due from related parties	30 June 2021	8,861	30,580	23,446
	31 December 2020	3,008	29,132	22,639
	31 December 2019 (restated)	4,225	40,165	25,921
	31 December 2018 (restated)	20,592	36,243	22,794

Due to related parties	30 June 2021	31,190	214,893	10,126
	31 December 2020	27,742	218,085	9,163
	31 December 2019 (restated)	34,212	186,746	14,946
	31 December 2018 (restated)	40,171	133,759	11,822
Cash and cash equivalents, and amounts due from credit institutions	30 June 2021	-	157	153,688
	31 December 2020	-	242	262,012
	31 December 2019 (restated)	-	248	308,250
	31 December 2018 (restated)	-	-	178,664
Loans issued	30 June 2021	10,091	308,805	5,725
	31 December 2020	17,279	313,509	5,559
	31 December 2019 (restated)	66,394	365,017	5,184
	31 December 2018 (restated)	139,749	400,254	5,203
Borrowings	30 June 2021	15,684	4	977,106
	31 December 2020	14,004	4	1,065,166
	31 December 2019 (restated)	17,460	5	1,114,707
	31 December 2018 (restated)	1,521	5	1,276,181
Other assets	30 June 2021	29,689	25,705	160,706
	31 December 2020	6,833	16,802	158,936
	31 December 2019 (restated)	13,171	116,244	120,270
	31 December 2018 (restated)	46,305	77,489	113,246
Other liabilities	30 June 2021	40,425	98,102	49,093
	31 December 2020	65,329	46,634	39,063
	31 December 2019 (restated)	15,132	61,270	31,483
	31 December 2018 (restated)	14,990	45,231	65,463

As at 30 June 2021, some of the Group's borrowings in the amount of KZT 44,866 million were guaranteed by the Government, compared to KZT 48,121 million as at 31 December 2020, KZT 51,062 million as at 31 December 2019 and KZT 65,423 million as at 31 December 2018.

For the six months ended 30 June 2021, the total compensation to key management personnel amounted to KZT 3,545 million, compared to KZT 3,265 million for the six months ended 30 June 2020. Total compensation to key management personnel amounted to KZT 6,247 million for the year ended 31 December 2020, compared to KZT 8,870 million for the year ended 31 December 2019 and KZT 6,145 million for the year ended 31 December 2018. Compensation to key management personnel consists primarily of contractual salary and performance bonus based on operating results.

FORM OF THE NOTES AND TRANSFER RESTRICTIONS

The following information relates to the form, transfer and delivery of the Notes.

1. Form of the Notes

All Notes will be in definitive fully registered form, without interest coupons attached. Notes offered and sold outside the United States in reliance on Regulation S will be represented by interests in the Unrestricted Global Certificate, in definitive fully registered form, without interest coupons attached, which will be deposited on or about the Closing Date with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of Citivic Nominees Limited as a nominee for such common depositary in respect of interests held through Euroclear and Clearstream, Luxembourg.

Notes offered and sold in reliance on Rule 144A will be represented by interests in one or more Restricted Global Certificates, in definitive fully registered form, without interest coupons attached, which will be registered in the name of Cede & Co., as nominee for, and which will be deposited on or about the Closing Date with Citibank, N.A., London Branch as custodian (the "**Custodian**") for, DTC. The Restricted Global Certificates (and any Definitive Certificates (as defined below) issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set forth under paragraph 3 below.

The Unrestricted Global Certificate will have an ISIN number and a Common Code and the Restricted Global Certificates will have a separate CUSIP number.

For the purposes of the Restricted Global Certificates and the Unrestricted Global Certificate, any reference in the Term and Conditions of the Notes to "**Definitive Certificate**" or "**Definitive Certificates**" shall, except where the context otherwise requires, be construed so as to include the Restricted Global Certificates or, as the case may be, the Unrestricted Global Certificate and interests therein.

2. Notices

So long as the Notes are represented by a Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Noteholders required to be published in the Financial Times may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders except that so long as the Notes are listed on the Official List and admitted to trading on the Market and the rules of that exchange so require, notices shall also be published in a leading newspaper having general circulation in England (which is expected to be the Financial Times).

3. Transfer Restrictions

The Notes have not been, and will not be, registered under the Securities Act or any other applicable securities law and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined under the Securities Act) except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and such other securities laws. Accordingly, the Notes are being offered by this prospectus only (a) to QIBs that are also QPs, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) outside the United States to persons other than U.S. persons as defined in Rule 902 under the Securities Act in an offshore transaction in reliance upon Regulation S.

On or prior to the 40th day after the Closing Date, a beneficial interest in the Unrestricted Global Certificate may be transferred to a person who wishes to take delivery of such beneficial interest through the Restricted Global Certificates only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Fiscal Agency Agreement), to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A who is also a QP within the meaning of the Investment Company Act, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirements

will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out below.

A beneficial interest in the Restricted Global Certificates may also be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Certificate only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Fiscal Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any beneficial interest in either the Restricted Global Certificates or the Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Certificate will, upon transfer, cease to be a beneficial interest in such Global Certificate and become a beneficial interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Certificate for so long as such person retains such an interest.

The Notes are being offered and sold in the United States only to QIBs within the meaning of Rule 144A who are also QPs within the meaning of the Investment Company Act, in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each purchaser of Notes offered hereby pursuant to Rule 144A will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A are used herein as defined therein):

(i) the purchaser (a) is a QIB within the meaning of Rule 144A and also a QP within the meaning of the Investment Company Act, (b) is acquiring the Notes for its own account or for the account of such a QIB who is also a QP, (c) is aware that the sale of the Notes to it is being made in reliance on Rule 144A, (d) acknowledges that it will hold and transfer at least the minimum denomination of the Notes and that: (A) it is not a broker-dealer that owns and invests on a discretionary basis less than $25,000,000 in securities of unaffiliated issuers; (B) it is not a participant-directed employee plan, such as a 401(k) plan, or a trust holding the assets of such a plan; (C) it was not formed, reformed or recapitalised for the specific purpose of investing in the Notes and/or other securities of the Issuer, unless all of the beneficial owners of its securities are both QIBs and QPs; (D) if it is an investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof and was formed on or before April 30, 1996, it has received the consent of its beneficial owners who acquired their interests on or before April 30, 1996, with respect to its treatment as a QP in the manner required by Section 2(a)(51)(C) of the Investment Company Act and the rules promulgated thereunder; (E) it is not a partnership, common trust fund, or corporation, special trust, pension fund or retirement plan, or other entity, in which the partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners, as the case may be, may designate the particular investment to be made, or the allocation thereof, unless all such partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners are both QIBs and QPs; and (F) it has not invested more than 40 per cent. of its assets in the Notes (or beneficial interests therein) and/or other securities of the Issuer after giving effect to the purchase of the Notes (or beneficial interests therein), unless all of the beneficial owners of its securities are both QIBs and QPs;

(ii) the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged, or otherwise transferred except in accordance with the legend set out below; and

(iii) the Restricted Global Certificates and any Restricted Definitive Certificates (as defined below) issued in exchange for an interest in the Restricted Global Certificates will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), AND THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS CERTIFICATE BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES, FOR THE BENEFIT OF THE ISSUER, THAT (A) THIS CERTIFICATE (AND ANY INTEREST HEREIN) MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) AND WHO IS ALSO A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS CERTIFICATE (OR INTEREST HEREIN) FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE.

THIS CERTIFICATE AND ALL RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS CERTIFICATE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS CERTIFICATE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

THE ISSUER MAY COMPEL EACH BENEFICIAL HOLDER HEREOF TO CERTIFY PERIODICALLY THAT SUCH HOLDER IS A QUALIFIED INSTITUTIONAL BUYER AND ALSO A QUALIFIED PURCHASER."

Each purchaser of Notes outside the United States pursuant to Regulation S, and each subsequent purchase of such Notes in re-sales during the period which expires on and includes the 40th day after the later of the commencement of the offering of the Notes and the Closing Date (the "**distribution compliance period**"), will be deemed to have represented, agreed and acknowledged as follows:

(i) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S);

(ii) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell pledge or otherwise transfer such Notes except in an offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S, and in accordance with any applicable securities laws of any State of the United States; and

(iii) the Issuer, the Registrar, the Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

4. Exchange of Interests in Global Certificates for Definitive Certificates

The Restricted Global Certificates will become exchangeable, free of charge to the holder, in whole but not in part, for certificates in definitive form ("**Restricted Definitive Certificates**") if DTC (a) notifies

the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificates or ceases to be a "**clearing agency**" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC or (b) an Event of Default (as defined and set out in Condition 12 (*Events of Default*) of the Notes) occurs. In such circumstances, such Restricted Definitive Certificates shall be registered in such names as DTC shall direct in writing and the Issuer will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

The Unrestricted Global Certificate will become exchangeable, free of charge to the holder, in whole but not in part, for certificates in definitive form ("**Unrestricted Definitive Certificates**") if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so or (b) an Event of Default (as defined and set out in Condition 12 (*Events of Default*) of the Notes) occurs. In such circumstances, such Unrestricted Definitive Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing and the Issuer will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

In the event that the Restricted Global Certificates are to be exchanged for Restricted Definitive Certificates or the Unrestricted Global Certificate is to be exchanged for Unrestricted Definitive Certificates (together "**Definitive Certificates**") the relevant Global Certificate shall be exchanged in full for the relevant Definitive Certificates and the Issuer will, without charge to the holder or holders thereof, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange, cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders.

On exchange, a person having an interest in a Global Certificate must provide the Registrar with (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Certificates and (ii) in the case of the Restricted Global Certificates only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Definitive Certificates issued in exchange for a beneficial interest in the Restricted Global Certificates shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "Transfer Restrictions" above. Restricted Definitive Certificates issued as described above will not be exchangeable for beneficial interests in the Unrestricted Global Certificate and Unrestricted Definitive Certificates issued as described above will not be exchangeable for beneficial interests in the Restricted Global Certificates.

In addition to the requirements described under "Transfer Restrictions" above, the holder of a Note may transfer such Note only in accordance with the provisions of Condition 3 (Transfer of Notes) of the Notes.

Upon the transfer, exchange or replacement of a Restricted Definitive Certificate bearing the legend referred to under "Transfer Restrictions" above, or upon specific request for removal of the legend on a Restricted Definitive Certificate, the Issuer will deliver only Restricted Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The Registrar will not register the transfer of any Notes or exchange of interests in a Global Certificate for Definitive Certificates for a period of 15 calendar days immediately prior to the due date for any payment of principal or interest in respect of such Notes.

5. Euroclear, Clearstream, Luxembourg and DTC Arrangements

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depositary is the registered holder of a Global Certificate, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Certificate for all purposes under the Fiscal Agency Agreement, the Deed of Covenant and the Notes. Payments of principal, interest and Additional Amounts, if any, in respect of Global Certificates will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Paying and Transfer Agent or the Managers or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC from the Fiscal Agent, all distributions of principal and interest with respect to book-entry interests in the Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of Citivic Nominees Limited and Cede & Co. to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg on the one hand and DTC, on the other. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

Interests in the Unrestricted Global Certificate and the Restricted Global Certificates will be in uncertificated book-entry form.

Trading between Euroclear and/or Clearstream, Luxembourg Account Holders. Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

Trading between DTC Participants. Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement System. Under Rule 15c6 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade agree otherwise.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser. When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in the Restricted Global Certificates to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Unrestricted Global Certificate (subject

to such certification procedures as are provided in the Fiscal Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder. On the settlement date, the Custodian will instruct the Registrar to (a) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Certificates and (b) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first Business Day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser. When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Restricted Global Certificates (subject to such certification procedures as are provided in the Fiscal Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m. Brussels or Luxembourg time, one Business Day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg account holder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the Custodian who will in turn deliver such book-entry interest in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee for the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Certificate and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Certificates.

Although the foregoing sets out the procedures of Euroclear Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Paying and Transfer Agent or any of the Managers or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear and Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

6. Prescription

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by a Global Certificate will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 10 (*Taxation*) of the Notes).

7. Payments

So long as the Notes are represented by a Global Certificate, payments of principal and interest in respect of Notes represented by a Global Certificate shall be made to the person(s) shown as the Noteholder(s) in the Register at the close of business on the Clearing System Business Day before the due date for payment, where "Clearing System Business Day" means a day on which each clearing system for which the Global Certificate is being held is open for business, and shall be made against presentation for endorsement and if no further payment falls to be made in respect of the Notes, surrender of the Global Certificate.

8. Meetings

At any meeting of Noteholders, the holder of a Global Certificate will have one vote in respect of each U.S.$200,000 in principal amount of Notes for which the Global Certificate may be exchanged.

9. Purchase and Cancellation

Cancellation of any Note required by the Terms and Conditions of Notes to be cancelled following its purchase will be effected by reduction in the principal amount of the relevant Global Certificate.

10. Put Option

The Noteholders' put option in Condition 9(d) (*Redemption at the option of the Noteholders (Put Option)*) of the Notes may be exercised by the holder of the relevant Global Certificate giving notice to the Paying and Transfer Agent of the principal amount of Notes in respect of which the option is exercised and presenting the Global Certificate for endorsement of exercise within the time limits specified in such Condition.

TAXATION

The following is a general summary of the laws of Kazakhstan and the United States tax consequences as at the date hereof in relation to payments made under the Notes and in relation to the sale or transfer of Notes. It is not exhaustive and purchasers are urged to consult their professional advisors as to the tax consequences to them of holding or transferring Notes.

Kazakhstan Taxation

Interest under the 2018 Tax Code

Payments of interest on the Notes issued by the Issuer to Non-Kazakhstan Holders will be subject to withholding tax of Kazakhstan at a rate of 15 per cent., unless reduced by an applicable double taxation treaty. Payments of interest on the Notes to Non-Kazakhstan Holders registered in countries with a favourable tax regime which appear in a list published from time-to-time by the Kazakhstan Government (these countries currently include Nigeria, Malta, Aruba (being part of the Netherlands) and others) (and to Non- Kazakhstan Holders who failed to submit to the Issuer proper documentary evidence of its tax residency in a country which is not included into such list of countries with a favourable tax regime) will be subject to withholding of Kazakhstan tax at a rate of 20 per cent., unless reduced by an applicable double taxation treaty.

Non-Kazakhstan holders who are resident in countries, such as the United States or the UK, with which Kazakhstan has bilateral taxation treaties may be entitled to a reduced rate of withholding tax, subject to timely submission to the Issuer of the duly issued tax residency certificate from such country of residence.

Payments of interest by the Issuer to Kazakhstan Holders, other than to individuals (who are exempt) and Kazakhstan investment funds and certain other entities, will be subject to Kazakhstan withholding tax at a rate of 15 per cent..

The withholding tax on interest will not apply in either case if the Notes are, as at the date of accrual of interest, listed on the official list of a stock exchange operating in the territory of Kazakhstan (such as, the KASE or the AIX).

The Issuer will agree under the terms and conditions of the Notes to pay additional amounts in respect of any such withholding, subject to certain exceptions set out in full in Condition 10 (*Taxation*).

Interests under the AIFC Law

Under the AIFC Law, interests paid on the securities will be exempt from taxation in Kazakhstan until 1 January 2066, provided that such securities are included in the official list of securities of the AIX at the time the interests are accrued. Accordingly, by virtue of the Notes being admitted to the official list of the AIX interests paid on the Notes will be exempt from taxation in Kazakhstan.

Gains under the 2018 Tax Code

Gains realised by Kazakhstan Holders as a result of the disposal, sale, exchange or transfer of the Notes will be included in the income of such Kazakhstan Holders. The net income of such Kazakhstan Holders will be subject to corporate income tax at a rate of 20 per cent. or individual income tax at a rate of 10 per cent., as the case may be.

If on the date of sale, the Notes are listed on the official list of a stock exchange operating in the territory of Kazakhstan (such as the KASE or the AIX) and are sold through open trades on such stock exchange, any gains realised by Kazakhstan Holders are not subject to withholding tax in Kazakhstan.

Gains realised by Non-Kazakhstan Holders derived as a result of the disposal, sale, exchange or transfer of the Notes will be subject to withholding tax at a rate of 15 per cent., unless an applicable double taxation treaty provides for an exemption from capital gains tax. If the disposal of the Notes is made by a Non-Kazakhstan Holder registered in a country with a favourable tax regime, as referred to above, gains derived from such disposal are subject to withholding tax in Kazakhstan at the rate of 20 per cent., unless exempt by an applicable double taxation treaty.

Non-Kazakhstan holders who are residents of countries, such as the United States or the United Kingdom, with which Kazakhstan has bilateral double taxation treaties may be entitled to an exemption from withholding tax, subject to compliance with certain administrative procedures.

Gains realised by Non-Kazakhstan Holders in relation to Notes which are listed as at the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan (such as the KASE or the AIX) or a foreign stock exchange and are sold through open trades on such stock exchanges, are not subject to withholding tax in Kazakhstan.

Gains made by a Kazakhstan or Non-Kazakhstan Holder on the sale of Notes otherwise than through open trades on the relevant such stock exchanges may be subject to Kazakhstan tax or withholding tax, respectively. In respect of the gains realised by Non-Kazakhstan Holders, a purchaser or the transferee of the Notes may be treated as a withholding agent and, therefore, required to withhold the capital gains tax from the seller and pay it in Kazakhstan. However, Kazakhstan tax legislation does not specify a mechanism for the collection of any such tax from the purchasers or transferees who are Non-Kazakhstan Holders or have no taxable presence in Kazakhstan otherwise. Any prospective purchasers or transferees of the Notes from Non-Kazakhstan Holders should consult their own tax advisors on the tax consequences of such purchase.

Gains under the AIFC Law

Under the AIFC Law, capital gains derived by the holders of the Notes from the sale of their Notes will be exempt from taxation in Kazakhstan until 1 January 2066 if the securities are included in the official list of the AIX as at the date of their sale. Accordingly, by virtue of the Notes being admitted to the official list of the AIX, any income derived from the sale of Notes on AIX as at the date of their sale will be exempt from taxation in Kazakhstan.

Certain United States Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax consequences. This discussion is limited to consequences relevant to a U.S. holder (as defined below) except for the discussion of FATCA (as defined under "—Foreign Account Tax Compliance Act"), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the alternative minimum tax or the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction, entities covered by the anti-inversion rules and persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e. the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity

taxable as a corporation for U.S. federal income tax purposes created or organised in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Characterisation of the Notes

In certain circumstances (see, e.g., Condition 9(b) (*Redemption for Tax Reasons*), Condition 9(c) (*Redemption at the option of Noteholders (Put Option)*), Condition 9(d) (*Make Whole Redemption at the Option of the Issuer*) and Condition 10 (*Taxation*)), the Issuer may be obligated to redeem the Notes for an amount in excess of their adjusted issue price, or may be obligated to make certain payments on the Notes in excess of stated principal and interest. The Issuer believes that the Notes should not be treated as contingent payment debt instruments due to the possibility of such a redemption occurring or such excess payments being made. The Issuer's position is binding on a U.S. holder, unless the U.S. holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS were to successfully challenge this position, and the Notes were treated as contingent payment debt instruments, U.S. holders could be required to accrue interest income at a rate different than their yield to maturity and to treat as ordinary income, rather than capital gain, any gain recognised on a sale, exchange, retirement, redemption or other taxable disposition of a Note. The balance of this discussion assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Payments of Stated Interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the Notes will be issued without original issue discount for U.S. federal income tax purposes.

Foreign Tax Credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognise gain or loss equal to the difference, if any, between the amount realised upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income in accordance with the U.S. holder's method of tax accounting as discussed above, to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. Any gain or loss recognised upon the sale, exchange, retirement, redemption or other taxable disposition of a Note generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Further Issues

U.S. holders should note that additional securities that are treated as a single series for non-tax purposes may be treated as a separate series for U.S. federal income tax purposes. See Condition 17 (*Further Issues*). In such case, the new securities may be considered to have been issued with original issue discount, as defined in the Code and the Treasury Regulations, which may affect the market value of the Notes since such additional securities may not be distinguishable from the Notes.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Tax Return Disclosure Requirements

U.S. holders who are individuals and who own "specified foreign financial assets" (as defined in section 6038D of the Code) with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership and disposition of the Notes, including the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**") and subject to the proposed regulations discussed below, a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after applicable final regulations defining foreign passthru payments are published in the Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Under proposed Treasury Regulations, any withholding on foreign passthru payments on Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules

described herein. Holders should consult their tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

SUBSCRIPTION AND SALE

The Managers have, pursuant to a Subscription Agreement dated 26 October 2021, severally and not jointly agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Notes at 98.824 per cent. of their principal amount less a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes and indemnify the Managers against certain liabilities incurred in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Lead Managers (on behalf of the Managers) to terminate it in certain circumstances prior to payment being made to the Issuer.

Certain of the Managers have, directly or indirectly through affiliates, provided investment and commercial banking, financial advisory and other services to the Issuer and its affiliates from time to time, for which they have received monetary compensation. Affiliates of MUFG and Citigroup, i.e. MUFG Bank, Ltd. and Citibank Kazakhstan JSC, are also lenders in the U.S.$600 million syndicate facility (with outstanding principal amount and accrued interest of U.S.$450,000,000 as of the date of this Prospectus) that will be repaid out of the proceeds of the issue of the Notes. Certain of the Managers and their respective affiliates may from time to time also enter into swap and other derivative transactions with the Issuer and its affiliates. In addition, certain of the Managers and their affiliates may in the future engage in investment banking, commercial banking, financial or other advisory transactions with the Issuer or its affiliates and for which they will receive customary fees.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the "**distribution compliance period**") within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

> *"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (as amended, the "**Securities Act**") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S or Rule 144A under the Securities Act. Terms used above have the meanings given to them by Regulation S."*

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

The Subscription Agreement provides that each Manager may directly or through its U.S. broker dealer affiliate arrange for the offer and resale of Notes within the United States only to QIBs who are also QPs in reliance on Rule 144A.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

(a) Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom.

For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2(1) of Regulation (EU) 2017/565 as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) a customer within the meaning of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of English law by virtue of the EUWA.

(b) Each Manager has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

European Economic Area

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(b) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Republic of Kazakhstan

Each Manager has represented and agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan except in compliance with the applicable securities laws of Kazakhstan, the AIFC rules and regulations and the regulations of the KASE and the AIX.

Singapore

Each Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the "SFA" is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

General

No action has been or will be taken in any jurisdiction by the Issuer or any Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

INDEPENDENT AUDITORS

The consolidated financial statements of the Issuer as of 31 December 2020, 31 December 2019 and 31 December 2018 and for each of the years then ended, included in this Prospectus, have been audited by Ernst & Young LLP, independent auditors, as stated in their reports appearing herein.

The consolidated financial statements of the Issuer as of 30 June 2021 and for the six-month period then ended, included in this Prospectus, have been reviewed by Ernst & Young LLP, independent auditors, as stated in their review report appearing herein.

Ernst & Young LLP with business address of Esentai Tower, 77/7, Al-Farabi Ave., Almaty 050060, Kazakhstan are auditors under licence No.0000003 dated 15 July 2005 issued by the Ministry of Finance of Kazakhstan, and a member of the Chamber of Auditors of Kazakhstan, the professional body which oversees audit firms in Kazakhstan.

GENERAL INFORMATION

1. Clearing Systems

The Notes have been accepted for clearance through the DTC, Clearstream, Luxembourg and Euroclear systems. The Unrestricted Global Certificate has been accepted for clearance through Euroclear and Clearstream, Luxembourg under the CUSIP number Y9000C AA5, Common Code No. 239914969 and the ISIN XS2399149694. The Restricted Global Certificate has been accepted for clearance through DTC. The CUSIP number for the Restricted Global Certificate is 84612W AA1, the Common Code No. is 240186535, and the ISIN is US84612WAA18.

2. Admission to Trading

An application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the Market. It is expected that admission of the Notes to the Official List and to trading on the Market will be granted on or around 28 October 2021, subject only to the issue of the Global Certificates. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. The estimated amount of total expenses related to the admission of the Notes to the Official List and to trading on the Market is approximately £5,800.

In addition, applications have been made to list the Notes on the KASE and the AIX. On 13 October 2021, the KASE granted its consent to include the Notes into the "bonds" category of the "debt securities" sector of the "main" platform of the official list of the KASE. The estimated amount of total expenses related to the admission of the Notes to the main list of the KASE and to trading on the KASE is approximately KZT 14,000,000 and the estimated amount of total expenses related to the admission of the Notes to the official list of the AIX and to trading on the AIX is approximately KZT 0.

3. Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in Kazakhstan in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolutions of the Management Board of the Issuer dated 30 September 2021 and 14 October 2021 and a resolution of the Board of Directors of the Issuer dated 14 October 2021. No Notes may be issued, placed or listed outside of Kazakhstan without obtaining the Agency Permissions. The Agency Permissions in respect of the Notes were obtained on 15 October 2021 and are not a recommendation or endorsement by the ARDFM of the Notes.

4. Yield

On the basis of the issue price of the Notes of 98.824 per cent. of their principal amount, the initial yield of the Notes is 2.25 per cent. on an annual basis. The initial yield is calculated on the issue date of the Notes on the basis of the issue price. It is not an indication of future yield.

5. Material Adverse Change

There has been no significant change in the financial performance or financial position of the Issuer or of the Group and there has been no material adverse change in the prospects of the Issuer or of the Group, in each case since 31 December 2020.

6. Litigation

Except as disclosed in this Prospectus on page 119, neither the Issuer nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the 12 months preceding the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or of the Group.

7. Documents on Display

For so long as any of the Notes is outstanding, copies of the following documents may be inspected in electronic format at the specified offices of the Paying and Transfer Agent during normal business hours:

(a) the constitutional documents of the Issuer;

(b) the Consolidated Annual Financial Statements, including the audit reports relating thereto;

(c) the Interim Consolidated Financial Statements, including the review report relating thereto;

(d) the Deed of Covenant;

(e) the Fiscal Agency Agreement; and

(f) this Prospectus and any supplements thereto.

English translations of any of the documents listed above which are not in English are also available for inspection as described above.

8. Independent Auditors

The consolidated financial statements of the Issuer as of 31 December 2020, 31 December 2019 and 31 December 2018 and for each of the years then ended, included in this Prospectus, have been audited by Ernst & Young LLP, independent auditors, as stated in their reports appearing herein.

The consolidated financial statements of the Issuer as of 30 June 2021 and for the six-month period then ended, included in this Prospectus, have been reviewed by Ernst & Young LLP, independent auditors, as stated in their review report appearing herein.

Ernst & Young LLP with business address of Esentai Tower, 77/7, Al-Farabi Ave., Almaty 050060, Kazakhstan are auditors under license No.0000003 dated 15 July 2005 issued by the Ministry of Finance of Kazakhstan, and a member of the Chamber of Auditors of Kazakhstan, the professional body which oversees audit firms in Kazakhstan.

9. Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Issuer towards the Issuer and their private interests and/or other duties.

10. Foreign Language

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

INDEX TO FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

Financial Statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Interim condensed consolidated financial statements
(unaudited)

As at June 30, 2021 and for the three and six months then ended

CONTENTS

Building a better working world

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Report on Review of Interim Financial Information

To the Shareholder and Management of "Sovereign Wealth Fund "Samruk-Kazyna" JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2021 and the interim consolidated statement of comprehensive income for the three and six months then ended, interim consolidated statements of changes in equity and cash flows for the six months then ended and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Building a better working world

Conclusion

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

Ernst & Young LLP

Adil Syzdykov
Auditor

Auditor Qualification Certificate
No. МФ-0000172 dated 23 December 2013

Rustamzhan Sattarov
General Director
Ernst & 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

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

10 September 2021

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of tenge	Note	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Assets			
Non-current assets			
Property, plant and equipment	6	**13,895,135**	13,703,885
Intangible assets	7	**1,997,349**	2,022,024
Exploration and evaluation assets	8	**355,332**	367,393
Investment property		**42,268**	40,560
Investments in joint ventures and associates	9	**5,336,186**	4,985,676
Loans issued and finance lease receivables		**366,367**	366,830
Amounts due from credit institutions	10	**118,714**	135,315
Deferred tax assets		**77,160**	79,267
Other non-current financial assets	11	**613,937**	614,382
Other non-current assets	12	**467,560**	447,907
		23,270,008	22,763,239
Current assets			
Inventories	13	**619,087**	626,363
VAT receivable		**200,946**	256,319
Income tax prepaid		**68,091**	97,503
Trade accounts receivable	14	**847,059**	667,107
Loans issued and finance lease receivables		**51,400**	55,406
Amounts due from credit institutions	10	**375,413**	354,257
Other current financial assets	11	**255,928**	188,427
Other current assets	14	**214,642**	184,769
Cash and cash equivalents	15	**2,755,982**	2,227,669
		5,388,548	4,657,820
Assets classified as held for sale or distribution to the Shareholder	5	**60,852**	61,787
		5,449,400	4,719,607
Total assets		**28,719,408**	27,482,846

The explanatory notes on pages 9 through 47 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In millions of tenge	Note	June 30, 2021 (unaudited)	December 31, 2020 (audited)
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital		**5,258,657**	5,258,657
Currency translation reserve		**1,846,280**	1,763,499
Revaluation reserve of investments at fair value through other comprehensive income		**31,829**	31,464
Hedging reserve		**(57,624)**	(60,416)
Other capital reserves		**(16,984)**	(16,984)
Retained earnings		**7,282,679**	6,502,544
		14,344,837	13,478,764
Non-controlling interest		**1,721,918**	1,672,851
Total equity		**16,066,755**	15,151,615
Non-current liabilities			
Borrowings	17	**6,570,239**	6,608,990
Loans from the Government of the Republic of Kazakhstan	18	**567,154**	562,449
Lease liabilities	20	**406,959**	396,441
Provisions	21	**389,455**	386,921
Deferred tax liabilities		**1,216,296**	1,143,256
Employee benefit liabilities		**120,733**	120,943
Obligations under oil supply agreements	19	**–**	185,680
Other non-current liabilities	22	**208,617**	138,085
		9,479,453	9,542,765
Current liabilities			
Borrowings	17	**1,095,073**	850,210
Loans from the Government of the Republic of Kazakhstan	18	**13,411**	30,773
Lease liabilities	20	**144,345**	118,878
Provisions	21	**87,298**	80,980
Employee benefit liabilities		**12,012**	14,051
Income tax payable		**41,980**	10,567
Trade and other payables	23	**862,185**	828,258
Obligations under oil supply agreements	19	**127,588**	97,882
Other current liabilities	23	**781,340**	752,031
		3,165,232	2,783,630
Liabilities associated with assets classified as held for sale or distribution to the Shareholder	5	**7,968**	4,836
		3,173,200	2,788,466
Total liabilities		**12,652,653**	12,331,231
Total equity and liabilities		**28,719,408**	27,482,846

Managing Director for Economy and Finance –
Member of the Management Board

Nazira Nurbayeva

Chief accountant

Almaz Abdrakhmanova

The explanatory notes on pages 9 through 47 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended June 30		For the six months ended June 30	
In millions of tenge	**Note**	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Revenue	24	**2,922,684**	1,704,400	**5,334,705**	3,984,714
Government grants		**12,806**	6,661	**18,989**	11,044
		2,935,490	1,711,061	**5,353,694**	3,995,758
Cost of sales	25	**(2,137,283)**	(1,347,186)	**(3,918,617)**	(3,097,017)
Gross profit		**798,207**	363,875	**1,435,077**	898,741
General and administrative expenses	26	**(106,563)**	(96,263)	**(202,325)**	(193,316)
Transportation and selling expenses	27	**(194,411)**	(134,529)	**(386,135)**	(329,995)
Impairment loss, net	28	**(7,528)**	(175,720)	**(27,627)**	(283,550)
Loss on disposal of subsidiaries		**(1,727)**	–	**(1,727)**	(173)
Operating profit/(loss)		**487,978**	(42,637)	**817,263**	91,707
Finance costs	29	**(134,844)**	(163,780)	**(268,649)**	(309,329)
Finance income	30	**33,917**	52,026	**60,616**	96,323
Other non-operating loss		**(6,734)**	(1,334)	**(16,081)**	(23,469)
Other non-operating income		**33,019**	22,522	**53,316**	58,011
Share in profit of joint ventures and associates, net	31	**272,474**	201,497	**510,801**	276,253
Net foreign exchange (loss)/gain		**(17,605)**	(97,034)	**(1,504)**	72,383
Profit/(loss) before income tax		**668,205**	(28,740)	**1,155,762**	261,879
Income tax expenses	32	**(133,811)**	(19,879)	**(227,577)**	(85,377)
Net profit/(loss) for the period		**534,394**	(48,619)	**928,185**	176,502
Net profit/(loss) for the period attributable to:					
Equity holder of the Parent		**458,953**	6,832	**809,431**	225,597
Non-controlling interest		**75,441**	(55,451)	**118,754**	(49,095)
		534,394	(48,619)	**928,185**	176,502

The explanatory notes on pages 9 through 47 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge	Note	For the three months ended June 30		For the six months ended June 30	
		2021 (unaudited)	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Other comprehensive income, net of tax					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange differences on translation of foreign operations	16.4	**42,480**	(559,066)	**96,348**	262,005
Unrealized gain/(loss) from revaluation of investments at fair value through other comprehensive income		**112**	3,121	**81**	(1,251)
(Loss)/gain on cash flow hedge		**(536)**	10,770	**4,421**	(1,098)
Reclassification to profit or loss of the revaluation reserve for the sale of financial assets at fair value through other comprehensive income		**10**	115	**317**	(137)
Share of the OCI items of associates and joint ventures	9	**408**	2,013	**617**	1,948
Tax effect on transactions of OCI components		**(3,352)**	42,145	**(7,717)**	(19,881)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**39,122**	(500,902)	**94,067**	241,586
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Share of the OCI items of associates and joint ventures	9	**(33)**	(96)	**20**	(96)
Actuarial (loss)/gain on defined benefit plans		**(190)**	(1,395)	**601**	(1,200)
Tax effect on transactions of OCI components		**63**	35	**43**	43
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		**(160)**	(1,456)	**664**	(1,253)
Other comprehensive income/(loss) for the period, net of tax		**38,962**	(502,358)	**94,731**	240,333
Total comprehensive income/(loss) for the period, net of tax		**573,356**	(550,977)	**1,022,916**	416,835
Total comprehensive income/(loss) for the period, net of tax, attributable to:					
Equity holder of the Parent		**494,260**	(452,370)	**895,808**	444,459
Non-controlling interest		**79,096**	(98,607)	**127,108**	(27,624)
		573,356	(550,977)	**1,022,916**	416,835

Managing Director for Economy and Finance – Member of the Management Board

Nazira Nurbayeva

Chief accountant

Almaz Abdrakhmanova

The explanatory notes on pages 9 through 47 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the equity holder of the Parent									
In millions of tenge	Note	Share capital	Additional paid-in capital	Revaluation reserve of investments at fair value through other comp-rehensive income	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2019 (audited)		5,229,112	17,303	29,354	1,319,406	(46,726)	(16,984)	6,176,856	12,708,321	1,634,632	14,342,953
Net profit/(loss) for the period		–	–	–	–	–	–	225,597	225,597	(49,095)	176,502
Other comprehensive (loss)/income for the period		–	–	(1,528)	223,906	(2,231)	–	(1,285)	218,862	21,471	240,333
Total comprehensive (loss)/income for the period		–	–	(1,528)	223,906	(2,231)	–	224,312	444,459	(27,624)	416,835
Issue of shares		28,731	–	–	–	–	–	–	28,731	–	28,731
Dividends		–	–	–	–	–	–	–	–	(63,682)	(63,682)
Other contributions of the Shareholder		–	(4,896)	–	–	–	–	626	(4,270)	–	(4,270)
Other transactions with the Shareholder		–	–	–	–	–	–	8,245	8,245	–	8,245
Other distributions to the Shareholder		–	–	–	–	–	–	(19,749)	(19,749)	–	(19,749)
Transfer of assets to the Shareholder		–	–	–	–	–	–	(24,809)	(24,809)	–	(24,809)
Discount on loans from the Government		–	–	–	–	–	–	(18,743)	(18,743)	–	(18,743)
Disposal of subsidiaries		–	–	–	–	–	–	–	–	(14,040)	(14,040)
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	–	(170)	74	–	–	25,174	25,078	59,492	84,570
Other equity movements		–	–	–	165	(165)	–	(196)	(196)	(21)	(217)
Balance as at June 30, 2020 (unaudited)		5,257,843	12,407	27,656	1,543,551	(49,122)	(16,984)	6,371,716	13,147,067	1,588,757	14,735,824

The explanatory notes on pages 9 through 47 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to the equity holder of the Parent								
In millions of tenge	Note	Share capital	Revaluation reserve of investments at fair value through other comprehensive income	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2020 (audited)		5,258,657	31,464	1,763,499	(60,416)	(16,984)	6,502,544	13,478,764	1,672,851	15,151,615
Net profit for the period		–	–	–	–	–	809,431	809,431	118,754	928,185
Other comprehensive income for the period		–	365	82,562	3,011	–	439	86,377	8,354	94,731
Total comprehensive income for the period		–	365	82,562	3,011	–	809,870	895,808	127,108	1,022,916
Issue of shares		–	–	–	–	–	–	–	5,195	5,195
Dividends	16.1	–	–	–	–	–	–	–	(84,514)	(84,514)
Other distributions to the Shareholder	16.2	–	–	–	–	–	(29,585)	(29,585)	–	(29,585)
Transfer of assets to the Shareholder	16.3	–	–	–	–	–	(312)	(312)	–	(312)
Disposal of subsidiaries		–	–	–	–	–	–	–	1,225	1,225
Other equity movements		–	–	219	(219)	–	162	162	53	215
Balance as at June 30, 2021 (unaudited)		5,258,657	31,829	1,846,280	(57,624)	(16,984)	7,282,679	14,344,837	1,721,918	16,066,755

Managing Director for Economy and Finance –
Member of the Management Board

Nazira Nurbayeva

Chief accountant

Almaz Abdrakhmanova

The explanatory notes on pages 9 through 47 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of tenge	Note	**For the six months ended June 30, 2021 (unaudited)**	For the six months ended June 30, 2020 (unaudited) (restated)*
Cash flows from operating activities			
Receipts from customers		**5,606,654**	4,275,263
Payments to suppliers		**(3,285,537)**	(2,538,295)
Receipts from suppliers under the arbitration decision	36	**112,058**	–
Payments to employees		**(526,466)**	(486,891)
Other taxes and payments		**(802,338)**	(632,180)
Operations with financial instruments (the Fund and Kazpost JSC)		**7,903**	15,930
Short-term lease payments and variable lease payments		**(20,275)**	(43,434)
Proceeds from subsidized interest rates on financial liabilities		**–**	14,592
Other payments		**(39,582)**	(49,999)
VAT received		**113,586**	94,828
Income taxes paid		**(78,900)**	(89,840)
Interest paid		**(264,919)**	(245,176)
Interest received		**36,804**	73,725
Net cash flows received from operating activities		**858,988**	388,523
Cash flows from investing activities			
(Placement)/redemption of bank deposits, net		**(27,997)**	117,113
(Acquisition)/sale of joint ventures and associates, net		**(3,102)**	43,869
Additional contributions to share capital of joint ventures and associates without change in ownership	9	**(1,925)**	(13,482)
Acqusition of subsidiaries, net of cash acquired with the subsidiary		**89**	(26,499)
Acqusition of property, plant and equipment, exploration and evaluation assets and other non-current assets		**(552,090)**	(473,526)
Acqusition of intangible assets		**(12,430)**	(5,949)
Proceeds from sale of subsidiaries, net of cash of disposed subsidiaries		**727**	9,441
Dividends received from joint ventures and associates	9	**189,615**	90,829
Proceeds from the sale of property, plant and equipment		**29,375**	6,969
Proceeds from the sale of other non-current assets		**41,961**	4,022
Loans issued		**(9,979)**	(1,727)
Repayment of loans issued		**14,564**	17,969
Purchase of debt instruments		**(132,425)**	(80,515)
Proceeds from the sale of debt instruments		**120,195**	13,102
Reservation of cash for payment of borrowings	11	**(32,799)**	–
Other cash inflows		**56,484**	26,459
Net cash flows used in investing activities		**(319,737)**	(271,925)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In millions of tenge	Note	**For the six months ended June 30, 2021 (unaudited)**	For the six months ended June 30, 2020 (unaudited)
Cash flows from financing activities			
Proceeds from borrowings	17	**525,417**	690,208
Repayment of borrowings	17	**(422,904)**	(628,178)
Share buyback by subsidiary		**–**	(212)
Repayment of lease liabilities	20	**(47,755)**	(45,671)
Contributions to the share capital by the Equity holder of the Parent		**–**	26,000
Contributions by non-controlling interest		**228**	–
Distributions to the Shareholder		**(48,185)**	(21,550)
Disposal of interest that does not result in the loss of control		**–**	83,944
Dividends paid to non-controlling interest of subsidiaries	16.1	**(40,787)**	(51,223)
Bonds early extinguishment premium paid	29	**–**	(24,221)
Other payments		**(61)**	(1,625)
Net cash flows (used)/received in financing activities		**(34,047)**	27,472
Net increase in cash and cash equivalents		**505,204**	144,070
Effects of exchange rate changes on cash and cash equivalents		**24,737**	91,109
Changes in cash and cash equivalents disclosed as part of assets classified as held for sale		**(1,246)**	529
Change in allowance for expected credit losses		**(382)**	264
Cash and cash equivalents, at the beginning of the period		**2,227,669**	1,993,962
Cash and cash equivalents, at the end of the period	15	**2,755,982**	2,229,934

* *Certain numbers shown here do not correspond to the consolidated financial statements for the three and six months ended June 30, 2020 and reflect adjustments made, refer to Note 2.*

Managing Director for Economy and Finance
Member of the Management Board

Nazira Nurbayeva

Chief accountant

Almaz Abdrakhmanova

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

As at June 30, 2021 and for the three and six months then ended

1. GENERAL INFORMATION

Corporate information

“Sovereign Wealth Fund “Samruk-Kazyna” JSC (the “Fund” or “Samruk-Kazyna”) was established on November 3, 2008 in accordance with the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 and the Resolution of the Government of the Republic of Kazakhstan dated October 17, 2008. The formation was enacted by the merger of “Sustainable Development Fund “Kazyna” JSC (“Kazyna”) and “Kazakhstan Holding Company for State Assets Management “Samruk” JSC (“Samruk”) and the additional transfer to the Fund of interests in certain entities owned by the Government of the Republic of Kazakhstan (the “State” or the “Government”). The Government is the sole shareholder of the Fund (the “Shareholder” or the “Parent”).

During this process the Government’s overall objective was to increase management efficiency and to optimise organisational structures for them to successfully achieve their strategic objectives as set in the respective Government programs.

The Fund is a holding company combining companies listed in *Note 33* (the “Group”). Prior to February 1, 2012, the Fund’s activities were governed by the Law of the Republic of Kazakhstan *On National Welfare Fund* No. 134-4 dated February 13, 2009 and were aimed to assist in provision of stable development of the state economy, modernization and diversification of economy, and improvement of the Group companies’ efficiency. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 *On Sovereign Wealth Fund* No. 550-4, the Fund’s activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has 8 (eight) reportable operating segments as follows *(Note 37)*:

- Oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil, gas and refined products;
- Transportation segment includes operations related to railway and air transportation of cargo and passengers;
- Communication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also renting out of lines, data transfer services and wireless communication services;
- Energy segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Energy System of Kazakhstan;
- Mining segment includes exploration, mining, processing, sales of mineral resources and geological exploration;
- Industrial segment includes projects for the development of chemical industry;
- Corporate center segment covers Fund’s investing and financing activities, including provision of loans to related and third parties;
- Other segment includes operations related to assisting the Government in increasing housing availability by investing into residential development and other operations.

The address of the Fund’s registered office is 17/10 Syganaq street, Esil district, Nur-Sultan, the Republic of Kazakhstan.

These interim condensed consolidated financial statements were authorised for issue by Managing Director for Economy and Finance − Member of the Management Board and Chief accountant of the Fund on September 10, 2021.

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the three and six months ended June 30, 2021 were prepared in accordance with International Accounting Standard No. 34 *Interim Financial Statements* (IAS 34). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2020.

These interim condensed consolidated financial statements are presented in Kazakhstan tenge ("tenge") and all monetary amounts are rounded to the nearest million tenge except where otherwise indicated.

Restatements affecting comparative information

Changes in presentation of the consolidated statement of cash flows

Certain amounts in the consolidated statement of cash flows for the six months ended June 30, 2020 have been presented in separate lines in accordance with the presentation adopted in consolidated financial statements for 2020. The Group changed the presentation of its consolidated financial statements as the new presentation provides information that is more relevant to users of the consolidated financial statements.

Effect of restatement and reclassifications on the consolidated statement of cash flows for the six months ended June 30, 2020:

In millions of tenge	**For the six months ended June 30, 2020 (as previously reported)**	**Reclassification**	**For the six months ended June 30, 2020 (as restated)**
Cash flows from investing activities			
Proceeds from sale/(acquisition) of joint ventures and associates	30,387	13,482	43,869
Additional contributions to share capital of joint ventures and associates without change in ownership	–	(13,482)	(13,482)
Proceeds from the sale of debt instruments	–	13,102	13,102
Other receipts	39,561	(13,102)	26,459
Net cash flows used in investing activities	**(271,925)**	**–**	**(271,925)**

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities included in these interim condensed consolidated financial statements for the three and six months ended June 30, 2021 are measured using the currency of the primary economic environment in which the entities operate ("the functional currency").

The interim condensed consolidated financial statements are presented in tenge ("tenge"), which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Transactions and balances (continued)

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Group entities

Gains, losses and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from their presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The following table presents foreign currency exchange rate to tenge:

	June 30, 2021	December 31, 2020	**Weighted average for the six months ended June 30, 2021**	Weighted average for the six months ended June 30, 2020	**September 10, 2021**
United States dollar ("USD")	**427.89**	420.91	**424.22**	404.71	**426.52**
Euro ("EUR")	**508.85**	516.79	**511.21**	445.58	**504.79**
Russian ruble ("RUR")	**5.85**	5.62	**5.71**	5.83	**5.86**

Considerations in respect of COVID-19 (coronavirus) pandemic and the current economic environment

The impact of COVID-19 and the current economic environment on the basis of preparation of this interim condensed consolidated financial statements has been considered. The Group continues to consider it appropriate to adopt the going concern basis of accounting in preparing this interim condensed consolidated financial statements. Forecast liquidity has been assessed under a number of stressed scenarios to support this assertion.

The significant accounting judgments and estimates of the Group were disclosed in its consolidated financial statements for the year ended December 31, 2020. As at June 30, 2021, the Group analyzed and determined that all judgments and estimates used and disclosed in the consolidated financial statements for the year ended December 31, 2020 remain applicable. No new significant accounting judgments or estimates have been identified.

2. BASIS OF PREPARATION (continued)

Power generating and gas exploration and production assets

As of June 30, 2021 the Group's management performed the analysis of the impairment indicators of property, plant and equipment of subsidiaries such as Ekibastuz GRES-1 named after Bulat Nurzhanov LLP (hereinafter referred to as EGRES-1), Alatau Zharyk Company JSC ("AZhC"), Almaty Electric Stations JSC ("AlES"), Tegis Munay LLP ("TM") and "Station Ekibastuzskaya GRES-2" JSC (hereinafter"EGRES-2") in accordance with IAS 36 *Impairment of Assets*.

The principal facts and assumptions used in the analysis of the impairment indicators are:

- Lack of negative changes in the economic efficiency of subsidiaries for the reporting period;
- Changes in interest rates on loans and long-term inflation rate are not significant;
- Lack of significant changes having adverse consequences for subsidiaries, which occurred during the period or may presumably occur in the nearest future;
- The forecasted mid-term growth of demand for electricity in northern and southern areas of the Republic of Kazakhstan;
- Increase in cap tariffs for electricity for energy producing organizations ("EPOs") from the 1st of April 2021 according to the Order of the Minister of Energy of the RoK No.108 dated March 30, 2021 considering profitability rate within Methodology for determining the rate of return for all Group's EPO;
- Positive changes in legislation in the area of power energy in terms of introduction from the 1st of July 2021 of the mechanism of "through" markup to support the use of renewable energy sources ("RES"), which covers the costs of EPOs for the purchase of RES electricity;
- Positive forecast for Brent oil prices for a five-year period according to the data of international analytical agencies.

Additional facts and assumptions used in the analysis of the impairment indicators on EGRES-1:

- Overachievement of target on main operational and financial performance indicators as of May 31, 2021;
- The forecasted mid-term growth of demand for electricity in northern and southern areas of the Republic of Kazakhstan, as well as forecasted increase in electricity sales volumes due to work in seven-block mode and available capacity;
- Execution of an investment agreement with the Ministry of Energy of RK and setting an individual tariff for services on maintenance of electrical capacity from 2025 to ensure return of borrowings raised to complete the implementation of the investment project "Restoration of Power Unit 1 with the installation of new electrostatic precipitators";
- Significant increase in the electricity selling tariff – from 5.80 tenge per 1 kWh to 7.25 tenge per 1 kWh from the 1st of April 2021 and increase to 7.47 tenge per 1 kWh from the 1st of July 2021.

Additional facts and assumptions used in the analysis of the impairment indicators on EGRES-2:

- Overachievement of target on main operational and financial performance indicators as of May 31, 2021;
- The forecasted mid-term growth of demand for electricity in northern and southern areas of the Republic of Kazakhstan, as well as forecasted increase in electricity sales volumes due to the commissioning of power unit No.3 from 2026;
- Significant increase in the electricity selling tariff – from 9.13 tenge per 1 kWh to 9.69 tenge per 1 kWh from April 1, 2021 and increase to 10.16 tenge per 1 kWh from July 1, 2021.

Based on the analysis performed with respect to internal and external impairment indicators, the Group's management concluded that there are no impairment indicators as of the analysis date. Therefore, the Group's management decided not to perform the impairment test of property, plant and equipment and intangible assets of these subsidiaries at May 31, 2021. As of June 30, 2021 management believes that there were no events that could cause a negative impact on the results of the analysis of the impairment indicators performed.

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

2. BASIS OF PREPARATION (continued)

Power generating and gas exploration and production assets (continued)

Modernisation of Almaty CHP-2 with the minimization of the environmental impact

For the execution of the instructions of the President of RK on taking actions to minimize emissions to the atmosphere, the Group is developing feasibility study ("FS"). At the first stage of the project, four modernization options for CHP-2 with the minimization of the environmental impact have been considered: transition of the existing boilers to gas flaring, reconstruction of the existing boilers with the installation of gas-handling equipment, extension of CHP-2 with the construction of CCGT plants and installation of additional gas-handling equipment without transition to natural gas and construction of a new gas-based plant.

In 2020, as a result of comparison of the implementation cost and environmental emissions, the first option of the reconstruction of existing boilers with their transition to gas flaring has been selected. In 2021, a negative report was received from "Gosexpertise" RSE on this option.

On May 31, 2021 the Government of RK headed by the Prime-Minister, Mamin A.U., approved proposal on construction of combined cycle gas turbine unit of the capacity of 600 MW (hereinafter – the "CCGT plant") at the site of Almaty CHP-2. Deadline for the adjustment of project's FS with the receipt of report on comprehensive extradepartmental expertise is set by the end of 2021.

The Prime-Minister has also put "Samruk-Energy" JSC jointly with the Ministry of Energy, under the established procedure, in charge of continuing the work on raising bank borrowings to finance the project of construction of CCGT plant at the site of Almaty CHP-2 with transition to gas, including provision of gas infrastructure.

The Prime-Minister instructed the Ministry of Energy jointly with interested state bodies, JSC "SWF" Samruk-Kazyna" to work out the issue of making amendments to the Law of RK *On Power Energy* in terms of enabling the implementation of projects for the operating energy-producing organizations aimed at the settlement of ecological situation through the mechanism of electrical power market. Draft amendments to the Law of RK *On Power Energy* will be submitted to the Majilis of the Parliament of RK for consideration in September 2021. Making amendments to legislation will ensure for the Group the return of borrowings and return on investments in future using the mechanism of electrical power market. Based on the abovementioned, currently there is no a detailed project implementation plan and no defined financing sources, as well as changes in the legislative base due to the lack of FS with a positive state expertise report.

Also, we note that in the event of the construction of the CCGT plant, more than 50 percent of the property, plant and equipment of CHP-2 will remain in operation, and the rest of the property, plant and equipment, such as the technological equipment of the boiler, turbine and fuel-transport shops will be in reserve in case of gas supply interruptions or termination of the CCGT plant operation due to long-term repairs. The costs of maintaining the existing assets of CHP-2 will be charged to current costs and reimbursed through the electricity tariff.

As of June 30, 2021, the carrying amount of CHP-2 is approximately 50 billion tenge.

Based on the analysis performed, the Group's management concluded that there are no impairment indicators of property, plant and equipment as of the analysis date.

Gas production commencement terms – Tegis Munai

It is forecasted that natural gas production will commence in 2024, and it is assumed that 65% of gas production will be exported starting from 2024. The gas production commencement is postponed because the contract territory is included in the territory of South-Kazakhstan state conservation area, where it is prohibited to perform field facilities construction and development prior to territory separation from the protected areas. Currently, the authorized public bodies perform work on expansion of protected area borders considering the separation of the contract territory.

Therefore, Tegis Munai contacted the Ministry of Energy of RK ("ME RK") with the question of the relevance of production period commencement extension, field facilities construction for gas production, postponement of deadline for the implementation of working program and contract's validity period since the issue of contract territory separation is not settled yet.

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

2. BASIS OF PREPARATION (continued)

Power generating and gas exploration and production assets (continued)

Gas production commencement terms – Tegis Munai (continued)

In September 2020, the subsurface use expert commission of ME RK decided to postpone the following commitments on financing of education; R&D; social and economic development of the region, and an abandonment was given in terms of working program amendment on investment liabilities under subsurface use contract, based on which an additional agreement No.1 to the contract was signed on December 28, 2020.

On December 3, 2020, Tegis Munai has sent an application to the supreme court of RK on invalidation of the ME RK abandonment in terms of working program amendment on investment liabilities under subsurface use contract. On December 30, 2020, Tegis Munai received force-majeure certificate from the Chamber of Commerce of Kazakhstan LLP comprising Atameken NCE confirming that Tegis Munai is not able to perform subsurface use contract commitments prior to the contract territory separation from the protected areas and is not able to perform subsurface use operations. Force-majeure circumstances are in force until the contract territory separation from the protected areas.

In January 2021 an application has been filed to the ME RK with the attachment of the abovementioned certificate on invalidation of force-majeure circumstances. In June 2021, according to the results of expert commission the ME dismissed an issue on recognition of force-majeure circumstances since this issue does not relate to the competency of the Ministry of Energy.

Due to the non-performance of working program liabilities for 2021, Tegis Munai is expected to be imposed with a penalty of 466.5 tenge million. However, Tegis Munai's management believes that the risk of payment penalty is possible, since non-performance of working program is due to the force-majeure circumstances and does not depend on Tegis Munai actions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of new standards and interpretations effective as of January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

The Group intends to use the practical expedients in future periods if they become applicable.

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

4. SEASONALITY OF OPERATIONS

The Group's operating expenses are subject to seasonal fluctuations, with higher expenses for various materials, production services, maintenance and other services usually expected in the second half of the year rather than in the first six months. These fluctuations are mainly due to requirements to conduct formal public tenders during the first six months with goods and services being purchased in the second six months of the year.

5. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER

Disposals

Vostokmashzavod JSC

On December 30, 2020 the Group, represented by its subsidiary Repair Corporation Kamkor LLP, entered into a sale agreement with a third party to sell shares of Vostokmashzavod JSC. The Group classified the assets and liabilities of Vostokmashzavod JSC as at December 31, 2020 as assets held for sale measured at the lower of carrying amount and fair value less costs to sell. On January 8, 2021 the Group completed sale transaction of the shares of Vostokmashzavod JSC, and, as a result, lost control over the subsidiary.

Assets and liabilities in the separate statements of Vostokmashzavod JSC at the date of disposal amounted 6,656 million tenge and 9,980 million tenge, respectively.

The result of disposal of the subsidiary is as follows:

In millions of tenge	
Advance received previously	100
Disposed net liabilities	3,324
Disposed non-controlling interest	(849)
Adjustment to fair value of loans receivable and receivables from a former subsidiary	(2,575)
Net result from disposal of Vostokmashzavod JSC	**–**

As at the date of disposal Vostokmashzavod JSC had loans and trade payables due to the Group with a carrying value of 5,529 million tenge and 938 million tenge, respectively. Under the transaction for the acquisition of share in Vostokmashzavod JSC, the buyer guaranteed the repayment of this debt. Therefore, as a result of disposal, the Group recognized loans receivable and receivables at their fair value of 3,251 million tenge and 641 million tenge, respectively, reflecting the adjustment to fair value in the reconciliation above.

As a result, the disposal of the subsidiary in 2021 did not have an impact on the financial result.

Assets classified as held for sale or distribution to the Shareholder

Assets classified as held for sale or distribution to the Shareholder comprised the following:

In millions of tenge	**Segment**	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Assets classified as held for sale		**60,748**	61,360
Assets classified as held for distribution to Shareholder, including:		**104**	427
KOREM JSC	Energy	**–**	*323*
Other		***104***	*104*
		60,852	61,787

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

5. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER (continued)

Assets classified as held for sale or distribution to the Shareholder (continued)

Liabilities associated with assets classified as held for sale or distribution to the Shareholder comprised the following:

In millions of tenge	**Segment**	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Liabilities associated with assets classified as held for sale		**7,968**	4,814
Liabilities associated with assets classified as held for distribution to the Shareholder, including:		**–**	22
KOREM JSC	Energy	**–**	*22*
		7,968	4,836

On April 14, 2021 in accordance with the Resolution of the Government of the Republic of Kazakhstan dated March 17, 2021 the Group transferred shares of KOREM JSC to the State property and privatization committee of the Ministry of Finance of the Republic of Kazakhstan with net assets of 312 million tenge *(Note 16)*.

In March 2021 the Group sold compressor station "Korkyt-ata", which was reclassified to assets held for sale in 2020, for the consideration of 42,886 million tenge, of which 40,742 million tenge were paid as at June 30, 2021.

As at June 30, 2021, the Group reclassified to assets held for sale property and equipment of 49,320 million tenge mainly represented by compressor station "Aral" for 40,378 million tenge, self-propelled barges Sunkar and Berkut for 3,755 million tenge and property, plant and equipment of UTTiOS LLP for 5,009 milion tenge.

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

6. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are presented as follows:

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Const-ruction in progress	Total
Net book value at January 1, 2021 (audited)	4,455,419	1,986,120	1,176,291	1,161,613	3,315,856	154,747	198,742	1,255,097	13,703,885
Foreign currency translation	**63,677**	**5,086**	**1,491**	**29**	**6,365**	**–**	**1,817**	**3,570**	**82,035**
Changes in estimates	**(11,490)**	**(93)**	**1,716**	**–**	**16**	**(164)**	**8**	**–**	**(10,007)**
Additions	**16,276**	**4,833**	**5,225**	**28**	**83,053**	**14,590**	**1,697**	**473,952**	**599,654**
Additions through lease agreements	**1,421**	**32,579**	**6,548**	**–**	**38,930**	**–**	**2,620**	**–**	**82,098**
Capitalized repair works on right-of-use assets	**–**	**–**	**–**	**–**	**7,096**	**–**	**–**	**–**	**7,096**
Disposals	**(15,614)**	**(42,347)**	**(4,032)**	**(1,146)**	**(22,880)**	**(37)**	**(2,536)**	**(413)**	**(89,005)**
Depreciation charge	**(139,575)**	**(88,701)**	**(35,624)**	**(18,414)**	**(172,368)**	**(14,766)**	**(11,335)**	**–**	**(480,783)**
Depreciation and impairment on disposals	**13,241**	**14,204**	**1,270**	**944**	**19,866**	**–**	**2,026**	**303**	**51,854**
Impairment, net of reversal of impairment	**10**	**–**	**176**	**(334)**	**(40)**	**160**	**8**	**(191)**	**(211)**
Transfer from/(to) assets classified as held for sale	**–**	**(24)**	**(13,430)**	**–**	**(37,721)**	**–**	**(535)**	**(24)**	**(51,734)**
Transfers from/(to) intangible assets	**539**	**–**	**(1)**	**–**	**(1)**	**–**	**–**	**(1,593)**	**(1,056)**
Transfers from/(to) exploration and evaluation assets, investment property	**145**	**–**	**(2,403)**	**–**	**89**	**–**	**(22)**	**–**	**(2,191)**
Transfer from/(to) inventories	**43**	**1,619**	**(22)**	**(180)**	**477**	**1,333**	**62**	**168**	**3,500**
Other transfers and reclassifications	**45,615**	**15,350**	**9,366**	**5,258**	**100,346**	**1,006**	**17,203**	**(194,144)**	**–**
Net book value at June 30, 2021 (unaudited)	**4,429,707**	**1,928,626**	**1,146,571**	**1,147,798**	**3,339,084**	**156,869**	**209,755**	**1,536,725**	**13,895,135**
Historical cost	**6,327,428**	**3,641,607**	**1,763,858**	**1,450,517**	**5,957,048**	**348,628**	**401,071**	**1,654,441**	**21,544,598**
Accumulated depreciation and impairment	**(1,897,721)**	**(1,712,981)**	**(617,287)**	**(302,719)**	**(2,617,964)**	**(191,759)**	**(191,316)**	**(117,716)**	**(7,649,463)**
Net book value at June 30, 2021 (unaudited)	**4,429,707**	**1,928,626**	**1,146,571**	**1,147,798**	**3,339,084**	**156,869**	**209,755**	**1,536,725**	**13,895,135**
Historical cost	6,207,948	3,607,779	1,764,392	1,447,389	5,812,284	338,271	375,664	1,374,385	20,928,112
Accumulated depreciation and impairment	(1,752,529)	(1,621,659)	(588,101)	(285,776)	(2,496,428)	(183,524)	(176,922)	(119,288)	(7,224,227)
Net book value at December 31, 2020 (audited)	4,455,419	1,986,120	1,176,291	1,161,613	3,315,856	154,747	198,742	1,255,097	13,703,885

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Including right-of-use assets under lease agreements									
Net book value at January 1, 2021 (audited)	40,947	6,253	69,501	–	355,064	–	30,137	–	501,902
Foreign currency translation	**662**	**96**	**246**	**–**	**4,770**	**–**	**590**	**–**	**6,364**
Changes in estimates	**–**	**11**	**1,726**	**–**	**17**	**–**	**8**	**–**	**1,762**
Additions through lease agreements	**1,421**	**32,579**	**6,548**	**–**	**38,930**	**–**	**2,620**	**–**	**82,098**
Capitalized repair works on right-of-use assets	**–**	**–**	**–**	**–**	**7,096**	**–**	**–**	**–**	**7,096**
Disposals	**–**	**(8)**	**(2,206)**	**–**	**(5,351)**	**–**	**(260)**	**–**	**(7,825)**
Depreciation charge	**234**	**(16,417)**	**(8,359)**	**–**	**(33,160)**	**–**	**(2,757)**	**–**	**(60,459)**
Depreciation and impairment on disposals	**(3,635)**	**8**	**291**	**–**	**5,244**	**–**	**161**	**–**	**2,069**
Net book value at June 30, 2021 (unaudited)	**39,629**	**22,522**	**67,747**	**–**	**372,610**	**–**	**30,499**	**–**	**533,007**
Historical cost of right-of-use assets under lease agreements	**56,071**	**39,703**	**108,246**	**–**	**634,418**	**–**	**38,091**	**–**	**876,529**
Accumulated depreciation and impairment of right-of-use assets under lease agreements	**(16,442)**	**(17,181)**	**(40,499)**	**–**	**(261,808)**	**–**	**(7,592)**	**–**	**(343,522)**
Net book value at June 30, 2021 (unaudited)	**39,629**	**22,522**	**67,747**	**–**	**372,610**	**–**	**30,499**	**–**	**533,007**
Historical cost of right-of-use assets under lease agreements	53,747	7,014	102,001	–	530,064	–	35,063	–	727,889
Accumulated depreciation and impairment of right-of-use assets under lease agreements	(12,800)	(761)	(32,500)	–	(175,000)	–	(4,926)	–	(225,987)
Net book value at December 31, 2020 (audited)	40,947	6,253	69,501	–	355,064	–	30,137	–	501,902

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

As at June 30, 2021 property, plant and equipment with net book value of 931,697 million tenge was pledged as collateral for some of the Group's borrowings (December 31, 2020: 959,895 million tenge).

As at June 30, 2021 the cost of fully amortised property, plant and equipment of the Group was equal to 1,179,501 million tenge (December 31, 2020: 1,320,644 million tenge).

For the six months ended June 30, 2021 the Group capitalized borrowing costs at an average interest rate of 3.47% in the amount of 19,214 million tenge *(Note 17)* (for the six months ended June 30, 2020: at an average interest rate of 3.5% in the amount of 14,264 million tenge).

7. INTANGIBLE ASSETS

Movements in intangible assets are presented as follows:

In millions of tenge	Licenses	Subsur-face use rights	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value at January 1, 2021 (audited)	711,045	832,147	315,981	24,825	63,930	74,096	2,022,024
Foreign currency translation	**8,497**	**3,445**	**182**	**411**	**83**	**416**	**13,034**
Additions	**475**	**2,763**	**–**	**–**	**8,594**	**473**	**12,305**
Disposals	**(43)**	**–**	**–**	**–**	**(485)**	**(3)**	**(531)**
Amortization charge	**(22,769)**	**(17,760)**	**–**	**–**	**(9,713)**	**(2,886)**	**(53,128)**
Accumulated amortization on disposals	**43**	**–**	**–**	**–**	**374**	**2**	**419**
Transfer from/(to) assets classified as held for sale	**–**	**–**	**–**	**–**	**(52)**	**–**	**(52)**
Transfers from/(to) property, plant and equipment	**151**	**(539)**	**–**	**–**	**1,249**	**195**	**1,056**
Transfer from other non-current assets	**2,158**	**–**	**–**	**–**	**64**	**–**	**2,222**
Other transfers and reclassifications	**851**	**–**	**–**	**–**	**3,659**	**(4,510)**	**–**
Net book value at June 30, 2021 (unaudited)	**700,408**	**820,056**	**316,163**	**25,236**	**67,703**	**67,783**	**1,997,349**
Historical cost	**883,421**	**940,084**	**433,071**	**64,779**	**203,011**	**145,741**	**2,670,107**
Accumulated amortization and impairment	**(183,013)**	**(120,028)**	**(116,908)**	**(39,543)**	**(135,308)**	**(77,958)**	**(672,758)**
Net book value at June 30, 2021 (unaudited)	**700,408**	**820,056**	**316,163**	**25,236**	**67,703**	**67,783**	**1,997,349**
Historical cost	869,540	933,938	432,947	63,722	189,762	148,180	2,638,089
Accumulated amortization and impairment	(158,495)	(101,791)	(116,966)	(38,897)	(125,832)	(74,084)	(616,065)
Net book value at December 31, 2020	711,045	832,147	315,981	24,825	63,930	74,096	2,022,024

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

8. EXPLORATION AND EVALUATION ASSETS

Movements in exploration and evaluation assets are presented as follows:

In millions of tenge	**Tangible**	**Intangible**	**Total**
Net book value at January 1, 2021 (audited)	339,742	27,651	367,393
Foreign currency translation	**3,087**	**–**	**3,087**
Additions	**5,754**	**484**	**6,238**
Disposals	**–**	**(4,970)**	**(4,970)**
Depreciation and impairment on disposals	**–**	**4,970**	**4,970**
Impairment/write-off, net of reversal of impairment *(Note 28)*	**(19,800)**	**–**	**(19,800)**
Transfers from/(to) property, plant and equipment	**(145)**	**–**	**(145)**
Transfer from/(to) inventories	**(1,441)**	**–**	**(1,441)**
Net book value at June 30, 2021 (unaudited)	**327,197**	**28,135**	**355,332**
Historical cost	**350,635**	**31,340**	**381,975**
Accumulated impairment	**(23,438)**	**(3,205)**	**(26,643)**
Net book value at June 30, 2021 (unaudited)	**327,197**	**28,135**	**355,332**
Historical cost	365,000	35,825	400,825
Accumulated impairment	(25,258)	(8,174)	(33,432)
Net book value at December 31, 2020 (audited)	339,742	27,651	367,393

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

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates comprised the following:

			June 30, 2021 (unaudited)		December 31, 2020 (audited)	
In millions of tenge	**Main activity**	**Place of business**	**Carrying amount**	**Percentage ownership**	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**3,041,035**	**20.00%**	2,793,887	20.00%
Asian Gas Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	**371,825**	**50.00%**	291,086	50.00%
Beineu-Shymkent Gas Pipline LLP	Construction and operation of the gas pipeline	Kazakhstan	**172,244**	**50.00%**	156,771	50.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	**169,399**	**50.00%**	142,585	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	**87,182**	**50.00%**	76,702	50.00%
Forum Muider B. V.	Production and sale of coal	Kazakhstan	**48,265**	**50.00%**	42,437	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**42,570**	**50.00%**	44,585	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	**30,013**	**50.00%**	32,840	50.00%
Other			**150,296**		150,741	
Total joint ventures			**4,112,829**		3,731,634	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	**519,961**	**29.82%**	531,591	29.82%
Caspian Pipeline Consortium	Transportation of liquid hydrocarbons	Kazakhstan/Russia	**452,113**	**20.75%**	478,134	20.75%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	**84,955**	**33.00%**	78,636	33.00%
JV KATCO LLP	Exploration, production and processing of uranium	Kazakhstan	**62,730**	**49.00%**	55,845	49.00%
Other			**103,598**		109,836	
Total associates			**1,223,357**		1,254,042	
			5,336,186		4,985,676	

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

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following table summarizes the movements in equity investments in joint ventures and associates:

In millions of tenge	
Balance as at January 1, 2021 (audited)	4,985,676
Share in profit of joint ventures and associates, net *(Note 31)*	**510,801**
Additional contributions without change in ownership	**1,925**
Other comprehensive income, other than foreign currency translation	**637**
Discount on loans issued	**2,020**
Dividends received	**(189,615)**
Change in dividends receivable	**(39,563)**
Impairment *(Note 28)*	**(2,722)**
Disposals	**(89)**
Acquisitions	**1,091**
Foreign currency translation	**65,808**
Other changes in equity of joint ventures and associates	**217**
Balance as at June 30, 2021 (unaudited)	**5,336,186**

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Bank deposits	**400,701**	370,845
Loans to credit institutions	**96,511**	122,217
Less: allowance for expected credit losses	**(3,085)**	(3,490)
Amounts due from credit institutions, net	**494,127**	489,572
Less: current portion	**(375,413)**	(354,257)
Non-current portion	**118,714**	135,315

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Rating from A+(A1) to A-(A3)	**188,135**	124,409
Rating from BBB+(Baa1) to BBB(Baa2)	**–**	1,608
Rating from BBB-(Baa3) to BB-(Ba3)	**246,502**	284,997
Rating from B+(B1) to B-(B3)	**59,490**	78,558
	494,127	489,572

In millions of tenge	**June 30, 2021 (unaudited)**	**Weighted average interest rate**	December 31, 2020 (audited)	Weighted average interest rate
Amounts due from credit institutions, denominated in US dollars	**354,900**	**0.32%**	308,948	0.47%
Amounts due from credit institutions, denominated in tenge	**139,225**	**5.41%**	180,623	3.46%
Amounts due from credit institutions, denominated in other currencies	**2**	**1.9%**	1	0.70%
	494,127		489,572	

As at June 30, 2021 amounts due from credit institutions included funds of 8,992 million tenge pledged as collateral for certain Group's borrowings (December 31, 2020: 12,031 million tenge).

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

11. OTHER FINANCIAL ASSETS

Other financial assets comprised the following:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Financial assets at fair value through other comprehensive income, including	**34,840**	56,830
Bonds of Kazakhstani financial institutions	**21,124**	42,331
Corporate bonds	**6,647**	6,135
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**5,145**	6,492
Treasury notes of foreign governments	**1,865**	1,810
Equity securities	**59**	62
Financial assets at amortized cost, including	**764,955**	683,618
Bonds of Kazakhstani financial institutions	**351,415**	333,082
Corporate bonds	**107,111**	104,700
Notes of the National Bank of the Republic of Kazakhstan	**42,673**	62,295
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1,858**	1,834
Other financial assets at amortized cost, including:		
Restricted cash	***163,886***	*170,135*
Other accounts receivable	***147,865***	*114,510*
Dividends receivable	***34,919***	*3,427*
Reservation of cash for payment of borrowings	***32,799***	*–*
Amounts due from employees	***11,213***	*12,441*
Other	***10,405***	*10,730*
Less: allowance for expected credit losses	**(139,189)**	(129,536)
Financial assets at fair value through profit or loss, including	**70,070**	62,361
Equity securities	**60,135**	56,955
Options	**4,829**	1,048
Corporate bonds	**3,816**	3,508
Bonds of Kazakhstani financial institutions	**772**	753
Forward and futures contracts	**518**	97
Total financial assets	**869,865**	802,809
Less: current portion	**(255,928)**	(188,427)
Non-current portion	**613,937**	614,382

Other financial assets by currency, except for derivatives, comprised:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Financial assets, denominated in tenge	**659,154**	618,107
Financial assets, denominated in US dollars	**166,828**	149,242
Financial assets, denominated in euro	**31,279**	29,363
Financial assets, denominated in rubles	**3,957**	14
Financial assets, denominated in other currency	**3,300**	4,938
	864,518	801,664

As at June 30, 2021, the Group made reservation of cash in amount of 32,799 million tenge for repayment of loan from the Export-Import Bank of China in July 2021 in accordance with the payment schedule, including interest accrued.

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

12. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Advances paid for non-current assets	**248,071**	217,889
Long-term VAT receivable	**182,583**	194,145
Long-term inventories	**61,794**	67,306
Prepaid expenses	**14,695**	10,521
Other	**27,169**	24,166
Less: impairment allowance	**(66,752)**	(66,120)
	467,560	447,907

13. INVENTORIES

Inventories comprised the following:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Uranium products *(at lower of cost and net realizable value)*	**182,903**	183,360
Production materials and supplies *(at lower of cost and net realizable value)*	**63,740**	65,869
Oil refined products for sale *(at lower of cost and net realizable value)*	**54,439**	56,712
Crude oil *(at cost)*	**45,871**	34,151
Work in progress *(at lower of cost and net realizable value)*	**45,778**	45,104
Oil and gas industry materials and supplies *(at cost)*	**41,404**	38,196
Goods for resale *(at lower of cost and net realizable value)*	**34,996**	60,180
Gas processed products *(at cost)*	**21,497**	32,841
Railway industry materials and supplies *(at cost)*	**17,900**	15,010
Fuel *(at lower of cost and net realizable value)*	**17,064**	20,489
Aircraft spare parts *(at cost)*	**14,389**	13,308
Electric transmission equipment spare parts *(at cost)*	**5,313**	4,845
Uranium industry materials and supplies *(at lower of cost and net realizable value)*	**3,223**	1,841
Telecommunication equipment spare parts *(at lower of cost and net realizable value)*	**2,123**	1,805
Other materials and supplies *(at lower of cost and net realizable value)*	**68,447**	52,652
	619,087	626,363

Uranium products and goods for resale as at December 31, 2020 include inventory received under inventory loans in the amount of 8,597 million tenge, which corresponds to the estimated fair value of consideration transferred on the transaction date. A liability corresponding to the obligation to return inventory was recognised in the same amount in other liabilities *(Notes 22, 23)* and further revalued in accordance with the changes of market prices for inventory. During the current period, 2020 additional agreements on prolongation of maturity of these inventory loans were concluded. Inventory loans are to be settled in May-June, 2023.

14. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

Trade accounts receivable comprised the following:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Trade accounts receivable	**903,737**	714,328
Less: allowance for expected credit losses	**(56,678)**	(47,221)
	847,059	667,107

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

14. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)

Other current assets comprised the following:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Advances paid and deferred expenses	**129,533**	89,778
Other prepaid taxes	**74,791**	84,595
Other non-financial current assets	**25,518**	24,798
Less: impairment allowance	**(15,200)**	(14,402)
	214,642	184,769

As at June 30, 2021 the Group's receivables of 218,733 million tenge were pledged under certain Group borrowings (December 31, 2020: 156,111 million tenge).

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Current accounts with banks − US dollars	**731,051**	701,048
Current accounts with banks − tenge	**298,174**	248,087
Current accounts with banks − other currency	**33,758**	44,149
Bank deposits − US dollars	**773,244**	740,940
Bank deposits − tenge	**660,032**	405,360
Bank deposits − other currency	**32,703**	55,743
Cash in transit	**143,432**	8,185
Reverse repurchase agreements and other treasury securities with contractual maturity of three months or less	**74,797**	15,421
Cash on hand	**9,494**	9,057
Less: allowance for expected credit losses	**(703)**	(321)
	2,755,982	2,227,669

Within the framework of diversification, the Group continues to place part of its free liquidity in money market instruments, such as auto REPO secured by government securities (government securities) and other treasury securities with maturities of up to 3 months.

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at June 30, 2021 the weighted average interest rates for short-term bank deposits were 7.85% in tenge, 0.30% in US dollars, 0.01-2.85% in other currency; and current accounts were 1.48% in tenge, 0.26% in USD dollars, 0.59-0.76% in other currency, respectively (December 31, 2020: the weighted average interest rates for short-term bank deposits were 7.85% in tenge, 0.47% in US dollars, 0.01-1.14% in other currency; and current accounts were 0.81% in tenge, 0.07% in US dollars, 0.11-0.35% in other currency).

16. EQUITY

16.1 Dividends

Dividends attributable to non-controlling interest

During the six months ended June 30, 2021, the Group declared dividends of 84,514 million tenge to the holders of non-controlling interest in National Company "KazMunayGas" JSC ("NC KMG") group, Kazakhtelecom JSC ("KTC"), National Atomic Company "Kazatomprom" JSC ("NAC KAP") and Kazakhstan Electricity Grid Operating Company JSC ("KEGOC"). Total amount of dividends paid to the holders of non-controlling interest during the six months ended June 30, 2021 equaled 40,787 million tenge.

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

16. EQUITY (continued)

16.2 Other distributions to the Shareholder

Social projects financing

During the six months ended June 30, 2021 in accordance with the Shareholder's resolution, the Fund provided funding for procurement of vaccines against COVID-19 for the total amount of 13,410 million tenge and recognised the funding as other distributions to the Shareholder in the consolidated statement of changes in equity. As of June 30, 2021, these liabilities were fully paid off.

Also, during the six months ended June 30, 2021 in accordance with the Shareholder's resolutions, the Fund recognised liabilities for financing of various social sport projects for the amount 16,239 million tenge as other distributions to the Shareholder in the consolidated statement of changes in equity. These liabilities were fully settled as of June 30, 2021.

16.3 Transfer of assets to the Shareholder

Transfer of shares of KOREM JSC

In April 2021 in accordance with the Resolution of the Government of the Republic of Kazakhstan dated March 17, 2021 the Group transferred shares of KOREM JSC to the State property and privatization committee of the Ministry of Finance of the Republic of Kazakhstan with net assets of 312 million tenge *(Note 5)*. This transaction was recognized as transfer of assets to the Shareholder in consolidated statement of changes in equity.

16.4 Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in the consolidated financial statements. During the six months ended June 30, 2021 foreign translation difference amounted to 160,461 million tenge.

Certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in the foreign operations. Unrealized foreign currency loss for the six months ended June 30, 2021 of 64,113 million tenge resulting from translation of these borrowings were transferred to currency translation reserve recognized in other comprehensive income.

16.5 Book value per share

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

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Total assets	**28,719,408**	27,482,846
Less: intangible assets	**(1,997,349)**	(2,022,024)
Less: total liabilities	**(12,652,653)**	(12,331,231)
Net assets for common shares	**14,069,406**	13,129,591
Number of common shares	**3,481,960,408**	3,481,960,408
Book value per common share, tenge	**4,041**	3,771

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

16. EQUITY (continued)

16.5 Book value per share (continued)

Earnings per share

In tenge	**For the six months ended June 30, 2021 (unaudited)**	For the six months ended June 30, 2020 (unaudited)
Weighted average number of common shares for basic and diluted earnings per share	**3,481,958,658**	3,481,958,039
Basic and diluted share in net profit for the period per share	**266.57**	50.69

17. BORROWINGS

Borrowings, including interest payable, comprised the following:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Fixed interest rate borrowings	**6,264,950**	6,026,196
Floating interest rate borrowings	**1,400,362**	1,433,004
	7,665,312	7,459,200
Less: amounts due for settlement within 12 months	**(1,095,073)**	(850,210)
Amounts due for settlement after 12 months	**6,570,239**	6,608,990

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
US dollar-denominated borrowings	**5,072,207**	4,908,083
Tenge-denominated borrowings	**1,871,850**	1,893,815
Other currency-denominated borrowings	**721,255**	657,302
	7,665,312	7,459,200

Changes in borrowings are as follows:

In millions of tenge	
Balance as at January 1, 2021 (audited)	7,459,200
Received by cash	**525,417**
Purchase of property plant and equipment financed by borrowings	**7,882**
Interest accrued	**221,465**
Discount *(Note 30)*	**(10)**
Amortization of discount	**7,154**
Interest capitalized *(Note 6)*	**19,214**
Interest paid	**(241,635)**
Repayment of principal	**(422,904)**
Foreign currency translation	**89,878**
Other	**(349)**
Balance as at June 30, 2021 (unaudited)	**7,665,312**

* *Cash proceeds and repayments of certain borrowings obtained by the Fund's Corporate Center are included within cash flows from operating activities because these borrowings are part of the Fund's main activity of assets management.*

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

17. BORROWINGS (continued)

The carrying amount of borrowings by the Group subsidiaries is presented below:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
NC KMG and its subsidiaries	**4,058,610**	4,017,810
NC KTZh and its subsidiaries	**1,443,525**	1,444,085
UCC and its subsidiaries	**676,817**	516,888
The Fund	**588,182**	553,217
Kazakhtelecom and its subsidiaries	**263,135**	284,527
Samruk-Energy and its subsidiaries	**202,627**	196,075
KEGOC and its subsidiaries	**162,478**	100,611
EGRES-2	**100,608**	97,827
NAC KAP and its subsidiaries	**89,845**	161,034
Air Astana	**55,434**	69,035
Other subsidiaries of the Fund	**24,051**	18,091
Total borrowings	**7,665,312**	7,459,200

Covenants

Under the terms of some loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. The Group reviews compliance with all the Group loan covenants at each reporting date.

On October 31, 2011 the Group, represented by its subsidiary SSAP LLP, obtained a credit line in Eurasian Development Bank (EDB) in the amount of 8,820 million tenge maturing in 2024 and an interest rate of 10.5%, which corresponded to the market interest rate for similar loans.

The loan was obtained as part of reconstruction of the sulphuric acid plant and is due for settlement in accordance with the established schedule starting from March 1, 2016. Interest is due for settlement starting from March 1, 2014.

As part of the credit agreement with EDB, the SSAP LLP undertakes to ensure payment on the debt-service ratio of at least 1.2 and the ratio of Debt / EBITDA not exceeding 3.5.

Based on the results of 2020, the Group calculated these ratios, where the Debt / EBITDA ratio was 4.58. Debt service ratio is calculated based on the free cash flow divided by the amount of debt payments. As at December 31, 2020 the debt service ratio was 0.72, which meant a breach of obligations under the contract.

Due to the fact that the Group did not receive a waiver from the bank in 2020 the long term portion of loans in the amount of 2,086 million tenge was reclassified to current liabilities as at December 31, 2020 and June 30, 2021.

On March 13, 2021, a meeting of the EDB Board was held, at which the conclusion of an additional agreement to the loan agreement with SSAP was approved. In case an additional agreement is signed by August 20, 2021, the EDB will not apply penalties for non-performance of financial indicators (covenants) at the end of 2020.

As of the date of these interim condensed financial statements, the parties have not signed an additional agreement as the Group has decided that there is no need to convert the loan currency and sign additional financial agreements. SSAP LLP sent a letter to the EDB on the withdrawal of the above request, to which an official response from the EDB has not been received as of the current date.

A meeting of the EDB authorized body is expected on the issue of making a decision on the application of penalties to SSAP LLP and United Chemical Company LLP.

The terms of the loan agreement with the EDB, the monitoring frequency for covenants and the repayment schedule did not change, and on September 1, 2021 SSAP LLP made repayment of principal and interest in accordance with repayment schedule using own funds in the amount of 486 million tenge.

As at June 30, 2021 and December 31, 2020 the Group complied with financial and non-financial covenants required by other loan agreements.

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

18. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

Loans from the Government of the Republic of Kazakhstan comprised the following:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund	**551,032**	541,754
Loans from the Government of the Republic of Kazakhstan	**29,533**	51,468
	580,565	593,222
Less: amounts due for settlement within 12 months	**(13,411)**	(30,773)
Amounts due for settlement after 12 months	**567,154**	562,449

19. OBLIGATIONS UNDER OIL SUPPLY AGREEMENTS

KMG Kashagan B.V.

In 2018, the KMG Kashagan B.V.signed the second supplementary agreement to the crude oil supply agreement entered into in 2016. Under the terms of the supplementary agreement, the term of oil supplies was extended until December 2025, accordingly the minimum volume of oil from the Kashagan field was increased, and for the period from 2018 to 2025 amounts to 16.6 million tons.

The Agreement stipulates price determination on the basis of current market quotations and prepayment is reimbursed by means of physical supply of crude oil.

In accordance with the terms of the agreement, supply of oil started from January 2017. The KMG Kashagan B.V. considers this agreement as a contract, which was signed for the purpose of delivery of non-financial items in accordance with the Company's expectations and sale requirements.

For the six months ended June 30, 2021 KMG Kashagan B,V, has partially settled the prepayments by oil supply in the total amount of 593 million US dollars (equivalent to 251,420 million tenge).

The total amount of accrued remuneration for the six months ended June 30, 2021 was 3,041 million tenge (for the six months ended June 30, 2020: 8,651 million tenge) *(Note 29)*. Payment of remuneration shall be made in kind with crude oil.

As of June 30, 2021, KMG Kashagan B.V. did not have the long-term part of the prepayment under the contract for the supply of crude oil (as of December 31, 2020: 185,680 million tenge) due to the fact that the balance of the advance payment in the amount of 127,588 million tenge as of June 30, 2021 is planned to be fully repaid by the volumes of oil that will delivered until the end of November 2021.

In accordance with the terms of agreement, KMG Kashagan B.V. must ensure the supplied volume of crude oil is unencumbered.

Prepayment on oil supply agreement is recognized as contract liability to customers in accordance with IFRS 15.

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

20. LEASE LIABILITIES

Future minimum lease payments under leases together with the present value of the net minimum lease payments comprised the following:

	Minimum lease payments		Present value of minimum lease payments	
In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Within one year	**164,395**	139,234	**144,345**	118,878
Two to five years inclusive	**356,623**	343,809	**294,447**	288,224
After five years	**165,816**	138,253	**112,512**	108,217
	686,834	621,296	**551,304**	515,319
Less: amounts representing finance costs	**(135,530)**	(105,977)	**–**	–
Present value of minimum lease payments	**551,304**	515,319	**551,304**	515,319
Less: amounts due for settlement within 12 months			**(144,345)**	(118,878)
Amounts due for settlement after 12 months			**406,959**	396,441

As at June 30, 2021 interest calculation was based on effective interest rates ranging from 4.01% to 14.54% (December 31, 2020: from 4.01% to 14.5%).

Changes in lease liabilities are as follows:

In millions of tenge	
January 1, 2021 (audited)	515,319
Additions of leases	**72,152**
Foreign currency translation	**6,549**
Interest accrued *(Note 29)*	**19,881**
Interest paid	**(14,341)**
Repayment of principal	**(47,755)**
Other	**(501)**
June 30, 2021 (unaudited)	**551,304**

21. PROVISIONS

Provisions comprised the following:

In millions of tenge	**Asset retirement obligations**	**Provision for environ-mental remediation**	**Provision for taxes**	**Provision for con-struction of social objects**	**Other**	**Total**
Provision at January 1, 2021 (audited)	306,100	68,679	10,435	3,872	78,815	467,901
Foreign currency translation	**1,762**	**656**	**106**	**–**	**1,277**	**3,801**
Transfer to liabilities associated with assets classified as held for sale or distribution to the Shareholder	**159**	**–**	**–**	**–**	**–**	**159**
Change in estimate	**(11,976)**	**(599)**	**–**	**–**	**(46)**	**(12,621)**
Unwinding of discount	**8,769**	**992**	**–**	**–**	**115**	**9,876**
Provision for the year	**633**	**220**	**1,642**		**15,450**	**17,945**
Use of provision	**(105)**	**(1,267)**	**(474)**	**(869)**	**(6,386)**	**(9,101)**
Reversal of unused amounts	**(672)**	**–**	**(13)**	**–**	**(522)**	**(1,207)**

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

Provision at June 30, 2021 (unaudited)	**304,670**	**68,681**	**11,696**	**3,003**	**88,703**	**476,753**

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

21. PROVISIONS (continued)

Current portion and non-current portion of provisions are presented as follows:

In millions of tenge	Asset retirement obligations	Provision for environ-mental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Current portion	2,030	8,190	10,435	3,872	56,453	80,980
Non-current portion	304,070	60,489	–	–	22,362	386,921
Provision at December 31, 2020 (audited)	306,100	68,679	10,435	3,872	78,815	467,901
Current portion	**2,491**	**5,442**	**11,696**	**3,003**	**64,666**	**87,298**
Non-current portion	**302,179**	**63,239**	**–**	**–**	**24,037**	**389,455**
Provision at June 30, 2021 (unaudited)	**304,670**	**68,681**	**11,696**	**3,003**	**88,703**	**476,753**

Other provisions as at June 30, 2021 included provisions for aircraft maintenance for the amount of 44,176 million tenge (December 31, 2020: 34,965 million tenge) and gas transportation provision of 31,276 million tenge (December 31, 2020: 30,766 million tenge).

22. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities comprised the following:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Other financial liabilities		
Obligations under guarantee agreements	**44,099**	47,200
Accounts payable	**46,664**	21,536
Historical costs associated with obtaining subsoil use rights	**11,884**	11,922
Other	**15,161**	17,355
Other non-financial liabilities		
Contract liabilities to customers	**38,389**	6,937
Advances received and deferred income	**31,067**	27,055
Liabilities under inventory loan agreements *(Note 13)*	**10,979**	–
Government grant liability	**14**	29
Other	**10,360**	6,051
	208,617	138,085

23. TRADE AND OTHER PAYABLES, AND OTHER CURRENT LIABILITIES

Trade and other payables comprised the following:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Trade accounts payable	**745,234**	731,348
Accounts payable for the supply of property, plant and equipment	**99,356**	82,722
Other accounts payable	**17,595**	14,188
	862,185	828,258

Trade accounts payable were expressed in the following currencies:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Tenge-denominated trade accounts payable	**357,264**	413,111
US dollar-denominated trade accounts payable	**330,071**	239,608
Other currency-denominated trade accounts payable	**57,899**	78,629

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

	745,234	731,348

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

23. TRADE AND OTHER PAYABLES, AND OTHER CURRENT LIABILITIES (continued)

Other current liabilities comprised the following:

In millions of tenge	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
Other financial liabilities		
Due to employees	**52,706**	35,181
Dividends payable	**43,897**	477
Amounts due to customers	**41,537**	40,364
Obligations to the Shareholder on the financing of social projects	**36,297**	54,027
Obligations under guarantee agreements	**5,779**	6,174
Other	**25,994**	30,445
Other non-financial liabilities		
Contract liabilities to customers	**236,060**	228,774
Other taxes payable	**188,767**	179,929
Vacation and other employee benefits allowance	**64,965**	87,479
Advances received and deferred income	**17,256**	11,971
Pension and social contributions liabilities	**14,779**	16,750
Government grant liability	**8,896**	197
Amounts due under uranium swap contracts	**5,136**	11,588
Liabilities under inventory loan agreements *(Note 13)*	**5**	10,522
Other	**39,266**	38,153
	781,340	752,031

24. REVENUE

	For the three months ended June 30		**For the six months ended June 30**	
In millions of tenge	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Sales of crude oil	**883,686**	362,381	**1,636,713**	979,788
Sales of oil refined products	**716,728**	337,322	**1,256,969**	821,188
Railway cargo transportation	**309,589**	259,879	**576,129**	499,969
Sales of refined gold	**182,336**	138,824	**312,749**	261,378
Sales of gas products	**181,229**	156,594	**391,533**	442,830
Sales of uranium products	**173,292**	87,312	**223,079**	142,645
Telecommunication services	**141,834**	122,462	**278,274**	244,935
Oil and gas transportation fee	**81,500**	65,513	**159,461**	147,541
Electricity complex	**79,737**	49,363	**169,351**	122,336
Air transportation	**78,773**	14,627	**136,825**	78,015
Electricity transmission services	**76,899**	70,453	**145,843**	139,808
Oil processing fees	**55,296**	41,213	**101,980**	92,001
Interest revenue	**14,763**	11,784	**31,723**	24,224
Railway passenger transportation	**13,105**	3,543	**24,021**	21,675
Postal services	**11,399**	9,822	**23,181**	19,325
Other revenue	**92,584**	78,087	**176,960**	167,689
Less: quality bank for crude oil	**(2,603)**	1,237	**(2,842)**	(1,650)
Less: indirect taxes and commercial discounts	**(167,463)**	(106,016)	**(307,244)**	(218,983)
	2,922,684	1,704,400	**5,334,705**	3,984,714

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

24. REVENUE (continued)

	For the three months ended June 30		For the six months ended June 30	
In millions of tenge	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Geographical markets				
Kazakhstan	**1,186,140**	905,893	**2,218,054**	1,895,485
Other countries	**1,736,544**	798,507	**3,116,651**	2,089,229
	2,922,684	1,704,400	**5,334,705**	3,984,714

25. COST OF SALES

	For the three months ended June 30		For the six months ended June 30	
In millions of tenge	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Materials and supplies	**1,253,966**	570,850	**2,202,382**	1,472,765
Depreciation, depletion and amortization	**250,426**	228,090	**491,749**	461,466
Personnel costs, including social tax and contributions	**235,534**	213,189	**469,737**	425,210
Fuel and energy	**99,938**	70,818	**200,493**	174,431
Repair and maintenance	**65,791**	60,674	**118,351**	113,826
Production services received	**59,966**	54,530	**103,289**	114,113
Mineral extraction tax	**32,550**	20,589	**57,748**	44,402
Taxes other than social taxes and withdrawals	**27,253**	22,808	**52,305**	49,312
Transportation expenses	**16,607**	10,651	**32,431**	21,568
Communication services	**12,563**	11,571	**24,322**	24,433
Interest expense	**10,425**	12,592	**29,401**	33,928
Rent	**10,064**	13,429	**19,559**	33,662
Security services	**6,066**	5,113	**11,804**	10,341
Other	**56,134**	52,282	**105,046**	117,560
	2,137,283	1,347,186	**3,918,617**	3,097,017

26. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended June 30		For the six months ended June 30	
In millions of tenge	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Personnel costs, including social tax and contributions	**46,829**	45,249	**95,629**	94,871
Depreciation and amortization	**8,969**	9,125	**18,566**	17,742
Audit and consulting services	**8,378**	7,393	**14,088**	14,855
Allowance for expected credit losses for trade receivable and other assets	**8,097**	1,491	**10,264**	1,269
Taxes other than social taxes and withdrawals	**6,381**	10,732	**14,190**	18,339
Sponsorship and charitable donations	**3,653**	1,066	**6,503**	2,260
Repair and maintenance	**1,816**	1,791	**3,091**	2,975
Other services by third parties	**1,528**	1,252	**2,620**	2,526
Rent	**972**	1,528	**2,164**	2,744
Business trips	**873**	311	**1,522**	1,568
Fines and penalties	**786**	587	**895**	894
Utilities expenses and maintenance of buildings	**636**	833	**1,564**	1,888
Communication services	**605**	482	**1,430**	1,058
Transportation services	**599**	510	**1,155**	1,211
Bank services	**546**	414	**994**	867
Professional education and advanced trainings	**366**	242	**705**	579
Other	**15,529**	13,257	**26,945**	27,670

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

	106,563	96,263	**202,325**	193,316

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

27. TRANSPORTATION AND SELLING EXPENSES

	For the three months ended June 30		For the six months ended June 30	
In millions of tenge	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Transportation	**113,148**	106,296	**238,457**	230,951
Custom duties	**29,320**	10,401	**50,054**	41,622
Rent tax	**29,074**	(123)	**55,583**	19,474
Depreciation and amortization	**4,983**	3,938	**9,149**	7,731
Personnel costs, including social tax and contributions	**4,256**	3,700	**8,495**	7,774
Commission fees to agents and advertising	**4,258**	2,739	**6,914**	7,155
Rent expenses	**1,775**	1,510	**3,340**	2,412
Other	**7,597**	6,068	**14,143**	12,876
	194,411	134,529	**386,135**	329,995

28. IMPAIRMENT LOSS

	For the three months ended June 30		For the six months ended June 30	
In millions of tenge	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Impairment / (reversal of impairment) of assets held for sale	**3,788**	28	**3,788**	(133)
Expected credit losses on other financial assets	**1,639**	344	**1,792**	718
Impairment of investments in joint ventures and associates *(Note 9)*	**1,440**	3,954	**2,722**	50,624
Accrual/(reversal) of expected credit losses on loans issued	**714**	133	**328**	(558)
Accrual/(reversal) of expected credit losses on cash and cash equivalents	**312**	70	**381**	(263)
Impairment/(reversal of impairment) of VAT receivable	**275**	(10)	**(1,379)**	593
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets	**174**	174,010	**20,011**	235,269
Reversal of expected credit losses on amounts in credit institutions	**(580)**	(656)	**(402)**	(493)
Other	**(234)**	(2,153)	**386**	(2,207)
	7,528	175,720	**27,627**	283,550

Impairment losses on property, plant and equipment, exploration and evaluation assets and intangible assets were recognised for the following CGUs:

	For the three months ended June 30		For the six months ended June 30	
In millions of tenge	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
CGUs of KMGI	**–**	159,009	**–**	159,009
Embamunaigas (EMG)	**–**	–	**–**	60,440
Write-off of brownfields of KazMunayGas Exploration Production ("KMG EP") *(Note 8)*	**–**	–	**19,800**	–
Others	**174**	15,001	**211**	15,820
	174	174,010	**20,011**	235,269

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

28. IMPAIRMENT LOSS (continued)

CGUs of KMGI

As of June 30, 2020, KMG International N.V. (further KMGI), the Group subsidiary, performed impairment tests of its CGUs.

As a result of the test performed, KMGI recognized impairment loss of property, plant and equipment and intangible assets of 152,244 million tenge and 6,765 million tenge, respectively.

EMG CGU

As of June 30, 2020, Embamunaigas (EMG), subsidiary of KazMunayGas Exploration Production JSC (KMG EP), carried out an assessment of the recoverable amount of property, plant and equipment and exploration and evaluation assets due to the presence of impairment indicators such as decline in the forecasted oil prices. The result of this assessment indicated that the carrying value of assets exceeded their estimated recoverable amount by 60,440 million tenge, particularly, 44,098 million tenge of property, plant and equipment and 16,342 million tenge of exploration and evaluation assets were impaired in the interim consolidated statement of comprehensive income for the six months ended June 30, 2020.

For the six months ended June 30, 2021, no impairment indicators of property, plant and equipment, intangible assets and exploration and evaluation assets were observed.

Write-off of brownfields KMG EP

During the six months ended June 30, 2021, EMG partially reduced the contract area of Taisoigan and wrote off related exploration expenses of 19,800 million tenge.

29. FINANCE COSTS

	For the three months ended June 30		For the six months ended June 30	
In millions of tenge	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Interest on loans and debt securities issued	**110,915**	106,262	**218,587**	211,048
Interest on lease liabilities *(Note 20)*	**10,375**	8,790	**19,881**	17,308
Amortization of discount on provisions and other payables	**5,425**	5,437	**10,208**	10,219
Interest under oil supply agreement *(Note 19)*	**1,302**	3,413	**3,041**	8,651
Revaluation loss on financial assets at fair value through profit/loss	**1,002**	2,326	**3,473**	2,507
Finance costs for the early redemption of bonds	**–**	24,221	**–**	24,221
Financial guarantees	**–**	11,194	**–**	11,696
Other	**5,825**	2,137	**13,459**	23,679
	134,844	163,780	**268,649**	309,329

30. FINANCE INCOME

	For the three months ended June 30		For the six months ended June 30	
In millions of tenge	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Interest income on amounts due from credit institutions and cash and cash equivalents	**15,930**	16,169	**28,216**	33,040
Income from loans and financial assets	**7,764**	9,880	**14,914**	19,226
Revaluation gain on financial assets at fair value through profit/loss	**5,243**	2,236	**8,874**	3,132
Income from financial guarantees	**2,179**	2,284	**3,788**	4,570
Unwinding of discount on long-term receivables	**473**	707	**1,251**	1,148
Income from subsidized interest rates on financial liabilities	**241**	14,396	**361**	14,748
Discount on liabilities at rates below market *(Note 17)*	**–**	244	**10**	11,532

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

Other	**2,087**	6,110	**3,202**	8,927
	33,917	52,026	**60,616**	96,323

31. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

	For the three months ended June 30		For the six months ended June 30	
In millions of tenge	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Tengizchevroil LLP	**109,664**	5,563	**199,005**	69,514
Asian Gas Pipeline LLP	**65,007**	80,848	**120,824**	76,566
Caspian Pipeline Consortium	**17,316**	20,540	**39,321**	40,664
Beineu-Shymkent Pipeline LLP	**16,428**	31,906	**36,173**	24,139
Kazzinc LLP	**16,402**	11,811	**42,966**	15,361
Mangistau Investments B.V.	**14,740**	(1,359)	**26,794**	4,755
KazRosGas LLP	**7,320**	7,909	**9,165**	1,468
JV KATCO LLP	**7,270**	7,297	**6,885**	12,331
Kazakhstan – China Pipeline LLP	**4,231**	7,535	**6,881**	4,222
JV Kazgermunai LLP	**3,846**	2,949	**4,099**	8,955
PetroKazakhstan Inc.	**3,725**	4,629	**5,832**	7,347
"United Transport and Logistics Company – Eurasian Rail Alliance" JSC	**3,167**	2,414	**5,241**	3,125
Forum Muider B, V,	**2,023**	3,506	**5,900**	7,437
Valsera Holdings B.V.	**636**	7,255	**4,551**	(4,020)
Ural Group Limited BVI	**(3,473)**	(2,486)	**(5,220)**	(4,952)
AstanaGas KMG JSC	**(3,863)**	(3,791)	**(7,751)**	(7,208)
Other	**8,035**	14,971	**10,135**	16,549
	272,474	201,497	**510,801**	276,253

32. INCOME TAX EXPENSES

	For the three months ended June 30		For the six months ended June 30	
In millions of tenge	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Current income tax expenses				
Corporate income tax ("CIT")	**86,736**	38,021	**153,392**	89,755
Withholding tax on dividends and interest income	**6,197**	5,145	**7,263**	9,049
Excess profit tax	**38**	(241)	**38**	(208)
Deferred income tax expense/(benefit)				
Corporate income tax ("CIT")	**24,399**	(23,136)	**37,044**	(26,367)
Withholding tax on dividends and interest income	**16,450**	108	**29,851**	9,701
Excess profit tax	**(9)**	(18)	**(11)**	3,447
Income tax expenses	**133,811**	19,879	**227,577**	85,377

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

33. CONSOLIDATION

Subsidiaries included in these interim condensed consolidated financial statements are presented as follows:

		Main activity	Country of incorporation	Ownership percentage June 30, 2021 (unaudited)	Ownership percentage December 31, 2020 (audited)
1	National Company "KazMunayGas" JSC ("NC KMG") and subsidiaries	Exploration, production, processing and transportation of oil and gas	Kazakhstan	**90.42%**	90.42%
2	KMG Kashagan B.V.	Exploration and production of hydrocarbons	Netherlands	**95.00%**	95.00%
3	National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh") and subsidiaries	Passenger and cargo transportation	Kazakhstan	**100.00%**	100.00%
4	National Atomic Company "Kazatomprom" JSC ("NAC KAP") and subsidiaries	Production and mining of uranium, rare metals	Kazakhstan	**75.00%**	75.00%
5	Samruk-Energy JSC ("Samruk-Energy") and subsidiaries	Electricity and heat production	Kazakhstan	**100.00%**	100.00%
6	Kazakhstan Electricity Grid Operating Company JSC ("KEGOC") and subsidiaries	Electricity transmission services	Kazakhstan	**90.00% + 1**	90.00% + 1
7	Kazpost JSC and subsidiaries	Postal and financial activities	Kazakhstan	**100.00%**	100.00%
8	Kazakhtelecom JSC ("KTC") and subsidiaries	Telecommunication services	Kazakhstan	**52.03%**	52.03%
9	Air Astana JSC ("Air Astana") and subsidiaries	Air transportation	Kazakhstan	**51.00%**	51.00%
10	Samruk-Kazyna Construction JSC and subsidiaries	Construction and real estate management	Kazakhstan	**100.00%**	100.00%
11	National Mining Company "Tau-Ken Samruk" and subsidiaries	Exploration, mining and processing of solid minerals	Kazakhstan	**100.00%**	100.00%
12	United Chemical Company LLP ("UCC") and subsidiaries	Development and implementation of projects in the chemical industry	Kazakhstan	**100.00%**	100.00%
13	Samruk-Kazyna Invest LLP and subsidiaries	Investments	Kazakhstan	**100.00%**	100.00%
14	Samruk-Kazyna Contract LLP	Procurement activities	Kazakhstan	**100.00%**	100.00%
15	Stantsiya Ekibastuzskaya GRES-2 JSC ("EGRES-2")	Power generation	Kazakhstan	**100.00%**	100.00%
16	SK Business Service LLP and subsidiaries	Transformation services, information and IT services	Kazakhstan	**100.00%**	100.00%
17	Qazaq Air JSC	Air transportation	Kazakhstan	**100.00%**	100.00%
18	Kazakhstan nuclear electric plants LLP	Servicing companies in the electricity sector	Kazakhstan	**100.00%**	100.00%
19	KOREM JSC	Electricity market operator	Kazakhstan	**–**	100.00%

34. RELATED PARTY DISCLOSURES

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

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel and other entities controlled by the Government. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

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

34. RELATED PARTY DISCLOSURES (continued)

The following table provides the total amount of transactions, which have been entered into with related parties during the six months ended June 30, 2021 and 2020 and the related balances as at June 30, 2021, and December 31, 2020, respectively:

In millions of tenge		Associates	Joint ventures where the Group is a venturer	Other state-controlled entities
Due from related parties	**June 30, 2021**	**8,861**	**30,580**	**23,446**
	December 31, 2020	3,008	29,132	22,639
Due to related parties	**June 30, 2021**	**31,190**	**214,893**	**10,126**
	December 31, 2020	27,742	218,085	9,163
Sale of goods and services	**June 30, 2021**	**122,494**	**194,731**	**365,335**
	June 30, 2020	58,462	150,628	312,162
Purchase of goods and services	**June 30, 2021**	**92,926**	**846,281**	**16,128**
	June 30, 2020	85,391	562,616	12,529
Other income/(loss)	**June 30, 2021**	**(143)**	**4,666**	**2,289**
	June 30, 2020	8,087	15,529	(206)
Cash and cash equivalents, and amounts due from credit institutions	**June 30, 2021**	**–**	**157**	**153,688**
	December 31, 2020	–	242	262,012
Loans issued	**June 30, 2021**	**10,091**	**308,805**	**5,725**
	December 31, 2020	17,279	313,509	5,559
Borrowings	**June 30, 2021**	**15,684**	**4**	**977,106**
	December 31, 2020	14,004	4	1,065,166
Other assets	**June 30, 2021**	**29,689**	**25,705**	**160,706**
	December 31, 2020	6,833	16,802	158,936
Other liabilities	**June 30, 2021**	**40,425**	**98,102**	**49,093**
	December 31, 2020	65,329	46,634	39,063
Interest accrued due from related parties	**June 30, 2021**	**5,209**	**12,131**	**7,075**
	June 30, 2020	3,253	15,876	16,717
Interest accrued due to related parties	**June 30, 2021**	**2,404**	**354**	**40,131**
	June 30, 2020	8,690	230	50,789

As at June 30, 2021 some of the Group's borrowings in the amount of 44,866 million tenge were guaranteed by the Government of the Republic of Kazakhstan (as at December 31, 2020: 48,121 million tenge).

For the six months ended June 30, 2021 the total compensation to key management personnel included in personnel costs in the accompanying interim consolidated statement of comprehensive income was equal to 3,545 million tenge (for the six months ended June 30, 2020: 3,265 million tenge). Compensation to key management personnel consists primarily of contractual salary and performance bonus based on operating results.

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

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The carrying amount of the financial instruments of the Group as at June 30, 2021 and December 31, 2020 is a reasonable estimate of their fair value for the following financial instruments:

In millions of tenge	**Level 1**	**Level 2**	**Level 3**	**June 30, 2021 (unaudited)**
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	**–**	**–**	**141,679**	**141,679**
Financial assets measured at fair value through OCI	**2,339**	**32,441**	**60**	**34,840**
Financial assets at fair value through profit and loss	**38,259**	**3,873**	**22,591**	**64,723**
Derivative financial assets	**–**	**3,780**	**1,567**	**5,347**

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2020 (audited)
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	–	–	138,024	138,024
Financial assets measured at fair value through OCI	8,988	47,779	63	56,830
Financial assets at fair value through profit and loss	34,643	3,897	22,676	61,216
Derivative financial assets	–	97	1,048	1,145

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at June 30, 2021 and December 31, 2020 the carrying amount of the Group's financial instruments approximates their fair value except for the following financial instruments:

	June 30, 2021 (unaudited)				
			Fair value by level of assessment		
In millions of tenge	**Carrying amount**	**Fair value**	**Quotations in an active market (Level 1)**	**From the observed market (Level 2)**	**Based on the significant amount of unobserved (Level 3)**
Financial assets					
Loans issued at amortized cost and finance lease receivables	**276,088**	**299,163**	**–**	**22,015**	**277,148**
Amounts due from credit institutions	**494,127**	**511,553**	**294,339**	**217,214**	**–**
Financial liabilities					
Borrowings	**7,665,312**	**8,444,321**	**5,057,074**	**2,368,461**	**1,018,786**
Loans from the Government of the Republic of Kazakhstan	**580,565**	**383,531**	**–**	**383,531**	**–**
Guarantee obligations	**49,878**	**48,427**	**–**	**35,166**	**13,261**

	December 31, 2020 (audited)				
			Fair value by level of assessment		
In millions of tenge	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Loans issued at amortized cost and finance lease receivables	284,212	271,526	–	17,441	254,085
Amounts due from credit institutions	489,572	498,082	335,558	162,524	–
Financial liabilities					
Borrowings	7,459,200	8,370,443	5,246,774	2,217,000	906,669
Loans from the Government of the Republic of Kazakhstan	593,222	416,166	–	416,166	–
Guarantee obligations	53,374	51,693	–	35,972	15,721

The fair value of the above financial instruments has been calculated by discounting the expected future cash flows at prevailing interest rates.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy **are shown below:**

	Valuation technique	**Significant unobservable inputs**	**Range as of June 30, 2021**	Range as of December 31, 2020
Loans issued at amortized cost and finance lease receivables	Discounted cash flow method	Interest/ discount rate	**7.6%-15%**	7.5-15%
Borrowings			**3.5%-13%**	1.9-13%
Financial guarantee issued			**4.1%-12.4%**	4.9%-12.4%

36. COMMITMENTS AND CONTINGENCIES

In addition to the contingent liabilities and commitments disclosed in the Group annual consolidated financial statements of the Group for the year ended December 31, 2020, the following changes have taken place during the six months ended June 30, 2021:

Cost recovery audits

As at June 30, 2021 the Group's share in the total disputed amounts of costs is 970,686 million tenge (December 31, 2020: 871,407 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government of the Republic of Kazakhstan with respect to the recoverability of these costs.

Kazakhstan local market obligation

During six months ended June 30, 2021, in accordance with its obligations, the Group, including joint ventures, delivered 3,396 thousand tons of crude oil (six months ended June 30, 2020: 3,048 thousand tons) to the Kazakhstan market.

Oil supply commitments

As at June 30, 2021 the Group had commitments under the oil supply agreement in the amount of 9.4 million ton to be delivered till March 2021 (December 31, 2020: 13.5 million ton).

Commitments under oilfield and mining field licenses and subsurface use contracts

As at June 30, 2021 the Group had following commitments on fulfillment of minimal work programs with respect to the requirements of their oilfield and mining licenses and related subsurface use contracts with the Government (in millions of tenge):

Year	Capital expenditures	Operational expenditures
2021	448,309	149,592
2022	250,953	132,069
2023	192,289	95,211
2024	227,498	95,370
2025-2058	2,865,760	1,566,064
Total	**3,984,809**	**2,038,306**

Capital commitments

As at June 30, 2021 the Group, including its joint ventures, had capital commitments of approximately 2,747,958 million tenge related to acquisition and construction of property, plant and equipment (December 31, 2020: 2,479,603 million tenge).

Legal proceedings

The proceedings initiated against Mr. Stati and his related parties related to the arrest of shares KMG Kashagan B.V. belonging to the Fund

The appeal process on the claim of the Fund to challenge the decision of the court of Amsterdam dated January 5, 2018, in accordance with which the restriction on the shares of KMG Kashagan B.V. was preserved

On September 14, 2017 the pre-judgement attachment in respect of the Fund's rights on management of 50% KMG Kashagan B.V. shares worth 5.2 billion US dollars was imposed with regard to the decision of the Amsterdam Court (the "Pre-judgement Attachment").

The named Pre-judgement Attachment was imposed as part of the claim for recognition and enforcement of the arbitral award on the matter of Anatolie Stati, Gabriel Stati, Ascom Group SA and Terra Raf Trans Trading Ltd, against the Republic of Kazakhstan issued in 2013 by the Arbitration Tribunal at the Arbitration Institute of the Stockholm Chamber of Commerce.

36. COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings (continued)

The proceedings initiated against Mr. Stati and his related parties related to the arrest of shares KMG Kashagan B.V. belonging to the Fund (continued)

The appeal process on the claim of the Fund to challenge the decision of the court of Amsterdam dated January 5, 2018, in accordance with which the restriction on the shares of KMG Kashagan B.V. was preserved (continued)

On December 18, 2020, the Supreme Court overturned the decision of the Amsterdam Court of Appeal dated May 7, 2019 to maintain the arrest and sent the case to the Court of Appeal in The Hague.

Currently, the Fund makes all necessary arrangements to protect its interest in accordance with the established procedure and will continue to defend its rights and legitimate interests.

The Main process on Mr. Stati's claim, filed on December 7, 2017, in which Mr. Stati asks the court to recognize the Fund as part of the Republic of Kazakhstan and oblige the Fund to comply with the arbitral award

On March 17, 2021, hearings were held on the Main process on Mr. Stati's claim, filed on December 7, 2017, in which Mr. Stati asks the court to recognize the Fund as part of the Republic of Kazakhstan and oblige the Fund to comply with the arbitral award of December 19, 2013.

On April 28, 2021, the District Court of Amsterdam granted the request made by the Fund to postpone the Main Process pending the decision of the Court of Appeal in The Hague to challenge the restriction on the shares of KMG Kashagan B.V.

Currently, the Fund makes all necessary arrangements to protect its interest in accordance with the established procedure and will continue to defend its rights and legitimate interests.

The civil litigation at KMG International N.V. (further − KMGI)

Faber Invest & Trade Inc. (further Faber), the non-controlling shareholder of KMGI subsidiaries, resumed several previous civil filings in 2020, one of which challenged the increase in the Rompetrol Rafinare Constanta, the KMGI subsidiary, share capital of 2003-2005. The hearings have been held periodically, but, no final decisions were made. On July 13, 2021, the court rejected the complaint of Faber. However, Faber appealed against this decision. Next hearings are scheduled to autumn 2021.

The Group believes that its position with regard to the new Faber filing will be sustained similar to the matters resolved in 2020 in favour of the Group, and as such, the Group did not recognize any provisions as of June 30, 2021.

Settlement of the arbitration between KazTransGas JSC ("KTG") and the partners of the North Caspian project on gas price calculus from the Kashagan field

On February 19, 2021, a decision was issued of the arbitration proceedings on the claim of KTG against the partners of the North Caspian project on gas price calculus from the Kashagan field (Decision). The Decision was issued in favor of KTG. For the six months ended June 30, 2021 the parties reached an agreement on the recalculation of contract price.

As of June 30, 2021, in accordance with the Decision KTG received the payment from the partners of the North Caspian project in total amount of 112,058 million tenge including VAT (equivalent to 262 million US dollars) and adjusted the cost of purchased gas for resale for 85,396 million tenge (equivalent to 200 million US dollars).

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

37. SEGMENT REPORTING

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group as at June 30, 2021 and for the six months then ended:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	3,369,535	552,606	756,104	302,145	307,502	14,566	24,898	7,349	–	5,334,705
Revenues from sales to other segments	13,380	34	2,131	2,144	71,659	3,130	255,571	16,244	(364,293)	–
Total revenue	3,382,915	552,640	758,235	304,289	379,161	17,696	280,469	23,593	(364,293)	5,334,705
Geographical markets										
Kazakhstan	612,438	327,665	664,384	293,141	366,487	14,170	280,469	23,593	(364,293)	2,218,054
Other countries	2,770,477	224,975	93,851	11,148	12,674	3,526	–	–	–	3,116,651
Gross profit	955,323	81,810	205,131	109,647	107,054	4,028	248,100	10,924	(286,940)	1,435,077
General and administrative expenses	(84,742)	(18,008)	(50,167)	(25,410)	(13,289)	(2,724)	(12,772)	(1,686)	6,473	(202,325)
Transportation and selling expenses	(374,185)	(3,687)	(3,005)	(5,478)	(6,547)	(700)	-	-	7,467	(386,135)
Finance income	46,134	4,589	8,579	3,231	5,331	836	12,068	9,899	(30,051)	60,616
Finance costs	(144,769)	(3,300)	(77,117)	(24,108)	(26,915)	(2,988)	(15,734)	(16,554)	42,836	(268,649)
Share in profits/(loss) of joint ventures and associates	450,426	56,965	5,088	–	6,032	(100)	(7,612)	2	–	510,801
Foreign exchange (loss)/gain, net	(834)	2,923	(12,480)	1,599	95	(9,966)	18,144	(574)	(411)	(1,504)
Income tax expenses	(151,876)	(16,523)	(18,570)	(19,056)	(15,683)	(51)	(1,258)	(1,228)	(3,332)	(227,577)
Net profit/(loss) for the period	694,626	100,461	65,116	55,571	56,527	(12,528)	237,910	944	(270,442)	928,185
Other segment information										
Total assets of the segment	17,594,488	2,472,897	3,968,099	1,212,688	1,629,310	1,094,069	7,961,902	359,501	(7,573,546)	28,719,408
Total liabilities of the segment	6,533,545	546,155	2,731,226	623,584	776,893	840,859	1,741,117	223,384	(1,364,110)	12,652,653
Investments in joint ventures and associates	4,580,129	638,912	24,293	–	84,995	5,208	34,974	16	(32,341)	5,336,186

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

37. SEGMENT REPORTING (continued)

The following table represents information about profit and loss of operating segments of the Group for the six months ended June 30, 2020 and assets and liabilities as at December 31, 2020:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	2,386,463	416,119	617,004	263,534	263,966	5,359	19,432	12,837	–	3,984,714
Revenues from sales to other segments	15,794	95	1,756	2,365	55,873	4,736	228,229	5,106	(313,954)	–
Total revenue	2,402,257	416,214	618,760	265,899	319,839	10,095	247,661	17,943	(313,954)	3,984,714
Geographical markets										
Kazakhstan	544,513	272,114	556,142	256,838	306,793	7,435	247,661	17,943	(313,954)	1,895,485
Other countries	1,857,744	144,100	62,618	9,061	13,046	2,660	–	–	–	2,089,229
Gross profit	546,648	71,203	118,607	86,385	90,911	1,390	211,433	8,197	(236,033)	898,741
General and administrative expenses	(87,874)	(12,818)	(48,492)	(21,676)	(13,162)	(2,447)	(9,098)	(1,782)	4,033	(193,316)
Transportation and selling expenses	(317,282)	(4,988)	(2,683)	(5,646)	(5,821)	(543)	–	–	6,968	(329,995)
Finance income	63,830	4,959	24,355	3,522	4,045	305	13,864	5,122	(23,679)	96,323
Finance costs	(149,017)	(7,612)	(108,436)	(26,238)	(28,117)	(2,984)	(18,154)	(5,836)	37,065	(309,329)
Share in profits/(loss) of joint ventures and associates	235,689	33,978	5,504	–	7,467	(71)	(6,314)	–	–	276,253
Foreign exchange gain/(loss), net	17,986	6,369	(22,570)	2,155	(1,694)	(14,973)	83,723	1,257	130	72,383
Income tax expenses	(31,548)	(23,229)	(1,030)	(11,992)	(12,585)	(52)	(1,746)	(2,212)	(983)	(85,377)
Net profit/(loss) for the period	10,700	86,704	(36,976)	27,980	38,244	(20,834)	278,798	4,271	(212,385)	176,502
Other segment information										
Total assets of the segment	16,854,461	2,411,794	3,861,110	1,220,457	1,574,935	804,995	7,738,822	337,307	(7,321,035)	27,482,846
Total liabilities of the segment	6,535,391	377,221	2,701,075	664,364	756,442	609,561	1,696,538	199,447	(1,208,808)	12,331,231
Investments in joint ventures and associates	4,214,205	650,943	21,218	–	79,035	5,273	47,330	13	(32,341)	4,985,676

37. SEGMENT REPORTING (continued)

The following tables represents information about profit and loss of operating segments of the Group for the three months ended June 30, 2021 and June 30, 2020:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	1,819,099	366,514	408,918	153,751	150,458	8,832	12,418	2,694	–	2,922,684
Revenues from sales to other segments	4,266	9	1,075	995	37,862	1,642	245,681	4,670	(296,200)	–
Total revenue	1,823,365	366,523	409,993	154,746	188,320	10,474	258,099	7,364	(296,200)	2,922,684
Geographical markets										
Kazakhstan	307,627	192,025	375,112	148,561	185,014	8,538	258,099	7,364	(296,200)	1,186,140
Other countries	1,515,738	174,498	34,881	6,185	3,306	1,936	–	–	–	1,736,544
Gross profit	498,789	66,551	125,829	58,047	48,220	2,615	246,134	3,413	(251,391)	798,207
General and administrative expenses	(44,280)	(10,907)	(24,287)	(14,373)	(6,696)	(1,417)	(7,562)	(842)	3,801	(106,563)
Transportation and selling expenses	(187,242)	(2,084)	(1,628)	(3,392)	(2,546)	(392)	–	–	2,873	(194,411)
Finance income	24,488	3,173	5,003	1,793	2,806	415	9,775	5,358	(18,894)	33,917
Finance costs	(72,518)	(1,618)	(39,419)	(12,200)	(13,672)	(1,481)	(10,340)	(5,862)	22,266	(134,844)
Share in profits/(loss) of joint ventures and associates	241,186	30,232	2,887	–	1,995	(42)	(3,784)	–	–	272,474
Foreign exchange (loss)/gain, net	(4,336)	1,794	(15,942)	1,070	(446)	(4,422)	5,641	(983)	19	(17,605)
Income tax expenses	(86,539)	(12,108)	(13,427)	(11,694)	(7,129)	(34)	(435)	134	(2,579)	(133,811)
Net profit/(loss) for the period	381,438	70,929	44,989	32,715	20,473	(5,181)	237,621	637	(249,227)	534,394

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

37. SEGMENT REPORTING (continued)

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	921,098	230,381	283,899	132,541	119,654	3,496	9,657	3,674	–	1,704,400
Revenues from sales to other segments	5,584	64	772	1,081	26,150	2,377	216,305	2,602	(254,935)	–
Total revenue	926,682	230,445	284,671	133,622	145,804	5,873	225,962	6,276	(254,935)	1,704,400
Geographical markets										
Kazakhstan	235,231	147,191	271,287	128,828	141,533	4,520	225,962	6,276	(254,935)	905,893
Other countries	691,451	83,254	13,384	4,794	4,271	1,353	–	–	–	798,507
Gross profit	179,167	42,471	67,498	44,551	32,211	1,054	211,798	3,444	(218,319)	363,875
General and administrative expenses	(43,319)	(5,825)	(23,872)	(10,247)	(7,525)	(1,232)	(5,311)	(921)	1,989	(96,263)
Transportation and selling expenses	(130,207)	(1,823)	(636)	(2,543)	(1,642)	(307)	–	–	2,629	(134,529)
Finance income	26,702	735	21,851	1,931	2,492	174	7,582	3,342	(12,783)	52,026
Finance costs	(74,050)	6,478	(71,857)	(13,011)	(15,252)	(1,494)	(9,259)	(4,119)	18,784	(163,780)
Share in profits/(loss) of joint ventures and associates	170,273	27,865	3,009	–	3,785	(41)	(3,394)	–	–	201,497
Foreign exchange (loss)/gain, net	(14,402)	(9,381)	68,426	(9,739)	12,366	32,550	(174,373)	(2,373)	(108)	(97,034)
Income tax expenses	(3,875)	(6,004)	2,692	(4,456)	(5,579)	(33)	(901)	(740)	(983)	(19,879)
Net (loss)/profit for the period	(59,430)	52,261	82,163	6,946	17,742	29,736	34,563	(1,712)	(210,888)	(48,619)

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

38. SUBSEQUENT EVENTS

Dividends received from joint ventures and associates

In July and August, 2021 the Group received dividends from Kazakhstan – China Pipeline LLP, KazGerMunay LLP, Caspian Pipeline Consortium and Mangistau Investments B.V. of 1,800 million tenge, 4,245 million tenge, 28 million US dollars (equivalent to 11,978 million tenge) and 36 million US dollars (equivalent to 15,427 million tenge), respectively.

On July 16, 2021 the Group received dividends for 2020 in the amount of 3,495 million tenge (equivalent to 606,686 thousand Russian roubles) from an associate UTLC ERA JSC.

Dividends paid to the holders of non-controlling interest

On August 3, 2021 the Group paid dividends to the National Bank of the Republic of Kazakhstan of 4,787 million tenge.

In July 2021 the Group paid dividends to the holders of non-controlling interest in NAC KAP of 37,521 million tenge.

Disposal of interest in subsidiaries that did not result in the loss of control

On July 22, 2021 the sale of 49% interest of NAC KAP in Ortalyk LLP was completed in accordance with sale and purchase agreement signed with CGNM UK Limited (a subsidiary of CGNPC). NAC KAP retains a 51% interest and CGNM UK Limited holds a 49% interest, with each participant purchasing a proportionate share of uranium production from the operation according to its interest.

The consideration received equaled 435 million US dollars (equivalent to 185,858 million tenge).

Other distributions to the Shareholder

On August 5, 2021 based on the Resolution of the Shareholder, the Group recognized liabilities for financing of various social projects for total amount of 4,731 million tenge as other distributions to the Shareholder in the consolidated statement of changes in equity.

Disposal of financial assets

On September 10, 2021 the Group sold 30,001 shares of Tin One Mining JSC in the amount of 14,256 million tenge to Berkut Mining LLP.

Incident at the Petromidia Refinery (further – Petromidia)

On July 2, 2021, an incident led to fire occurred at the Petromidia, subsidiary of KMG International N.V. Incident resulted in temporarily stoppage of the Refinery production until facilities damaged are recovered. KMG International N.V. conducts assessments to estimate the incident consequences and necessary period for recovery and safe resumption of Refinery production.

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Consolidated financial statements

For the year ended December 31, 2020
with independent auditor’s report

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Independent Auditor's Report

To the Shareholder and Management of "Sovereign Wealth Fund "Samruk-Kazyna" JSC

Opinion

We have audited the consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" 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' (IESBA) 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*
Impairment of non-current assets	
We considered this matter to be one of most significance in the audit due to the high level of subjectivity in respect of assumptions underlying impairment analysis of non-current assets and significant judgements and estimates made by the management. In addition, increased cost of debt and uncertainty regarding future economic growth affects the Group's business prospects and triggers potential impairment of the Group's assets. Significant assumptions included discount rates, commodities prices, tariffs forecasts, inflation and exchange rate forecasts. Significant estimates included production forecasts, future capital expenditures and commodity reserves available for development and production. Information on non-current assets and the impairment tests performed is disclosed in *Note 4* to the consolidated financial statements.	We obtained management's impairment analysis, including analysis of impairment indicators and impairment test models. We involved business valuation specialists in the testing of the impairment analysis and calculation of recoverable amounts performed by the management. We analysed the assumptions underlying management forecast. We compared natural resource and commodity prices used in the calculation of recoverable amounts to available market forecasts. We compared the discount rate and long-term growth rates to general market indicators and other available information. We tested the mathematical accuracy of the impairment models and assessed their sensitivity to changes in assumptions. We analysed the disclosures made in the consolidated financial statements in respect of impairment.
Compliance with loan covenants	
In accordance with the terms of certain financing arrangements, the Group should comply with certain loan covenants. Breaching covenants could result in significant fines and penalties along with funding shortages. In addition, cross default provisions are in place under many of 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 interest-bearing liabilities in the consolidated statement of financial position. Information on compliance with covenants is disclosed in *Note 19* to the consolidated financial statements.	We examined the terms of financing arrangements on covenants including additional clauses on cross default conditions. We compared data used in the calculations with the financial statements. We assessed arithmetic accuracy of financial covenants calculations. We analysed the forecast made on approved budgets as of 31 December 2020, if a breach is likely in the next 12 months, we obtained and analysed management's analysis for the potential impact on going concern. We analysed communication with creditors in respect of compliance with covenants as at 31 December 2020. We also analysed the information disclosed in the consolidated financial statements.

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 do 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 Audit Committee 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 Audit Committee 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 Audit Committee 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 Audit Committee 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.

Building a better working world

From the matters communicated with the Audit Committee, 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

Rustamzhan Sattarov
General Director
Ernst & Young LLP

Auditor qualification certificate
No. МФ-0000461 dated 6 February 2017

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

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

5 April 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

In millions of tenge	Note	2020	2019 (restated)*
Assets			
Non-current assets			
Property, plant and equipment	7	**13,703,885**	13,149,184
Intangible assets	8	**2,022,024**	2,001,908
Exploration and evaluation assets	9	**367,393**	371,894
Investment property		**40,560**	24,888
Investments in joint ventures and associates	10	**4,985,676**	4,242,871
Loans issued and finance lease receivables	11	**366,830**	370,556
Amounts due from credit institutions	12	**135,315**	169,792
Deferred tax assets	35	**79,267**	91,282
Other non-current financial assets	13	**614,382**	444,104
Other non-current assets	14	**447,907**	660,814
		22,763,239	21,527,293
Current assets			
Inventories	15	**626,363**	654,452
VAT receivable		**256,319**	191,260
Income tax prepaid		**97,503**	84,086
Trade accounts receivable	16	**667,107**	620,388
Loans issued and finance lease receivables	11	**55,406**	150,273
Amounts due from credit institutions	12	**354,257**	593,974
Other current financial assets	13	**188,427**	176,672
Other current assets	16	**184,769**	294,163
Cash and cash equivalents	17	**2,227,669**	1,993,962
		4,657,820	4,759,230
Assets classified as held for sale or distribution to the Shareholder	6	**61,787**	130,487
		4,719,607	4,889,717
Total assets		**27,482,846**	26,417,010

The accounting policies and explanatory notes on pages 9 through 113 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In millions of tenge	Note	2020	2019 (restated)*
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	18.1	**5,258,657**	5,229,112
Additional paid-in capital	18.3	**–**	17,303
Currency translation reserve	18.11	**1,763,499**	1,319,406
Revaluation reserve of investments at fair value through other comprehensive income		**31,464**	29,354
Hedging reserve	18.12	**(60,416)**	(46,726)
Other capital reserves		**(16,984)**	(16,984)
Retained earnings		**6,502,544**	6,176,856
		13,478,764	12,708,321
Non-controlling interest	18.10	**1,672,851**	1,634,632
Total equity		**15,151,615**	14,342,953
Non-current liabilities			
Borrowings	19	**6,608,990**	6,103,443
Loans from the Government of the Republic of Kazakhstan	20	**562,449**	622,322
Lease liabilities	22	**396,441**	342,574
Provisions	23	**386,921**	350,863
Deferred tax liabilities	35	**1,143,256**	1,065,288
Employee benefit liabilities	24	**120,943**	111,840
Prepayment on oil supply agreements	21	**185,680**	357,902
Other non-current liabilities	25	**138,085**	113,520
		9,542,765	9,067,752
Current liabilities			
Borrowings	19	**850,210**	737,950
Loans from the Government of the Republic of Kazakhstan	20	**30,773**	5,238
Lease liabilities	22	**118,878**	84,282
Provisions	23	**80,980**	119,367
Employee benefit liabilities	24	**14,051**	12,983
Income taxes payable		**10,567**	15,529
Trade and other payables	26	**828,258**	1,045,282
Prepayment on oil supply agreements	21	**97,882**	158,162
Other current liabilities	26	**752,031**	741,726
		2,783,630	2,920,519
Liabilities associated with assets classified as held for sale or distribution to the Shareholder	6	**4,836**	85,786
		2,788,466	3,006,305
Total liabilities		**12,331,231**	12,074,057
Total equity and liabilities		**27,482,846**	26,417,010

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2019 and reflect adjustments made, refer to Note 2.*

Co-Managing Director for Economy and Finance –
Member of the Management Board

Yernar Zhanadil

САМҰРЫҚ ҚАЗЫНА

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 113 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31

In millions of tenge	**Note**	**2020**	2019 (restated)*
Revenue	27	**8,556,009**	10,648,913
Government grants		**35,408**	54,788
		8,591,417	10,703,701
Cost of sales	28	**(6,618,721)**	(7,988,781)
Gross profit		**1,972,696**	2,714,920
General and administrative expenses	29	**(425,875)**	(469,857)
Transportation and selling expenses	30	**(670,549)**	(779,034)
Impairment loss	31	**(343,741)**	(355,693)
Gain on disposal of subsidiaries		**219**	24,179
Gain on business combination		**–**	82,609
Operating profit		**532,750**	1,217,124
Finance costs	32	**(608,953)**	(639,780)
Finance income	33	**180,188**	280,949
Other non-operating loss		**(59,795)**	(66,843)
Other non-operating income		**93,265**	113,530
Share in profit of joint ventures and associates, net	34	**641,608**	914,757
Net foreign exchange gain/(loss), net		**50,094**	(16,822)
Profit before income tax		**829,157**	1,802,915
Income tax expenses	35	**(246,615)**	(382,434)
Net profit for the year		**582,542**	1,420,481
Net profit for the year attributable to:			
Equity holder of the Parent		**558,192**	1,247,971
Non-controlling interest		**24,350**	172,510
		582,542	1,420,481

The accounting policies and explanatory notes on pages 9 through 113 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge	Note	2020	2019 (restated)*
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	18.11	**516,078**	(34,256)
Unrealized gain from revaluation investments at fair value through other comprehensive income		**1,962**	102
Share of the other comprehensive income of associates and joint ventures		**5,113**	128
(Loss)/gain on transactions with hedge instruments	18.12	**(10,425)**	23,249
Net realized gain on investments at fair value through other comprehensive income		**98**	23
Tax effect on transactions of OCI components		**(37,255)**	753
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax		**475,571**	(10,001)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Share of the other comprehensive (loss)/gain of associates and joint ventures		**(285)**	188
Actuarial loss on defined benefit plans	24	**(8,295)**	(7,667)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(8,580)**	(7,479)
Other comprehensive income/(loss) for the year, net of tax		**466,991**	(17,480)
Total comprehensive income for the year, net of tax		**1,049,533**	1,403,001
Total comprehensive income for the year, attributable to:			
Equity holder of the Parent		**984,022**	1,232,453
Non-controlling interest		**65,511**	170,548
		1,049,533	1,403,001

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2019 and reflect adjustments made, refer to Note 2.*

Co-Managing Director for Economy and Finance –
Member of the Management Board

Yernar Zhanadil

САМҰРЫҚ ҚАЗЫНА

Chief accountant

Almaz Abdrakhmanova

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31

		Attributable to the equity holder of the Parent									
In millions of tenge	**Note**	**Share capital**	**Additional paid-in capital**	**Revaluation reserve of investments at fair value through other comprehen-sive income**	**Currency translation reserve**	**Hedging reserve**	**Other capital reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
Balance as at December 31, 2018 (as previously reported)		5,133,766	17,303	28,806	1,349,799	(67,163)	(16,807)	5,100,419	11,546,123	1,407,152	12,953,275
Effect of adoption of IFRS 16		–	–	–	–	–	–	(8,932)	(8,932)	(6,227)	(15,159)
Change in accounting policy and adjustments (*Note 2*)		–	–	–	–	–	–	(29)	(29)	631	602
Balance as at January 1, 2019 (restated)*		5,133,766	17,303	28,806	1,349,799	(67,163)	(16,807)	5,091,458	11,537,162	1,401,556	12,938,718
Net profit for the year (restated)*		–	–	–	–	–	–	1,247,971	1,247,971	172,510	1,420,481
Other comprehensive income/(loss) for the year		–	–	328	(30,736)	20,721	–	(5,831)	(15,518)	(1,962)	(17,480)
Total comprehensive income for the year (restated)*		–	–	328	(30,736)	20,721	–	1,242,140	1,232,453	170,548	1,403,001
Issue of shares		95,346	–	–	–	–	–	–	95,346	2,028	97,374
Dividends		–	–	–	–	–	–	(63,750)	(63,750)	(53,212)	(116,962)
Other transactions with the Shareholder		–	–	–	–	–	–	(2,501)	(2,501)	–	(2,501)
Other distributions to the Shareholder		–	–	–	–	–	–	(71,904)	(71,904)	–	(71,904)
Transfer of assets to the Shareholder		–	–	–	–	–	167	(39,509)	(39,342)	–	(39,342)
Discount on loans from the Government		–	–	–	–	–	–	5,107	5,107	–	5,107
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	85,804	85,804
Change in ownership interests of subsidiaries – disposal of interest that does not result in the loss of control		–	–	(103)	59	–	–	13,854	13,810	35,078	48,888
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	–	–	–	–	(313)	(1,800)	(2,113)	(1,012)	(3,125)
Other equity movements		–	–	323	284	(284)	(31)	3,761	4,053	(6,158)	(2,105)
Balance as at December 31, 2019 (restated)*		5,229,112	17,303	29,354	1,319,406	(46,726)	(16,984)	6,176,856	12,708,321	1,634,632	14,342,953

The accounting policies and explanatory notes on pages 9 through 113 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to the equity holder of the Parent									
In millions of tenge	Note	Share capital	Additional paid-in capital	Revaluation reserve of investments at fair value through other comprehen-sive income	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2019 (restated)*		5,229,112	17,303	29,354	1,319,406	(46,726)	(16,984)	6,176,856	12,708,321	1,634,632	14,342,953
Net profit for the year		–	–	–	–	–	–	558,192	558,192	24,350	582,542
Other comprehensive income/(loss) for the year		–	–	2,272	443,608	(13,276)	–	(6,774)	425,830	41,161	466,991
Total comprehensive income for the year		–	–	2,272	443,608	(13,276)	–	551,418	984,022	65,511	1,049,533
Issue of shares	18.1	29,545	–	–	–	–	–	–	29,545	18	29,563
Dividends	18.2	–	–	–	–	–	–	(120,000)	(120,000)	(65,695)	(185,695)
Other contributions of the Shareholder	18.3	–	(17,323)	–	–	–	–	1,205	(16,118)	–	(16,118)
Other transactions with the Shareholder	18.4	–	–	–	–	–	–	40,483	40,483	–	40,483
Other distributions to the Shareholder	18.5	–	–	–	–	–	–	(99,850)	(99,850)	–	(99,850)
Transfer of assets to the Shareholder	18.6	–	–	–	–	–	–	(24,809)	(24,809)	–	(24,809)
Discount on loans from the Government	18.7	–	–	–	–	–	–	(37,581)	(37,581)	–	(37,581)
Disposal of subsidiaries	18.8	–	–	–	–	–	–	–	–	(14,040)	(14,040)
Change in ownership interests of subsidiaries – disposal of interest that does not result in the loss of control	18.9	–	–	(170)	74	–	–	25,174	25,078	59,492	84,570
Reserve for put option of non-controlling interest holder of a subsidiary		–	–	–	–	–	–	(9,721)	(9,721)	(3,510)	(13,231)
Other equity movements		–	20	8	411	(414)	–	(631)	(606)	(3,557)	(4,163)
Balance as at December 31, 2020		5,258,657	–	31,464	1,763,499	(60,416)	(16,984)	6,502,544	13,478,764	1,672,851	15,151,615

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2019 and reflect adjustments made, refer to Note 2.*

Co- Managing Director for Economy and Finance – Member of the Management Board

Yernar Zhanadil

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 113 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

In millions of tenge	Note	2020	2019 (restated)*
Cash flows from operating activities			
Receipts from customers		**9,236,272**	10,720,229
Payments to suppliers		**(5,349,378)**	(6,737,827)
Payments to employees		**(1,022,274)**	(1,033,538)
Other taxes and payments		**(1,308,729)**	(1,588,817)
Operations with financial instruments (the Fund and Kazpost)		**19,360**	23,776
Short-term lease payments and variable lease payments		**(57,634)**	(82,314)
Proceeds from subsidized interest rates on financial liabilities		**29,183**	–
Return of VAT from the budget		**110,054**	67,180
Other payments		**(157,836)**	(123,787)
Income taxes paid		**(214,006)**	(270,127)
Interest paid		**(520,080)**	(474,112)
Interest received		**146,453**	170,486
Net cash flows received from operating activities		**911,385**	671,149
Cash flows from investing activities			
Acquisition of property, plant and equipment, and exploration and evaluation assets		**(1,061,691)**	(975,610)
Acquisition of intangible assets		**(23,036)**	(17,024)
Proceeds from sale of property, plant and equipment		**5,025**	31,415
Proceeds from sale of intangible assets		**–**	53
Proceeds from sale of other non-current assets		**52,982**	34,931
Dividends received from joint ventures and associates	10	**246,164**	235,983
Acqusition of subsidiaries, net of cash acquired with the subsidiary	5	**(26,499)**	(248,813)
Redemption of bank deposits, net		**297,967**	10,055
Loans issued		**(14,237)**	(9,167)
Proceeds from sale of subsidiaries, net of cash of disposed subsidiaries		**11,657**	63,870
Proceeds of receivables from sale of shares of BTA and Forte banks		**–**	57,473
Proceeds from sale/(acquisition) of joint ventures and associates		**70,469**	(3,366)
Additional contributions to share capital of joint ventures and associates without change in ownership		**(22,227)**	(4,765)
Repayment of loans issued		**79,937**	59,686
Purchase of debt instruments		**(312,747)**	(123,589)
Other receipts		**101,608**	131,674
Net cash flows used in investing activities		**(594,628)**	(757,194)

The accounting policies and explanatory notes on pages 9 through 113 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In millions of tenge	Note	2020	2019 (restated)*
Cash flows from financing activities			
Proceeds from borrowings		**1,859,611**	1,406,455
Repayment of borrowings		**(1,811,258)**	(1,538,093)
Share buyback by subsidiary		**(212)**	(2,979)
Repayment of lease liabilities		**(95,384)**	(104,090)
Contributions to the share capital by the Equity holder of the Parent	18.1	**26,000**	95,196
Contributions by non-controlling interest		**18**	120
Distributions to the Shareholder	18.5	**(59,852)**	(131,518)
Dividends paid to non-controlling interest of subsidiaries	18.2	**(72,054)**	(53,240)
Disposal of interest that does not result in the loss of control	18.9	**83,944**	49,145
Dividends paid to the Shareholder	18.2	**(120,000)**	(63,750)
Bonds early extinguishment premium and fees paid	19	**(45,278)**	(45,236)
Other payments		**(7,527)**	(3,128)
Net cash flows used in financing activities		**(241,992)**	(391,118)
Net increase/(decrease) in cash and cash equivalents		**74,765**	(477,163)
Effects of exchange rate changes on cash and cash equivalents		**158,524**	(23,375)
Changes in cash and cash equivalents disclosed as part of assets held for sale		**87**	7,399
Change in allowance for expected credit losses		**331**	(452)
Cash and cash equivalents at the beginning of the year		**1,993,962**	2,487,553
Cash and cash equivalents at the end of the year	17	**2,227,669**	1,993,962

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2019 and reflect adjustments made, refer to Note 2.*

Co-Managing Director for Economy and Finance – Member of the Management Board

Yernar Zhanadil

Chief accountant

Almaz Abdrakhmanova

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. GENERAL INFORMATION

Corporate information

"Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "Fund" or "Samruk-Kazyna") was established on November 3, 2008 in accordance with the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 and the Resolution of the Government of the Republic of Kazakhstan dated October 17, 2008. The formation was enacted by the merger of "Sustainable Development Fund "Kazyna" JSC ("Kazyna") and "Kazakhstan Holding Company for State Assets Management "Samruk" JSC ("Samruk") and the additional transfer to the Fund of interests in certain entities owned by the Government of the Republic of Kazakhstan (the "State" or the "Government"). The Government is the sole shareholder of the Fund (the "Shareholder" or the "Parent").

During this process the Government's overall objective was to increase management efficiency and to optimise organisational structures for them to successfully achieve their strategic objectives as set in the respective Government programs.

The Fund is a holding company combining companies listed in *Note 36* (the "Group"). Prior to February 1, 2012, the Fund's activities were governed by the Law of the Republic of Kazakhstan *On National Welfare Fund* No. 134-4 dated February 13, 2009 and were aimed to assist in provision of stable development of the state economy, modernization and diversification of economy, and improvement of the Group companies' efficiency. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 *On Sovereign Wealth* Fund No. 550-4, the Fund's activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has 8 (eight) reportable operating segments as follows *(Note 40)*:

- Oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil, gas and refined products.
- Transportation segment includes operations related to railway and air transportation of cargo and passengers.
- Communication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also renting out of lines, data transfer services and wireless communication services.
- Energy segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Energy System of Kazakhstan.
- Mining segment includes exploration, mining, processing, sales of mineral resources and geological exploration.
- Industrial segment includes industry enterprises and projects of chemical industry.
- Corporate center segment covers Fund's investing and financing activities, including provision of loans to related and third parties.
- Other segment includes operations related to assisting the Government in increasing housing availability by investing into residential development and other operations.

The address of the Fund's registered office is 17/10 E10 str., Nur-Sultan, the Republic of Kazakhstan.

These consolidated financial statements were authorised for issue by the Co-Managing Director for Economy and Finance − Member of the Management Board and Chief accountant of the Fund on April 5, 2021 and preliminary approved by the Audit Committee of the Board of Directors of the Fund. These consolidated financial statements should be further approved by the Board of Directors and the Sole Shareholder.

Privatization plan

On April 30, 2014 the Government approved the initial Privatization Plan for 2014-2016. On December 30, 2015 the Government approved the new 2016-2020 Complex Privatization Plan (replacing previous 2014-2016 Privatization Plan) and the list of all state owned assets to be privatized, including certain Fund subsidiaries.

2. GENERAL INFORMATION (continued)

Privatization plan (continued)

On December 29, 2020, by the Resolution of the Government of the Republic of Kazakhstan No. 908 *On Some Issues of Privatization for 2021-2025*, a new comprehensive Privatization Plan for 2021-2025 was approved (hereinafter – the "Privatization Plan"), which includes a new list of state owned organizations and assets of the Fund's group to be privatized and transferred to a competitive environment.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements.

These consolidated financial statements are presented in Kazakhstan tenge ("tenge") and all monetary amounts are rounded to the nearest million tenge except where otherwise indicated.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board ("IASB").

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in *Note 4*.

In course of preparation of these consolidated financial statements the Group management considered the current international economic environment including complex of uncertainties due to COVID-19 pandemic. The consolidated financial statements were prepared on a going concern basis.

Restatement affecting comparative information

Finalization of assessment of provisional fair value of Khan Tengri Holding B.V.

On June 28, 2019 the Group obtained control over Khan Tengri Holding B.V. As at December 31, 2019, the Group applied provisional amounts for the acquired assets and liabilities as the assessment of fair value for the business combination was not complete at the end of the reporting period. As at December 31, 2020 an independent professional appraiser finalised fair value assessment of acquired assets and liabilities and, as a result, comparative information as at December 31, 2019, was restated.

Finalization of assessment of provisional fair value of Stantsiya Ekibastuzskaya GRES-2 JSC ("EGRES-2")

On December 12, 2019 the Group obtained control over EGRES-2 JSC. As at December 31, 2019, the Group applied provisional amounts for the acquired assets and liabilities as the assessment of fair value for the business combination was not complete at the end of the reporting period. As at December 31, 2020 an independent professional appraiser finalised fair value assessment of acquired assets and liabilities and, as a result, comparative information as at December 31, 2019, was restated.

Recalculation of income tax by Kcell JSC

In 2020, Kcell JSC, a subsidiary of the Group, revised the calculation of income tax recognized in its consolidated financial statements for the years 2015-2018 with the aim of resubmitting income tax returns for the years 2015-2018. As a result, Kcell JSC has identified certain adjustments in the calculation of income tax related to the periods 2015-2018. The identified adjustments are mainly related to the delay in the receipt of fiscal documents and the lengthy reconciliation process between Kcell JSC and its counterparties. As a result of these adjustments, comparative information as at December 31, 2019 was restated.

Change in accounting policy

Certain amounts in the consolidated statements of financial position as at December 31, 2019 and January 1, 2019, consolidated financial statements of comprehensive income for the year ended December 31, 2019 and consolidated statements of cash flows for the year ended December 31, 2019 were restated to reflect the effect of changes in the accounting policy as a result of adoption of the IFRIC agenda decision, as described below.

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements

In November 2019, the IFRS Interpretations Committee published an agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements. The conclusions are summarized below:

Lease term

The IFRS Interpretations Committee noted that, in determining the enforceable period of the lease, an entity considers:

- The broader economics and not only the contractual termination payments. For example, if either party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is enforceable beyond the date on which the contract can be terminated;
- Whether each of the parties has the right to terminate the lease without permission of the other party with no more than an insignificant penalty. A lease is no longer enforceable only when both parties have such a right. Consequently, if only one party has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the contract is enforceable beyond the date on which the contract can be terminated by that party.

If an entity concludes that the contract is enforceable beyond the notice period of a cancellable lease, it should assess whether the lessee is reasonably certain not to exercise the option to terminate the lease.

Useful life of non-removable leasehold improvements

An entity applies IAS 16 in determining the useful life of non-removable leasehold improvements. If the lease term of the related lease is shorter than the economic life of those leasehold improvements, the entity considers whether it expects to use the leasehold improvements beyond that lease term. If the entity does not expect to do so, then, applying IAS 16, it concludes that the useful life of the non-removable leasehold improvements is the same as the lease term. Since the Group's current practice is in line with this clarification, it will not impact on the consolidated financial statements of the Group.

This IFRIC agenda decision should be applied retrospectively and are effective immediately from date of its publication in November 2019.

The Group re-assessed its accounting for the lease contracts of technical sites with the governmental entities which were previously recognized as short-term leases as the Group applied recognition exemptions for short-term leases as in accordance with paragraph 5 of IFRS 16.

As the Group applies the agenda decision it considers all relevant facts and circumstances that create an economic incentive for the lessee but not only contractual termination penalties, in assessing whether the Group is reasonably certain to extend (or not to terminate) a lease. The Group determined the lease term for technical sites lease contracts with the governmental entities equaled to average useful lives of cellular network stations.

The Group adopted the agenda decision and retrospectively recalculated lease contracts with governmental entities effective as at January 1, 2019, the Group's date of adoption IFRS 16. The right-of-use assets for the leases were recognised based on the carrying amount as if the agenda decision had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Since the Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 with the cumulative effect of initially applying the standard recognised at the date of initial application, adjustments related to the abovementioned agenda decision of IFRS Interpretations Committee were reflected in the line "Effect of adoption of IFRS 16".

Changes in presentation of the consolidated statement of financial position

Certain amounts in the consolidated statement of financial position for the year ended December 31, 2019 have been reclassified from other assets to other financial assets in accordance with the presentation adopted in consolidated financial statements for the year ended December 31, 2020. The Group changed the presentation of its consolidated financial statements as the new presentation provides information that is more relevant to users of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

Changes in presentation of the consolidated statement of cash flows

Certain amounts in the consolidated statement of cash flows for 2019 have been presented in separate lines in accordance with the presentation adopted in consolidated financial statements for 2020. The Group changed the presentation of its consolidated financial statements as the new presentation provides information that is more relevant to users of the consolidated financial statements.

Effect of restatement and reclassifications is disclosed below.

Effect of restatement on the statement of financial position as at December 31, 2019:

In millions of tenge	December 31, 2019 (as previously reported)	Finalization of assessment of provisional fair value of Khan Tengri Holding B.V.	Finalization of assessment of provisional fair value of EGRES-2	Adjustments related to Kcell JSC	Change in accounting policy	Reclassification of other assets	December 31, 2019 (as restated)
Assets							
Non-current assets							
Property, plant and equipment, including:	13,141,006	807	4,944	–	2,427	–	13,149,184
Right-of-use assets under lease agreements	*414,960*	–	–	–	*2,427*	–	*417,387*
Intangible assets	2,000,417	3,581	–	(2,090)	–	–	2,001,908
Deferred tax assets	91,229	–	–	–	53	–	91,282
Other non-current financial assets	336,245	–	–	–	–	107,859	444,104
Other non-current assets	768,673	–	–	–	–	(107,859)	660,814
Current assets							
Income tax prepaid	81,894	–	–	2,192	–	–	84,086
Other current financial assets	74,669	–	–	–	–	102,003	176,672
Other current assets	396,166	–	–	–	–	(102,003)	294,163
Total assets	**26,405,096**	**4,388**	**4,944**	**102**	**2,480**	**–**	**26,417,010**
Equity							
Retained earnings	6,171,964	23	4,944	–	(75)	–	6,176,856
Equity attributable to equity holder of the Parent	12,703,429	23	4,944	–	(75)	–	12,708,321
Non-controlling interest	1,634,047	22	–	697	(134)	–	1,634,632
Total equity	**14,337,476**	**45**	**4,944**	**697**	**(209)**	**–**	**14,342,953**
Liabilities							
Non-current liabilities							
Lease liabilities	340,029	–	–	–	2,545	–	342,574
Deferred tax liabilities	1,064,128	1,160	–	–	–	–	1,065,288
Other non-current liabilities	111,659	1,861	–	–	–	–	113,520
Current liabilities							
Lease liabilities	84,138	–	–		144	–	84,282
Income tax payable	16,124	–	–	(595)	–	–	15,529
Trade and other payables	1,046,047	(765)	–	–	–	–	1,045,282
Other current liabilities	739,639	2,087	–	–	–	–	741,726
Total liabilities	**12,067,620**	**4,343**	**–**	**(595)**	**2,689**	**–**	**12,074,057**
Total equity and liabilities	**26,405,096**	**4,388**	**4,944**	**102**	**2,480**	**–**	**26,417,010**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

Effect of restatement on the statement of financial position as at December 31, 2018:

In millions of tenge	December 31, 2018 (as previously reported)	Adjustments related to Kcell JSC	Change in accounting policy	December 31, 2018 (as restated)
Assets				
Non-current assets				
Property, plant and equipment, including:	12,692,464	–	2,862	12,695,326
Right-of-use assets under lease agreements	*128,436*	–	*2,862*	*131,298*
Intangible assets	1,688,235	(2,090)	–	1,686,145
Current assets				
Income tax prepaid	68,858	933	–	69,791
Total assets	**25,744,925**	**(1,157)**	**2,862**	**25,746,630**
Equity				
Retained earnings	5,100,419	–	(29)	5,100,390
Equity attributable to equity holder of the Parent	11,546,123	–	(29)	11,546,094
Non-controlling interest	1,407,152	697	(66)	1,407,783
Total equity	**12,953,275**	**697**	**(95)**	**12,953,877**
Liabilities				
Non-current liabilities				
Lease liabilities	130,640	–	2,044	132,684
Deferred tax liabilities	937,119	–	(39)	937,080
Current liabilities				
Lease liabilities	25,853	–	952	26,805
Income tax payable	18,699	(1,854)	–	16,845
Total liabilities	**12,791,650**	**(1,854)**	**2,957**	**12,792,753**
Total equity and liabilities	**25,744,925**	**(1,157)**	**2,862**	**25,746,630**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

Effect of restatement on statement of comprehensive income for 2019:

In millions of tenge	2019 (as previously reported)	Finalization of assessment of provisional fair value of Khan Tengri Holding B.V.	Finalization of assessment of provisional fair value of EGRES-2	Change in accounting policy	2019 (as restated)
Cost of sales	(7,988,684)	(374)	–	277	(7,988,781)
Gross profit	**2,715,017**	**(374)**	**–**	**277**	**2,714,920**
Transportation and selling expenses	(779,807)	773	–	–	(779,034)
Gain on business combination	80,143	–	2,466	–	82,609
Operating profit	**1,213,982**	**399**	**2,466**	**277**	**1,217,124**
Finance costs	(639,363)	–	–	(417)	(639,780)
Other non-operating income	111,320	(268)	2,478	–	113,530
Net foreign exchange (loss)/gain, net	(16,814)	(8)	–	–	(16,822)
Profit before income tax	**1,797,988**	**123**	**4,944**	**(140)**	**1,802,915**
Income tax expenses	(382,382)	(78)	–	26	(382,434)
Net profit for the period	**1,415,606**	**45**	**4,944**	**(114)**	**1,420,481**
Net profit for the period attributable to:					
Equity holder of the Parent	1,243,050	23	4,944	(46)	1,247,971
Non-controlling interest	172,556	22	–	(68)	172,510
Total comprehensive income for the period, net of tax, attributable to:					
Equity holder of the Parent	1,227,532	23	4,944	(46)	1,232,453
Non-controlling interest	170,594	22	–	(68)	170,548

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

Effect of restatement and reclassifications on the consolidated statement of cash flows for 2019:

In millions of tenge	2019 (as previously reported)	Change in accounting policy	Reclassification	2019 (as restated)
Cash flows from operating activities				
Payments to suppliers	(6,738,690)	863		(6,737,827)
Short-term lease payments and variable lease payments	–	–	(82,314)	(82,314)
Other payments	(206,101)	–	82,314	(123,787)
Interest paid	(473,695)	(417)	–	(474,112)
Net cash flows received from operating activities	**670,703**	**446**	**–**	**671,149**
Cash flows from investing activities				
Proceeds from the sale of property, plant and equipment	–	–	31,415	31,415
Proceeds from the sale of intangible assets	–	–	53	53
Proceeds from the sale of other non-current assets	–	–	34,931	34,931
Proceeds from sale/(acquisition) of joint ventures and associates	(8,131)	–	4,765	(3,366)
Additional contributions to share capital of joint ventures and associates without change in ownership	–	–	(4,765)	(4,765)
Other receipts	198,073	–	(66,399)	131,674
Net cash flows used in investing activities	**(757,194)**	**–**	**–**	**(757,194)**
Cash flows from financing activities				
Repayment of lease liabilities	(103,644)	(446)	–	(104,090)
Bonds early extinguishment premium and fees paid	–	–	(45,236)	(45,236)
Other payments	(48,364)	–	45,236	(3,128)
Net cash flows used in financing activities	**(390,672)**	**(446)**	**–**	**(391,118)**

In addition, the Group reclassified right of use of property, plant and equipment under lease agreements between categories of property, plant and equipment in order the classification to conform with the Corporate accounting policy of the Group.

The effect of restatement and reclassifications on the carrying amount of right-of-use assets as at December 31, 2019 is disclosed below:

In millions of tenge	December 31, 2019 (as previously reported)	Change in accounting policy	Reclassification	December 31, 2019 (restated)
Right-of-use assets under lease agreements included in property, plant and equipment				
Buildings and premises	30,694	2,427	40,837	73,958
Machinery, equipment and vehicles	294,357	–	(18,154)	276,203
Other	45,167	–	(22,683)	22,484
	414,960	**2,427**	**–**	**417,387**

All the disclosure amounts within the comparative information were changed respectively.

Since the Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019, adjustments related to the agenda decision of IFRS Interpretations Committee were reflected in the line "Effect of adoption of IFRS 16" in related disclosures.

2. BASIS OF PREPARATION (continued)

Foreign currency translation

Functional and presentation currency

Items included in these consolidated financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in tenge, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group entities

Gains, losses and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The following table presents currency exchange rates to tenge:

	December 31, 2020	December 31, 2019	**Weighted average for 2020**	Weighted average for 2019	**April 5, 2021**
United States dollar ("USD")	**420.91**	382.59	**413.46**	382.87	**427.39**
Euro ("EUR")	**516.79**	429	**472.05**	428.61	**501.71**
Russian ruble ("RUR")	**5.62**	6.16	**5.73**	5.92	**5.60**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

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

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

Amendments to IFRS 3 Business Combinations

The amendments enhanced definition of a business set out by the standard and clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. The amendments are applicable prospectively. These amendments had no impact on the consolidated financial statements of the Group since the current practice is in line with these amendments.

Amendments to IFRS 7 Financial instruments: Disclosures, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial instruments

The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

These amendments introduced new definition of material. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. Since the current practice is in line with these amendments, there is no impact on the consolidated financial statements.

Revised version of Conceptual Framework for Financial Reporting

In particular, the revised version introduced new definitions of assets and liabilities, as well as amended definitions of income and expenses. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Leases in regards of COVID-19-related rent concessions

The amendments provide relief to lessees from assessment whether a COVID-19-related rent concession is a lease modification. The amendments did not have a material impact on the consolidated financial statements, as the Group has not received significant rent concessions related to pandemic.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards that have been issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

These amendments and interpretations did not have an impact on the consolidated financial statements of the Group:

- IFRS 17 *Insurance Contracts*;
- Amendments to IAS 1: *Presentation of Financial Statements named Classification of Liabilities*;
- Amendments to IFRS 3 *Business Combinations named Reference to the Conceptual Framework*;
- Amendments to IAS 16 – *Property, Plant and Equipment: Proceeds before Intended Use*;
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts − Costs of Fulfilling a Contract*;
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards − Subsidiary as a first-time adopter*;
- Amendments to IFRS 9 *Financial Instruments − Fees in the '10 per cent' test for derecognition of financial liabilities*;
- Amendments to IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments* as well as IFRS 4 *Insurance Contracts* and IFRS 16 *Leases named Interest Rate Benchmark Reform − Phase II*;
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement 2 Making Materiality Judgements*;
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The amendments to IAS 1 and IAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The Group does not plan for early adoption in respect of above-mentioned new standards and amendments to existing standards to which this option is available.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Change in estimates on contribution of gas pipelines under trust management agreements terms from the state bodies

In prior years the Group used a judgement when treating pipelines transferred to the Group from local executive bodies (LEB) or State Property and Privatization Committee Departments (SPPCD) under trust management agreements (TMA). The judgement was that TMA serves as a temporary mechanism, which gives control to the Group over the pipelines until the legal title is transferred to the Group. The Group assumed that the Government transfers the pipelines to the Group in the shortest period possible. Also the judgment was based on the Memorandum of Understanding signed in 2017 with local authorities, according to which all risks and rewards were transferred to the Group, including property taxation and rights for tariff filings.

During 2020, following significant changes occurred in facts and circumstances that supported the initial judgement:

- TMA has expired without prolongation and gas pipelines were returned to LEB, while it was initially assumed that the Group will receive legal ownership of these assets;
- Assets received under TMA were not transferred to the republican ownership (to SPPCD) and, further to the Group within the short period as was expected. This revealed that the transferring mechanism was not a temporary measure to provide the Group with the ownership rights until the formal transfer of the legal title;
- The above mentioned Memorandum expired.

Accordingly, the Group concluded that from 2020, the initial judgement is no longer applicable and, after TMA update, the Group no longer can exercise control over the pipelines provided by LEB. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, this change in judgement does not represent an accounting error and, was accounted prospectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in estimates on contribution of gas pipelines under trust management agreements terms from the state bodies (continued)

As a result, in 2020 the Group derecognized all pipelines received under such TMA at their carrying amounts at that date and, correspondingly, reduced additional paid-in capital by 17,323 million tenge *(Note 18)*. The change in the judgment affects current and future reporting periods, and if the change in the judgement did not occur in 2020, equity and PPE at the end of 2020 would have been higher by 15,873 million tenge, the income statement effect on the current and future reporting periods is insignificant.

Basis of consolidation

These consolidated financial statements comprise the financial statements of the Fund and its controlled subsidiaries *(Note 36)*.

Subsidiaries

Subsidiaries are the entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income and consolidated statement of financial position from the date the Group gains control until the date the Group ceases to control the subsidiary.

Except for acquisition in transactions between entities under common control, subsidiaries are consolidated from the date when control is obtained by the Group and are de-consolidated from the date when control ceases. At the acquisition of the subsidiary, acquisition cost is distributed between assets and liabilities based on their fair value as at the date of acquisition. Financial statements of the subsidiaries are prepared for the same reporting period as those of the Fund, using consistent accounting policies.

All intra-group balances and transactions, including unrealized gains resulting from intra-group transactions are eliminated in full. Unrealized losses are eliminated in the same manner as unrealized gains, except that they are eliminated to the extent that there is no evidence of impairment.

Non-controlling interest represents a portion of equity in subsidiaries, which is not owned by the Group, and is recorded separately in equity in the consolidated statement of financial position separately from the equity attributable to the Parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in its deficit balance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes an analysis of the need of separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, equity interest previously held by the Group in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value through profit and loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, the goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date of an entity by the Group, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operations disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured on the basis of the relative values of the operation disposed off and the portion of the cash-generating unit retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Business combinations achieved in stages

The acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

In a business combination achieved in stages the acquirer recognises goodwill as of the acquisition date measured as the excess of (a) over (b) below:

(a) The aggregate of:

  (i) The consideration transferred measured in accordance with this IFRS 3 *Business Combinations*, which generally requires acquisition-date fair value;

  (ii) The amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3; and

  (iii) The acquisition-date fair value of the acquirer's previously held equity interest in the acquire;

(b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Acquisition of subsidiaries from parties under common control

Acquisition of subsidiaries from parties under common control (entities under the Government's control) is accounted for using the pooling of interest method.

Assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the "Predecessor") at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

These consolidated financial statements are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Change in ownership interests in subsidiaries

In transactions where part of the interest in existing subsidiary is either sold or acquired, but control is retained, the differences between the carrying amounts of net assets attributable to interests in subsidiaries acquired or disposed and the consideration given or received for such increases or decreases are charged or credited to retained earnings.

Investment in joint ventures and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but which does not comprise control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. Also, the Group has interests in associates, in which it exercises significant influence over the economic activities of the entities. The Group's investment in its joint ventures and associates are accounted for using the equity method.

Under the equity method, investment in joint venture / associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture / associate. Goodwill relating to a joint venture / associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Investment in joint ventures and associates (continued)

The consolidated statement of comprehensive income reflects the share of the results of operations of the joint venture / associate. Where there has been a change in net assets recognized directly in the equity of the joint venture / associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture / associate are eliminated to the extent of the Group's interest in the joint venture / associate.

The share in profit of joint ventures / associates is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the joint venture / associate and therefore is profit after tax and non-controlling interest in the subsidiaries of the joint ventures / associates.

Financial statements of the joint venture / associate are prepared for the same reporting period as those of the Parent. Where necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures / associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture / associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of investment in the joint venture / associate and its carrying amount and recognises impairment loss in the consolidated statement of comprehensive income.

Upon loss of joint control over the joint venture and significant influence over associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the investment in the joint venture / associate upon loss of joint control / significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 (twelve) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

Assets classified as held for sale and discontinued operations

Assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through the continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 (one) year from the date of classification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets classified as held for sale and discontinued operations (continued)

In the consolidated statement of comprehensive income for the reporting period, and for the prior year comparable period, incomes and expenses from discontinued operations are reported separately from normal income and expenses, even when the Group retains a non-controlling interest in the subsidiary after sale. The resulting profit or loss (net of tax) is reported separately in the consolidated statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated.

Oil and natural gas exploration, evaluation and development expenditure

Costs incurred before obtaining subsoil use rights (licenses)

Costs incurred before obtaining full subsoil use rights (licenses) are expensed in the period in which they are incurred, except when costs are incurred after signing preliminary agreements with the Government of the Republic of Kazakhstan, in such cases costs incurred after this date are capitalized.

Expenditures for acquisition of subsurface use rights

Expenditures for acquisition of subsurface use rights (exploration and production) comprise signature bonuses, historical costs, obligatory expenditures for ecological and social programs and are capitalized within intangible assets as subsurface use rights at exploration and evaluation phase.

Expenditures for acquisition of subsurface use rights are accounted for on a field-by-field basis. Each field is tested for impairment on an annual basis. If no future activity is planned, the remaining balance of the acquisition costs is written off. Starting from the commercial production on fields subsurface use rights (remaining costs) shall be transferred to the property, plant and equipment and shall be amortized using unit-of-production method on actual production based on total proved reserves.

Exploration and evaluation expenditures (construction in progress)

Exploration and evaluation expenditures include geological and geophysical costs; costs directly related to exploration drilling; stripping activities; overhead and other expenses on exploration and evaluation, which could be related to a certain field. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. Except for geological and geophysical costs, exploration and evaluation expenditures are capitalized within exploration and evaluation assets, accounted for by subsurface use contracts and are not amortized. If mineral or hydrocarbon resources are not found, this could be an indication of impairment. All capitalized costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. If mineral or hydrocarbon resources are determined and development is sanctioned, relevant costs are then transferred to oil and gas or mining assets subclasses.

Development and production expenditures (oil and gas and mining assets)

Development and production expenditures comprise previously capitalized (and reclassified in commencement of production) expenditures for acquisition of subsurface use rights and exploration and evaluation costs; drilling of producing wells regardless of the drilling results; construction of landfills; development of surface technological facilities required for production, collection and preparation of hydrocarbons and mineral resources at fields; other costs incurred in the process of organization of commercial production at fields; capitalized discounted costs for wells and mines abandonment and site restoration. Development and production expenditures are capitalized within property, plant and equipment (oil and gas and mining assets), and are accounted for on a field-by-field basis.

Oil and gas and mining assets are depreciated using a unit-of-production method based on actual production from commencement of commercial production at fields. Certain oil and gas and mining assets (surface facilities and equipment) with useful lives significantly differing from those of the fields are depreciated on a straight-line basis over their useful lives. The cost of acquisition of subsurface use rights including discounted decommissioning costs are depreciated over total proved reserves. The other field development costs are amortized over proved developed reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (other than oil and gas and mining assets)

On initial recognition, property, plant and equipment is measured at cost. Subsequently, property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Property, plant and equipment, other than oil and gas and mining assets, principally comprise the following classes of assets, which are depreciated on a straight-line basis over the expected useful lives:

UPS Power transmission lines	50 years
Refinery assets	4-100 years
Pipelines	2-30 years
Buildings and premises	2-100 years
Railway tracks and infrastructure	10-80 years
Machinery, equipment and vehicles	2-50 years
Other	2-20 years

In cases when items of property, plant and equipment are subject to major inspection, the cost is recognized in the carrying amount of property, plant and equipment as a replacement of component if the recognition criteria set out in IAS 16 are satisfied.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the reporting period the asset is derecognised.

Residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with the finite useful life principally comprise the following classes of assets which are amortised on a straight-line basis over the expected useful lives:

Licenses	3-20 years
Software	1-14 years
Other	2-15 years

Indefinite lives intangible assets are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount.

Investment properties

Investment property is initially measured at cost, including transaction costs.

Since the Group adopted cost model, after initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 *Property, Plant and Equipment*, that is, at cost less accumulated depreciation and less accumulated impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

The depreciation is calculated based on straight line method basis over the expected remaining useful average life of 2-100 years.

Investment property is derecognised (eliminated from the consolidated statement of financial position) on its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected in the future. The difference between the net inflows arisen from the disposal and carrying amount of the asset is recognised in the consolidated statement of comprehensive income for the period in which it was derecognized.

Impairment of non-financial assets

The Group assesses non-financial assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of its recoverable amount.

An asset's or cash generating unit's (CGU's) recoverable amount is higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and an allowance is made to reduce the asset to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset or CGU and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment provision may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment allowance was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/ amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profits and losses.

After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following process is applied in assessing impairment of goodwill:

- Goodwill is tested for impairment annually as at December 31, and when circumstances indicate that its carrying amount may be impaired;
- Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to oil and gas development tangible or intangible assets or whenever facts and circumstances indicate impairment. One or more of the following facts and circumstances indicate that the Group should test exploration and evaluation assets for impairment (the list is not exhaustive):

- The period for which the Group entity has the right to explore and appraise in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on the further exploration for and evaluation of hydrocarbon resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of hydrocarbon resources in the specific area have not led to the discovery of commercial viable quantities of hydrocarbon resources and the Group entity has decided to discontinue such activities in the specific area;
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables, loans due from third and related parties, debt securities of third and related parties and bank deposits.

Financial assets at fair value through other comprehensive income

The Group measures financial assets at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest consists of consideration for the time value of money, and for the credit risk associated with the principal amount outstanding during a particular period of time.

The Group's financial assets at FVOCI include mainly debt securities of third and related parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at FVPL include certain loans due from related parties, which contain embedded derivative financial instruments, and coupon bonds included in other financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

The Group's financial assets at FVPL include mainly note receivable, loans issued, debt and equity securities of third and related parties.

Derecognition

A financial asset is primarily derecognised (removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Hedge accounting

The Group designates certain hedging instruments in respect of foreign currency risk, as either hedges of net investments in foreign operations or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values of foreign operations or cash flows of the hedged item attributable to the hedged risk.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued:

a) When the Group revokes the hedging relationship;

b) When the hedging instrument expires or is sold, terminated, or exercised; or

c) When it no longer qualifies for hedge accounting.

Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Investments in foreign operations hedge

Foreign currency gain or loss arising on items that are designated as part of the hedge of the Group's net investment in foreign operations are recognized in consolidated statement of comprehensive income within currency translation reserve.

Cash flow hedges

Foreign currency gain or loss arising from financial instruments that are designated and qualify as cash flow hedges is recognized in consolidated statement of comprehensive income within hedge reserve.

Inventories

Inventories are valued at cost or net realisable value, whichever is lower. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to sell. The same cost formula is used for all inventories having a similar nature and use. Inventories of oil and gas and energy operating segments are valued on a first-in first-out ("FIFO") basis. All other inventories are valued on the weighted-average cost basis.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits, short-term and highly liquid investments with original maturity of not more than 3 (three) months readily convertible to known amounts of cash and subject to insignificant risk of change in value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans borrowings and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at FVPL.

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR).

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 (twelve) months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the financial guarantee contracts after initial recognition at the higher of the amount initially recognized less, when appropriate, the cumulative amount of income/amortization in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers* and the amount of the estimated allowance for expected credit losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in *Note 38*.

Leases

Determining whether the agreement is a lease or whether it contains evidence of a lease is based on an analysis of the content of the agreement at the date of the commencement of the lease. The agreement is a lease or contains signs of a lease if the implementation of the agreement depends on the use of a particular asset (or assets), and the right to use the asset or assets as a result of this agreement is transferred from one party to the other, even if this asset (or these assets) is not indicated (not specified) in the agreement explicitly.

The Group as lessee

For the lease contracts (or separate components of the contracts), under which the Group is granted the right to control the use of an identified asset (as defined by IFRS 16 *Leases*) for a certain period of time in exchange for consideration, the Group recognizes a right-of-use asset and a corresponding lease liability at the inception of the contract. Non-lease components of the contracts are accounted for in accordance with other relevant standards.

In accordance with IFRS 16 *Leases*, the Group applies practical expedient for not recognising the lease for the lease contracts with lease term of less than 12 months at lease inception and without purchase option, for the leases with variable lease rates that do not depend on an index or rate and for the leases of low value assets. The Group recognizes short-term leases and leases of low value assets as expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease payments are discounted by using the Group incremental borrowing rate, except when the rate is implicit in the lease and can be readily determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

At the commencement date, the Group measures the right-of-use asset at cost that includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred by the lessee. The right-of-use asset is subsequently measured according to the accounting policy that is applied for own assets, including for depreciation and amortization and impairment measurement.

The recognised right-of-use asset is depreciated over the shorter period of expected useful life of the underlying asset or lease term.

The Group presents lease liabilities in the consolidated statement of financial position as a separate line *(Note 22)*, while right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned, i.e. within property, plant and equipment *(Note 7)*.

In accordance with the requirements of IFRS 16, the Group classifies repayment of principal in cash flows from financial activities. In accordance with the Group's accounting policy, interest paid is classified as part of the cash flows from operating activities. Payments on short-term leases, leases of low value assets and variable rental payments not included in the valuation of the lease liability are presented as part of operating activities.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its property, plant and equipment items.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Provisions

Asset retirement obligation (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding addition to the carrying amount of the related item of property, plant and equipment in the amount equivalent to the provision is also recognized. This amount is subsequently depreciated as part of the capital costs of the production and transportation facilities in accordance with respective depreciation method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Asset retirement obligation (decommissioning) (continued)

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

a) Changes in the provision are added to, or deducted from, the carrying amount of the related asset in the current period;

b) The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of comprehensive income; and

c) If the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Other provisions

Provisions are recognized in the consolidated financial statements when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Employee benefits

Contributions to pension funds

The Group withholds 10% from the salary of its employees limited to certain annual amounts as the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits payable by that pension funds and the Group has no present or future obligation to further compensate its employees upon their retirement in relation to these arrangements.

Social tax

The Group pays social tax on salaries payable to employees according to the current statutory requirements of the Republic of Kazakhstan. Social tax is expensed as incurred.

Defined benefit plan

In accordance with the Collective Agreements signed with trade unions and other benefit regulations, some subsidiaries of the Group provide certain benefits to its employees upon their retirement ("Defined Benefit Plan").

The Group recognises actuarial gains and losses arising from the reassessment of the employee benefit liability in the period they are identified in OCI and profits and losses, and recognises benefit costs and obligations based on estimates determined in accordance with IAS 19 *Employee Benefits*.

The obligation and cost of benefits under the defined benefit plan are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing benefits is charged to profit and loss, so as to attribute the total benefit cost over the service lives of employees in accordance with the benefit formula of the defined benefit plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit plan obligation.

The defined benefit plans of Group's subsidiaries are unfunded.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity

Share capital

Common shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess or deficiency of the fair value of consideration received over the par value of shares issued is recognized as an increase or decrease in the retained earnings.

Non-controlling interests

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Parent. Losses of subsidiaries are attributed to the non-controlling interest even if this results in a deficit balance.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed in the consolidated financial statements when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Other distributions to the Shareholder

Other distributions to the Shareholder recognized as deductions from retained earnings are represented by expenses incurred or asset distribution made at the discretion of the Shareholder, including property, plant and equipment, interest in another entities, other disposal groups, cash and other assets in accordance with accounting policy of the Group.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured.

Sale of goods

Revenues are recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset, which usually occurs when the title is passed, provided that the contract price is fixed or determinable and collectability of the receivable is reasonably assured. For export sales, title generally passes at the border of the Republic of Kazakhstan. Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts, volume rebates and reimbursable taxes.

Sales of support services are recognized as services are performed provided that the service price can be determined and no significant uncertainties regarding the receipt of revenues exist.

Rendering of services

Revenue from rendering of services is recognized when the services have been performed.

In respect of services related to transportation, revenue is recognized with reference to the stage of completion of the transportation at the reporting date provided that the stage of completion of transportation and the amount of revenue can be measured reliably. Prepayments received from customers relating to transportation services that have not been started yet are recognized upon receipt as "advances received from customers". Deferred income is credited to current revenue, as the service is provided.

The Group's revenue in the energy, communications and transportation segments is primarily recognized over a period of time, while the rest of the Group's revenue is primarily recognized at a point in time.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale and lease back transactions

The Group accounts for a transfer of an asset in a sale and leaseback transaction as a sale only if the transfer meets the requirements of IFRS 15 *Revenue from Contracts with Customers*.

If, under IFRS 15, a sale is to be recognised by the seller-lessee, then the right-of-use asset leased back is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. The seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the seller-lessee continues to recognize the transferred asset and recognizes a financial liability equal to proceeds for the transfer by applying IFRS 9 *Financial Instruments*.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as investments held at FVOCI, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Trade receivables

Accounts receivable represent the Group's right to the consideration amount, which is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities from contracts with customers

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Costs to obtain a contract

The Group pays commission to sales agents for new connected subscribers in the communication segment. The commission to sales agents is capitalized within other non-current assets in the consolidated statements of financial position. Costs to obtain a contract are amortized over the period the service is provided to the customer.

Establishment of tariffs

A number of subsidiaries of the Group are subject to regulation by the Committee for regulation of natural monopolies of the Republic of Kazakhstan ("CRNM"). This Committee is responsible for approval of the methodology for tariff calculation and tariff rates, under which the subsidiaries derive a significant portion of their revenues.

Government grants

Due to the fact that the Government of the Republic of Kazakhstan is the sole shareholder of the Fund, the Group analyses all transactions with the Government to assess its role: where the Government acts primarily in its capacity of the Shareholder or where it acts as a regulator.

If it is determined that in a specific transaction the Government acts in capacity of the Shareholder any gains or losses incurred by the Group as a result of such transaction are reflected directly in equity as either a contribution or withdrawal of equity by the Shareholder.

If it is determined that in a specific transaction the Government does not act in capacity of the Shareholder such transactions are accounted for using provisions of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. In such circumstances, government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments. Grants related to income are presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated statement of comprehensive income in the period to which they relate on the accrual basis.

Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the profits and losses, except to the extent that it relates to items charged or credited to other comprehensive income or equity, in which case it is recognized in other comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Excess profit tax ("EPT") is treated as an income tax and forms part of income tax expense. In accordance with the subsurface use contracts, the Group accrues and pays EPT, at specified rates of after tax profit which has been adjusted for specific deductions in accordance with the applicable subsurface use contracts, when certain internal rates of return are exceeded.

Deferred tax is calculated with respect to both corporate income tax ("CIT") and EPT. Deferred EPT is calculated on temporary differences for assets allocated to subsurface use contracts at the expected rate of EPT to be paid under the contract.

Deferred tax is provided using the statement of financial position method, in relation to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences arising due to the following are not provided for:

- The initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Value added tax ("VAT")

Tax authorities permit the settlement of sales and purchases VAT on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

Related parties

Related parties include the Group's Shareholder, key management personnel, associates, joint ventures and entities in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's shareholders or key management personnel.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements *(Note 39)* unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes.

Subsequent events

Post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the reporting date and reported amounts of assets, liabilities, revenues, expenses and contingent assets and liabilities during the reporting period. Actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Considerations in respect of COVID-19 pandemic and hydrocarbon economy in 2020

The impact of COVID-19 and unfavorable trend in the global hydrocarbons market on the basis of preparation of this consolidated financial statements has been considered as part of the going concern assessment. To support this assertion liquidity forecast has been assessed under several stressed scenarios. And as a result, impairment tests for upstream and midstream segments were performed.

Recoverability of long-term assets

The Group assesses assets or cash generating unit ("CGU") for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset / CGU is considered to be impaired and is written down to its recoverable amount.

In assessing recoverable amount the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

Under IAS 36, one of the possible impairment indicators is the presence of significant changes that had negative consequences for the Group that occurred during the year or are expected in the near future in the technological, market, economic or legal environment in which the Group operates or in the market for which the asset is used.

Recoverability of oil and gas assets, downstream, refining and other assets

As at December 31, 2020 and 2019 the Group performed its annual impairment tests of downstream, refining and other assets due to existence of impairment indicators. The Group considered forecast refining margins and production volumes, among other factors, when reviewing for indicators of impairment. As a result of the impairment analysis of the recoverable amount of downstream, refining and other assets an impairment charge was recognized in the consolidated financial statements for the year ended December 31, 2020 and 2019 *(Note 31)*.

Impairment testing assumptions

The Group's long-term assumptions for Brent oil prices, KZT/USD exchange rate and inflation projections have been revised and are based on externally sourced forecasts and rates of the independent research organizations considering long-tern market expectations. Production volumes estimates are based on proved developed and undeveloped reserves for subsidiaries, and on proved and probable reserves for significant investments in JVs and associates. Production period is either based on subsoil use contracts' expiration date or on extended license period, to which the Group has strong intention to extend its licenses. Estimated production volumes are based on the Group's production plans that are mostly used for the purposes of application filing for extension of subsoil use contracts.

Discount rates were estimated on the weighted average cost of capital of the individual cash generating unit and ranged between 7.77%-14.50% depending on the functional currency, production period, size, equity risk premium, beta and gearing ratio of the relevant cash-generating unit (CGU).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Recoverability of oil and gas assets, downstream, refining and other assets (continued)

Impairment testing assumptions (continued)

The long-term price assumptions applied were derived from Bloomberg consensus; so did the near-term commodity price assumptions, a summary of which, in real 2020 terms, is provided below:

	2021	2022	2023	2024	2025
Brent oil ($/bbl)	48	54.5	54	56	57

The impairment expense primarily relates to production assets and primarily arose as a result of changes to the group's oil and gas price assumptions, and include 60,440 million tenge attributable to Embamunaigas JSC, the Group subsidiary, (EMG) *(Note 31)* and 30,654 million tenge related to the oil and gas segment's JVs and associate *(Note 31)*. The recoverable amounts of the CGUs within these businesses were based on value-in-use calculations.

An impairment charges of 162,455 million tenge were recognized in 2020, which represents partial impairment of refining assets of KMGI due to the decline in refining margins following lock-downs caused by COVID-19 *(Note 31)*. The recoverable amount of these assets for impairment testing purposes was determined based on fair value less cost to disposal.

Headroom of the majority of oil and refining assets are sensitive to changes in price or other assumptions. The changes within next financial periods may result in recoverable amount of these assets above or below the current carrying amounts and therefore there is a risk of impairment reversals or charges in those periods. Sensitivity to key assumptions for significant CGUs of the Group, at which impairment charges were recognized in 2020, were disclosed in *Note 31*. Impairment testing is performed by independent qualified appraisers on an annual basis.

Oil and gas reserves

Oil and gas reserves are a material factor in the computation of depreciation, depletion and amortization expenses in oil segment. The Group estimates its oil and gas reserves in accordance with the methodology of the Society of Petroleum Engineers ("SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

Please refer *Note 31* for details on annual impairment test results.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Mining reserves

Mining reserves are a critical component of the projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortisation expense in mining segment.

Group entities usually estimate reserves based on results of detailed mine exploration, which is evaluated and approved by State Reserves Commission (SRC) of Kazakhstan Geology Committee. Normally upon stripping during production actual reserves of each area are greater or lesser than geological reserves approved by SRC.

Uranium reserves (estimate)

Uranium reserves are a critical component of the Group's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortisation expense.

In 2020 and 2019 the Group engaged an independent consultant to assess the Group's reserves and resources in accordance with the Australasian Code for reporting on geological exploration works, mineral resources and ore reserves (2012) (hereinafter JORC Code). Independent assessments of reserves and resources was carried out as of December 31, 2020 and December 31, 2019. The consultant reviewed all key information upon which the most recent reported mineral resource and ore reserve statements for the mining assets of NAC KAP are based.

The consultant's reports contain an assessment of the tonnes of uranium contained in ore which has the potential to be extracted by the existing and planned mining operations (the mineral resource), and also the tonnes of uranium contained in ore currently planned to be extracted as envisaged by the respective LoM plans (the ore reserve). The Group used reserves data according to the consultant's report for calculation of impairment of long-term assets and unit of production depreciation for each of the Group's mines.

Subsoil use contract

In November 2020 the Ministry of Energy of the Republic of Kazakhstan refused approval sought by JV KATCO LLP ("the Partnership") of an addendum to the subsoil use contract for the transition to commercial development of reserves "at the South Tortkuduk" field. In December 2020, the Partnership appealed this decision to the Supreme Court of the Republic of Kazakhstan. The result of this appeal is outstanding at the date of these financial statements. Accordingly, there is uncertainty about the ability of JV KATCO LLP to carry out commercial development of the reserves of the Southern Tortkuduk field. The Group's management believes that the probability is low of early termination of the JV KATCO LLP contract or the failure to conclude an addendum to the contract, therefore the Group has not recognised in these consolidated financial statements any impairment loss in respect of its investment in JV KATCO LLP.

Goodwill

KMGI CGU, including goodwill

As at December 31, 2020 and 2019, the Group performed its annual impairment tests for goodwill and downstream, refining and other assets due to existence of impairment indicators at the CGUs of KMGI. As the result of the impairment analysis, recoverable amount of KMGI CGUs exceeded their carrying values, except for Refining CGU *(Note 31)*.

Pavlodar refinery, goodwill

As of December 31, 2020 and 2019 the Group has material goodwill related to acquisition of Pavlodar refinery of 88,553 million tenge *(Note 8)*. The Group performed annual impairment test for the Pavlodar refinery goodwill using the current tolling business scheme used by Pavlodar refinery in December 2020 and 2019. The Group considers the forecast for oil tolling volumes, oil tolling tariffs, capital expenditures, among other factors, when reviewing for indicators of impairment. The recoverable amount is calculated using a discounted cash flow model. The discount rate in 2020 at 10.79% (2019: 9.7%) was calculated using the weighted average cost of capital before taxes.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Goodwill (continued)

Pavlodar refinery, goodwill (continued)

The weighted average cost of capital takes into account both borrowed funds and equity. The cost of equity is derived from the expected return on investment. The cost of debt capital is based on long-term interest-bearing loans of Pavlodar refinery. The inherent risk was included by applying an individual beta factor. The beta factor was estimated based on the publicly available market data. Forecasted cash flows till to 2029 were based on five-years business plan of Pavlodar refinery 2021-2025, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2025 was forecasted by applying expected inflation rate of 2020: 5.53% (2019: 5.49%), excluding capital costs, which are based on the best estimate of the Group as of valuation date. As at December 31, 2020 and 2019 the recoverable amount of goodwill, which was determined based on value-in-use, exceeded its book value, as such no impairment of Pavlodar refinery goodwill was recognised.

Sensitivity to changes in assumptions

Results of the assessment of recoverable amount of Pavlodar refinery goodwill are sensitive to changes in key assumptions, in particular, assumptions related to changes in discount rate and target EBITDA in terminal period. Increase in discount rates by 1.0% to 11.89% and decrease of target EBITDA in terminal period by 1% from 34% to 35% would result in decrease of the recoverable amount of CGU Pavlodar refinery to its carrying value.

Khan Tengri Holding B.V., Kcell JSC and IP TV

As of December 31, 2020 the Group has material goodwill related to three generating units: 96,206 million tenge (2019: 96,206 million tenge) related to Khan Tengri Holding B.V., 53,490 million tenge related to Kcell JSC (2019: 53,490 million tenge) and 2,706 million tenge related to IP TV (2019: 2,706 million tenge).

The Group performed its annual impairment test in December 2020 and 2019:

- The recoverable amount of the Khan Tengri Holding B.V. and Kcell JSC CGUs has been determined based on the calculation of fair value less costs of disposal as it was deemed to produce a more reliable result. This valuation technique was based on unobservable inputs (discounted cash flows) that represent Level 3 of the fair value hierarchy.
- The pre-tax discount rate applied to projected cash flows of Khan Tengri Holding B.V. was 18.63% (2019: 16.96%), and cash flows beyond the five-year period were extrapolated taking into account a growth rate of 1.5% (2019: 1.5%). The pre-tax discount rate applied to projected cash flows of Kcell JSC was 17.88% (2019: 16.71%), and cash flows beyond the five-year period were extrapolated taking into account a growth rate of 1.5% (2019: 1.5%).
- The recoverable amount of IP TV CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 15.02% (2019: 15.14%), and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate (2019: 1.5%).

Key assumptions used in calculations include the customer base over the forecast period and average revenue per customer with direct impact on revenue growth rates, the level of capital investments included in the financial plan, EBITDA margin included in the financial plan, growth rate for cash flow extrapolation beyond the forecast period and discount rate.

As a result of this analysis, the Group has not identified an impairment of goodwill related to these CGUs as at December 31, 2020.

Sensitivity to changes in assumptions − Khan Tengri Holding B.V., Kcell JSC

Although management expects that the market share owned by the Group will not grow over the forecast period, according to the financial plan, slowing growth of customer base or a decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 6.30% (2019: 9.54%), would result in a loss from impairment in Khan Tengri Holding B.V. CGU for 721 million tenge (2019: 4,531 million tenge) and by more than 5.06% (2019: 12.48%), would result in a loss from impairment in Kcell JSC: CGU for 84 million tenge (2019: 238 million tenge).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Goodwill (continued)

Khan Tengri Holding B.V., Kcell JSC and IP TV (continued)

Sensitivity to changes in assumptions − Khan Tengri Holding B.V., Kcell JSC (continued)

Increase in capital investments by more than 85% (2019: 72.39%) would result in loss from impairment in Khan Tengri Holding B.V. CGU for 1,415 million tenge (2019: 4,514 million tenge) and more than 91.5% (2019: 53.24%) would result in loss from impairment in Kcell JSC CGU for 189 million tenge (2019: 231 million tenge).

Decrease in EBITDA margin by more than 14% (2019: 12.23%) would result in loss from impairment in Khan Tengri Holding B.V. CGU for 980 million tenge (2019: 4,467 million tenge) and more than 11.2% (2019: 7.99%) would result in loss from impairment in Kcell JSC CGU for 204 million tenge (2019: 286 million tenge).

Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. A reduction to more than 54,3% (2019: 21.39% per annum in the long-term growth rate in Khan Tengri Holding B.V CGU would result in impairment loss for 41 million tenge (2019: 4,503 million tenge) and more than 30,21% (2019: 13.57% per annum in the long-term growth rate in Kcell JSC would result in impairment loss for 261 million tenge (2019: 242 million tenge).

An increase in pre-tax discount rate to 33% (2019: 28.59%) would result in impairment loss in Khan Tengri Holding B.V. CGU for 2,399 million tenge (2019: 4,538 million tenge) and to 28.85% (2019: 25.05%) would result in impairment loss in Kcell JSC CGU for 271 million tenge (2019: 231 million tenge).

Sensitivity to changes in assumptions − IP TV

Although the management expects that the market share owned by the Group would not grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 3.65% (2019: 16.80%), would result in a loss from impairment in IP TV**:** CGU for 0,03 million tenge (2019: 1 million tenge).

Increase in capital investments by more than 95% (2019: 366.50%) would result in loss from impairment in IP TV CGU for 0.2 million tenge (2019: 2 million tenge).

Management recognizes that the speed of technological change and the potential for new companies in the same industry to emerge can have a significant impact on its growth assumptions. A slower long-term growth rate for the IP TV business will not result in an impairment loss.

An increase in pre-tax discount rate to 23.56% (2019: 34.00%) would result in impairment loss in IP TV CGU for 0.03 million tenge (2019: 2.6 million tenge).

Energy generating assets

The Group's management performed the analysis of the impairment indicators of property, plant and equipment of subsidiaries Ekibastuz GRES-1 named after Bulat Nurzhanov LLP ("EGRES-1"), Alatau Zharyk Company JSC ("AZhK") and AlES JSC in accordance with IAS 36 *Impairment of Assets*.

The principal facts and assumptions used in the analysis of the impairment indicators are:

- Lack of negative changes in the economic efficiency of subsidiaries for the reporting period;
- Changes in interest rates on loans and long-term inflation rate are not significant;
- Lack of significant changes having adverse consequences for subsidiaries, which occurred during the period or may presumably occur in the nearest future;
- Approval by the Order of the Ministry of Energy No. 205 dated 22 May 2020 of new estimation methodology for the fixed profit accounted for in power energy tariff (the "Methodology"), effective from 2021. The fixed profit is calculated based on involved assets of energy producing entities considering the weighted average return on capital rate (WACC) that will enable the Group receiving fixed profit for current assets and for commissioned new assets (RAB-regulation).

The Methodology provides for the coverage of production costs, including amortisation expenses, and fixed profit set at the level of the base of involved assets of energy producing entities multiplied by weighted average return on capital rate (WACC). As a result, the methodology provides for the receipt of fixed profit after covering all costs, except for interest expenses.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

In 2020, the Group engaged an independent expert to measure the fair value of assets included in the base of involved assets under new methodology. According to estimates based on the fair value of the base of involved assets, the Group's management expects significant increase in the cap electricity tariff due to inclusion of profitability level pursuant to methodology. Complete transition to RAB-regulation and tariff approval according to new methodology is expected from July 1, 2021.

Additional facts and assumptions used in the analysis of the impairment indicators on AlES JSC:

- Electricity sales volumes and tariffs, services on maintenance of electrical capacity, heat energy and chemically purified water, and amount of capital expenses comply with the AlES JSC's management budget used in the last measurement of the recoverable value of the AlES JSC's assets.

Additional facts and assumptions used in the analysis of the impairment indicators on EGRES-1:

- Overachievement of target on main operational and financial performance indicators as of December 31, 2020;
- The forecasted mid-term growth of demand for electricity in northern and southern areas of the Republic of Kazakhstan, as well as forecasted increase in electricity sales volumes due to work in seven-block mode and available capacity;
- Expectation of an individual tariff for services on maintenance of electrical capacity from 2025 due to the completion of the investment project "Restoration of Power Unit 1 with the installation of new electrostatic precipitators" using borrowing funds. In accordance with the Rules of the Ministry of Energy, on January 30, 2020 an application for the Market Council was submitted. Currently, a recommendation from the Market Council has been received on further consideration of application for an individual tariff for services on maintenance of electrical capacity by the Ministry of Energy.

Based on analysis performed with respect to internal and external impairment indicators, the Group's management concluded that there are no impairment indicators as of the analysis date. Therefore, the Group's management decided not to perform the impairment test of property, plant and equipment and intangible assets of these subsidiaries as of December 31, 2020.

Based on the analysis as at the end of 2020, management identified impairment indicators of property, plant and equipment of its subsidiaries: Tegis Munay LLP, Mangyshlak Munay ("Tegis Munay") and Station Ekibastuz GRES-2 JSC ("EGRES-2").

The Group engaged independent experts to conduct the impairment test of Tegis Munay and EGRES-2, in accordance with IAS 36 *Impairment of Assets*. The impairment test of Tegis Munay assets was performed by management similarly with the methodology used by independent experts in the impairment test of other Group companies.

The recoverable amount of property, plant and equipment and intangible assets was determined using the estimate of expected future cash inflows and outflows from use of the assets, discount rate and other factors.

The Group's management considers all property, plant and equipment and intangible assets as a single cash generating unit since it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows of other assets and it is the lowest level at which each subsidiary monitors recovery of the assets' cost. Management estimated the recoverable amount of property, plant and equipment based on value in use determined as estimated discounted future cash flows that the Group expects to obtain from their use.

EGRES-2

Management of the Group used the value in use of cash generating unit to estimate the recoverable amount. The estimated recoverable amount of property, plant and equipment exceeded their carrying amount upon the results of the impairment test as of November 30, 2020. However, any adverse change in principal assumption may lead to impairment. Principal assumptions with respect to the recoverable amount were as follows:

Electricity tariffs

For the purpose of calculating the recoverable amount of assets, the Group's management used the following electricity tariffs:

- Weighted average tariff for 2020 was 8.43 tenge per 1 kWh, which represents the actual tariff applicable to electricity sale by the Group in 2020 and does not exceed the cap tariff of 9.13 tenge per 1 kWh established and approved by the Ministry of Energy for 2019-2025.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

EGRES-2 (continued)

Electricity tariffs (continued)

- Projected weighted average tariffs for subsequent periods are as follows:

	2021	2022	2023	2024	2025	2026	2027	2028
Electricity tariff (Tenge/kWh)	9.13	9.13	9.13	9.13	9.13	11.40	14.91	16.17
Tariff for the power capacity (thousand Tenge per 1 MW a month)	590	622	655	690	726	3,711	3,675	3,641

	2029	2030	2031	2032	2033	2034	2035
Electricity tariff (Tenge/kWh)	16.45	16.73	17.00	17.25	17.55	17.96	18.51
Tariff for the power capacity (thousand Tenge per 1 MW a month)	3,609	3,579	3,555	3,534	3,525	1,136	1,199

The forecast of tariff was based on management's expectations for resumption of the project on construction of power unit No. 3 in 2023. A significant increase in the tariff for power capacity in 2026 is due to the expected commissioning of power unit No. 3 and changes in the tariff structure, which is related to introduction of power capacity market in the Republic of Kazakhstan. According to the Law of the Republic of Kazakhstan *On Electric Power Industry*, the Group is able to obtain an individual tariff for the power capacity. Establishing an individual tariff is possible provided the completion of power unit No. 3 with the capacity of 630 MW and conclusion of an investment agreement with the competent authority. Calculation of individual tariffs, in addition to operating expenses of the EGRES-2, takes into account the necessary amount to cover the costs which are associated with the investment component and incurred for the completion of Power Unit 3. A decrease in the tariffs for electricity and power capacity within the acceptable range by 10% will result in additional loss on impairment of investment of not more than 17,632 million tenge.

Electricity production and sales volumes

For the calculation of the recoverable amount of assets, the Group considered forecasted volumes of production/sales of electricity by power unit No. 3 and relevant investments needed to complete construction. The Group used the following estimated volumes of electricity sales for the calculation of the recoverable amount of assets:

EGRES-2	2021	2022	2023	2024	2025	2026	2027	2028
Sales of electricity (mln. kWh)	6,427	5,923	5,921	5,922	6,039	5,926	6,066	6,209
Sales of electrical power capacity (MW)	625	641	650	671	701	1,309	1,334	1,360

EGRES-2	2029	2030	2031	2032	2033	2034	2035
Sales of electricity (mln. kWh)	6,355	6,505	6,658	6,815	6,976	7,141	7,309
Sales of electrical power capacity (MW)	1,387	1,415	1,444	1,475	1,500	1,500	1,500

Management believes that production and sales volumes during the forecast period prior to commissioning of the Power Unit No. 3 will be stable. After the launch of the power unit No. 3, EGRES-2 does not predict any significant increase in electricity volumes, however the electricity production volume will be distributed among the three power units of the company.

Discounting rate − the discount rate of 14.19%, was estimated taking into consideration the current market assessment of risks inherent to EGRES-2 on the basis of the weighted average cost of capital for the industry. In the future, to reflect changing risks inherent to the industry and changes in the weighted average cost of capital, further changes in the discounting rate may be required. 1% increase in the discounting rate would result in an impairment loss of investment 1,418 million tenge.

Impairment test for property, plant and equipment and intangible assets of Tegis Munay

Proved and probable gas reserves are used in the impairment test. There are many uncertainties associated with the estimation of gas reserves, in particular assumptions that are valid at the time of the assessment, may change significantly when new information is available. Changes in forecast commodity prices, exchange rates, production costs or return rates can change the economic condition of reserves and eventually lead to changes in reserves.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

Impairment test for property, plant and equipment and intangible assets of Tegis Munay (continued)

Management makes estimates and assumptions concerning the future. By definition, accounting estimates rarely equal the corresponding actual results. Such estimates and assumptions are constantly measured and based on historical experience and other factors, including expectations of future events that are considered reasonable in the current environment. The recoverable amount was measured using value in use.

Gas production commencement terms

It is forecasted that natural gas production will commence in 2024, and it is assumed that 65% of gas production will be exported starting from 2024.

The gas production commencement is postponed because the contract territory is included in the territory of South-Kazakhstan state conservation area, where it is prohibited to perform field facilities construction and development prior to territory separation from the protected areas. Currently, the authorized public bodies perform work on expansion of protected area borders considering the separation of the contract territory.

Therefore, Tegis Munay contacted the Ministry of Energy of RK ("ME RK") with the question of the relevance of production period commencement extension, field facilities construction for gas production, postponement of deadline for the implementation of working program and contract's validity period since the issue of contract territory separation is not settled yet. In September 2020, the subsurface use expert commission of ME RK decided to postpone the following financing liabilities: education; R&D; social and economic development of the region, and an abandonment was given in terms of working program amendment on investment liabilities under subsurface use contract.

On December 3, 2020, Tegis Munay has sent an application to the Supreme Court of RK on invalidation of the ME RK abandonment in terms of working program amendment on investment liabilities under subsurface use contract. On December 30, 2020, Tegis Munay received force-majeure certificate from the Chamber of Commerce of Kazakhstan LLP comprising Atameken NCE confirming that Tegis Munay is not able to perform subsurface use contract commitments prior to the contract territory separation from the protected areas and is not able to perform subsurface use operations. Force-majeure circumstances are in force until the contract territory separation from the protected areas.

The recoverable amount was calculated using the discounted cash flow model based on proved and probable reserves using estimated oil and gas prices and a post-tax discount rate of 14.6% (2019: 13.9%). Based on the results of impairment testing, the recoverable amount of assets at December 31, 2020 is less than the carrying amount of property, plant and equipment of 316 million tenge. The Group recorded the impairment of property, plant and equipment within impairment loss *(Note 31)*.

An increase in the discount rate of 1% would result in an impairment of 3,499 million tenge. A 10% decrease in oil prices would result in an impairment of 5,170 million tenge. A 10% decrease in sales volumes would have resulted in an impairment of 5,256 million tenge.

According to the calculated value in use, the following forecast prices for oil sales in US dollars per barrel, which was based on the Bloomberg price forecasts dated December 31, 2020, and management also assumed that gas export prices at the Chinese border are related to the oil price due to high correlation between them, which is supported by the analysis.

In US dollars	**2024**	**2025**	**2026**	**2027**
Oil Price per Barrel (Brent)*	56.76	64.57	65.93	67.31
Estimated export gas price on the Chinese border per thousand m3	195	208	224	229

* *Source: Bloomberg.*

Railway assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that they have suffered an impairment loss. In addition, the Group tests the goodwill for impairment at each reporting date.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Railway assets (continued)

The assessment of whether there is an indication of assets impairment is based on a number of factors, such as a change in growth expectations in the railway industry, future cash flow estimates, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances.

If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount. If the carrying amount exceeds the recoverable amount, impairment is recorded. The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (adjusted WACC) that management believes reflects the current market assessment of the time value of money and the risks specific to the assets. The change in the estimated recoverable amount may result in an additional impairment or a reversal of the impairment and thus an impairment reversal being recognised in future periods.

Due to existing impairment indicators, the Group performed an impairment test for property, plant and equipment, intangible assets and goodwill as at December 31, 2020.

A number of subjective factors, both operational and financial, using the best evidence available, had been used to estimate cash flows.

The Group applied the cash flows forecast period of 10 years, as the Group prepares its Development Strategy for 10-year period and makes forecasts within the framework of this strategy, projecting an increase in freight turnover based on the GDP growth rates of the Republic of Kazakhstan and neighbouring regions, since such dependence was noted in the past. Given the availability of forecasts for GDP growth rates over a 10-year horizon, the Group's management believes it can reliably forecast its cash flows over a 10-year period. The level of tariffs for access to the mainline railway network used in the forecast period is based on the tariffs approved by the CRNM for 2021-2025, while in subsequent periods the tariffs were adjusted taking into account the forecasted inflation rate. The transit rates have been adjusted based on the forecasted Swiss franc to tenge exchange rate. Long-term growth rate in terminal period is 4%.

The operational assumptions used in the test reflect expected volumes of transportation services, including transit volumes, based on projected demand and historical growth dynamic of transit freight transportations volumes.

Financial assumptions include significant estimates associated with tariff forecasts and growth rates, discounts, and projected tenge to Swiss Franc exchange rates, in which the revenue from transit freight transportation is denominated. The discount rate (WACC) used in calculating the value in use of the Group amounted to 11.44% (2019: 10.5%).

As at December 31, 2020, no impairment has been identified based on the estimated value in use of the Group's property, plant and equipment, intangible assets and goodwill. However, the value in use estimate is sensitive particularly to the following assumptions:

- Transit freight transportation volumes; and
- The discount rate (WACC).

The Group performed a sensitivity analysis and concluded that when using the following justifiably possible changes in the key assumptions on an individual basis, while keeping other parameters constant, no impairment will occur:

- Transit freight transportation volumes − A decrease of the volumes by 10% compared to budget;
- Discount rate (WACC) − An increase of the discount rate from 11.44% to 12.44%.

However, with more significant changes in each of the above key assumptions or simultaneous adverse impact of several factors, the carrying value of the Group's non-current assets may become higher than their recoverable amount, which may result in the need to recognise impairment in the future.

Assets related to uranium production

Assets related to uranium mines include property, plant and equipment, mine development assets, mineral rights, exploration and evaluation assets, investments in associates, investments in joint ventures, and other investments.

For the purpose of impairment testing assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (termed as 'cash-generating units'). The Group has identified each mine (contract territory) as a separate cash-generating unit unless several mines are technologically connected with single processing plant in which case the Group considers such mines as one cash-generating unit.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Assets related to uranium production (continued)

As at December 31, 2020, management conducted an analysis and did not find any impairment indicators of assets (generating units) associated with the production of uranium products.

Assets retirement obligations

Oil and gas production facilities

Under the terms of certain subsoil use contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsoil use contract terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each subsoil use contract period. If the asset retirement obligations were to be settled at the end of the economic life of oil and gas field, the recorded obligation would increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective subsoil use contracts and current legislation.

Where neither subsoil use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsoil use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market.

At each reporting date the Group reviews site restoration provisions, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at December 31, 2020 were in the range from 2.00% to 7.3% and from 3.68% to 11.00% (December 31, 2019: from 2.01% to 5.49% and from 4.43% to 8.95%). As at December 31, 2020 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of oil and gas facilities were 156,671 million tenge (December 31, 2019: 114,205 million tenge) *(Note 23)*.

Major oil and gas pipelines

According to the Law of the RK On Major Pipelines which was made effective on July 4, 2012 mainly the Group's two subsidiaries, JSC KazTransOil and Intergas Central Asia JSC, the subsidiary of KazTransGas JSC, have legal obligation to decommission its major oil pipelines at the end of their operating life and to restore the land to its original condition. Asset retirement obligation is calculated based on estimate of the work to decommission and rehabilitate. As at December 31, 2020, the carrying values of the Group's asset retirement obligations relating to decommissioning of pipelines and land were 113,558 million tenge (December 31, 2019: 100,229 million tenge) *(Note 23)*.

Assets related to uranium production

In accordance with environmental legislation and the subsurface use contracts, the Group has a legal obligation to remediate damage caused to the environment from its operations and to decommission its mining assets and waste polygons and restore landfill sites after closure of mining activities. Provision is made based upon the net present values of estimated site restoration and retirement costs as soon as the obligation arises from past mining activities.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Assets retirement obligations (continued)

Assets related to uranium production (continued)

The provision for asset retirement obligations is estimated based upon the Group's interpretation of current environmental legislation in the Republic of Kazakhstan and the Group's related programme for liquidation of subsurface use consequences on the contracted territory and other operations supported by the feasibility study and engineering research in accordance with the applicable restoration and retirement standards and techniques.

Provisions for asset retirement obligations are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation. Provisions for mining assets and waste polygons retirement obligations are recognised when there is a certainty of incurring of such liabilities and when it is possible to measure the amounts reliably.

The calculation of the provision for production assets retirement as at December 31, 2020 was performed by the Group based upon assessments performed by an independent consultant. The scope of work stipulated by the legislation and included in the calculations included the dismantling of facilities and infrastructure (pumping, injection and observation wells, technological units for acidification and distribution of solutions, pipelines, access roads, technological sites, landfills, buildings and other facilities) and subsequent restoration of land.

Principal assumptions used in such estimations include the estimate of discount rate and the amount and timing of future cash flows. The discount rate is applied to the nominal costs that management expects to spend on mining site restoration in the future. Management's estimates based on current prices are inflated using the expected long-term inflation rate of 5.17% in 2020 (2019: 5.30%), and subsequently discounted using rate that reflects the current market estimates of the time value of money and those risks specific to the liability not reflected in the best estimate of the costs. The discount rate is based on a risk-free rate determined as interest rates on government bonds with the maturity as the average of Group subsoil use contracts. The discount rate used by the Group's companies for calculation of the provision as at 31 December 2020 is 9.87% (2019: 7.13%).

At December 31, 2020, the carrying value of the site restoration provision was 23,841 million tenge (2019: 36,505 million tenge) *(Note 23)*. Decrease in the estimate in 2020 for 12,221 million tenge is attributable to a 2.74% discount rate increase, additional 5,147 million tenge liability decrease is attributable to the change in the periods' estimate of separate mines.

Decommissioning of the Ulba plant facility

Management has assessed whether the Group has an obligation for decommissioning and dismantling of the production facility of Ulba Metallurgical Plant JSC and concluded that the Group has no legal obligation to decommission this facility at the end of its useful life.

In addition, management considered the extent to which the Group's policies and statements may have created a constructive obligation to decommission this production facility and concluded that no liability should be recorded as:

- Radiation contamination of the facility is limited and the costs involved in remediation are not significant.
- In the event of discontinuance of production activities, the Group will not have an obligation to liquidate buildings and other infrastructure. In addition, the possibility exists of redeployment of the production facilities to alternative uses.
- Timely inspections, surveys, repair work to reduce physical damage and maintain the normal level of performance of structures and engineering equipment can extend the useful life of the facility for an indefinite period. These factors together with the extended periods over which the Group's uranium reserves are available to be mined mean that it is not practical to estimate a reliable closure date for the UMP production facility.

In the event of future changes in environmental legislation or its interpretation, as well as the Group's policy, obligations may arise which could require recognition as liabilities in the financial statements.

Provision for environmental remediation

The Group management also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Provision for environmental remediation (continued)

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Further uncertainties related to environmental remediation obligations are detailed in *Note 39*. Movements in the provision for environmental remediation obligations are disclosed in *Note 23*.

Provision for taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of the Group's international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable profits and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

In assessing tax risks, management considers to be probable obligations the known areas of non-compliance with tax legislation, which the Group would not appeal or does not believe it could successfully appeal, if additional taxes are charged. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsurface use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for taxes disclosed in *Note 23* relates mainly to the Group's application of Kazakhstan transfer pricing legislation. Further uncertainties related to taxation are disclosed in *Note 39*.

Provision for construction of social objects

The Government assigns various sponsorship and financing obligations to the Group. Management of the Group believes that such Government's assignments represent constructive obligations of the Group and require recognition on the basis of respective resolution of the Government of the Republic of Kazakhstan. Furthermore, as the Government is the ultimate controlling party of the Group, the expenditures on these assignments are recognized as "other distributions to the Shareholder" directly in the equity.

Useful lives of items of property, plant and equipment

The Group assesses remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Deferred tax assets

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of recognized deferred tax assets as at December 31, 2020 was equal to 79,267 million tenge (December 31, 2019: 91,282 million tenge). Further details are contained in *Note 35*.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Fair value of financial instruments (continued)

The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments reported in the consolidated financial statements. Further details are disclosed in *Note 38*.

Employee benefit liability

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit liability and related current service cost *(Note 24)*. This involves use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future annual financial assistance, future annual minimum salary and future average railway ticket price). Further details on judgements are disclosed in *Note 24*.

Estimation of expected credit losses

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's credit grading model, which assigns PDs to the individual grades;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as oil price with one year lag, and the effect on PDs, EADs and LGDs.

Accounting of finance lease agreements with Industrial Development Fund JSC (former – DBK-Leasing JSC)

The Group, represented by Passengers Transportation JSC and Tulpar Wagon Construction Company LLP ("Tulpar Wagon"), entered into a number of three-side purchase-sale and finance lease arrangements with Industrial Development Fund JSC, which is under common control of Shareholder, to renew passenger wagon fleet. According to these arrangements, Industrial Development Fund JSC finances on a 100% prepayment basis the construction of passenger wagons by Tulpar Wagon for acquiring them to ownership with further leasing out to Passenger Transportation JSC under finance lease.

Management concluded that the transaction between Tulpar Wagon and Industrial Development Fund JSC does not meet the requirements of IFRS 15 *Revenue from Contracts with Customers* to account for the asset sale at the Group level, as the control over passenger wagons is not transferred to Industrial Development Fund JSC, but left with the Group.

Industrial Development Fund JSC finances the construction of the wagons, but is limited in its ability to direct the subsequent use of and obtain all of the remaining benefits from the asset. Accordingly, the Group recognises the obligation to Industrial Development Fund JSC as financial liability (borrowing) according to IFRS 9 *Financial Instruments* and recognises passenger wagons and work-in-progress as property, plant and equipment items and construction in progress in accordance with IFRS 16.103 *Leases*.

Since financing was provided at preferential interest rates and such terms were provided solely to finance the renewal of passenger car fleet of Passenger Transportation JSC based on a separate Decree of the Government of the Republic of Kazakhstan, the Group considers these transactions as transactions with ultimate Shareholder and recognises fair value adjustments of the loans received at below market rate through the equity within retained earnings as other transactions with the Shareholder *(Note 18)*.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Swap transactions

The Group sells part of its uranium products under swap transactions with separate agreements with the same counterparty simultaneously, being for delivery and purchase of the same volume of uranium for the same price at different delivery points. Effectively, this results in the exchange of own uranium (produced or purchased from the Group's entities) with purchased uranium. Normally, under a swap transaction, the Group delivers physical uranium to one destination point, and purchases the same volume of uranium at a third party converter for sale to end customers. Swap transactions are entered into primarily to reduce transportation costs for uranium delivery from Kazakhstan to end customers.

Despite the fact that swap agreements are not formally related to each other, management concluded that these transactions are in substance linked and would not have occurred on an isolated basis, driven by the existing market demand and supply forces. In management's view, supply of the same volume of homogeneous product (uranium) for the same price represents an exchange of products, which should be presented on a net basis in the consolidated financial statements, reflecting the economic substance of the transaction. Interpretation of terms and approach to the accounting for swap transactions requires judgement.

In 2020, the Group netted revenue from swap transactions in the amount of 71,331 million tenge and cost of sales of 65,713 million tenge. In 2019 the Group netted revenue from swap transactions in the amount of 41,741 million tenge, cost of sales in the amount of 43,091 million ten ge.

5. BUSINESS COMBINATIONS

Acquisitions in 2020

Logistic System Management B.V.

In November 2019, the Group entered into an agreement to purchase 50% of shares in the joint venture Logistic System Management B.V. from the second partner (third party). Due to suspensive conditions, the Group completed the transaction at the end of May 2020 and made payment for the purchased shares in the amount of 73,000 thousand US dollars (equivalent to 30,669 million tenge as at payment date). As a result, the Group obtained control of Logistic System Management B.V., the sole shareholder of the Kazakhstani company Kedentransservice JSC. The acquisition was accounted for using the purchase method.

As at December 31, 2020, the Group completed the assessment of the fair value of the acquired identifiable assets and liabilities assumed, as well as the previously held interest in the Logistic System Management B.V. The excess of the purchase price and fair value of previously held interest over the fair value of net identifiable assets at the date of acquisition amounted to 15,520 million tenge and was recognised as goodwill *(Note 8)*.

The goodwill of 15,520 million tenge comprises the value of expected synergies arising from the acquisition of Kedentransservice JSC, which is a leading logistics terminal operator in Kazakhstan with an extensive client base. Due to the consolidation of the operation of rolling stock, terminal and other services at Kedentransservice JSC, the Group is planning to create an integrated company to provide container transportation services, with a container, wagon fleets and terminals. According to the expectations of Group's management, the implementation of the project will help increase the Group's share of the Kazakhstan container market and the quality of services provided and profitability. Goodwill is allocated entirely to the transportation segment. None of the goodwill recognized is expected to be deductible for income tax purposes.

5. BUSINESS COMBINATIONS (continued)

Acquisitions in 2020 (continued)

Logistic System Management B.V. (continued)

The Group's allocation of the total consideration for the acquisition for the fair value of assets acquired and liabilities assumed is presented below:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	29,159
Intangible assets	4,218
Investment property	5,280
Other non-current financial assets	27
Other non-current assets	13
Current assets	
Inventories	1,233
VAT receivable	898
Income tax prepaid	698
Amounts due from credit institutions	9
Trade accounts receivable	3,557
Other current assets	3,035
Cash and cash equivalents	4,170
Total assets	**52,297**
Liabilities	
Non-current liabilities	
Lease liabilities	2,466
Deferred tax liabilities	3,560
Employee benefit liabilities	141
Current liabilities	
Lease liabilities	413
Employee benefit liabilities	17
Trade and other payables	3,483
Other current liabilities	3,363
Total liabilities	**13,443**
Net assets	**38,854**
Cash consideration	30,669
Share in net assets previously belonging to the Group	14,670
Increase in the fair value of a previously held interest in a joint venture	9,035
Less identifiable net assets	(38,854)
Goodwill from the acquisition	**15,520**

Net cash outflow arising on acquisition of a subsidiary:

In millions of tenge	
Cash consideration	30,669
Less: cash and cash equivalent balances acquired	(4,170)
	26,499

If the business combination had occurred on January 1, 2020, Group revenue and profit for 2020 would have increased by 6,051 million tenge and 251 million tenge, respectively.

5. BUSINESS COMBINATIONS (continued)

Acquisitions in 2019

Khan Tengri Holding B.V.

On February 29, 2016 the Group acquired 51% share capital and 49.48% of voting shares in Khan Tengri Holding B.V., the company rendering GSM and LTE mobile telecommunication services in the Republic of Kazakhstan. Khan Tengri Holding B.V. is a private entity and not listed on the stock exchange. Khan Tengri Holding B.V. was an equity accounted associate for the Group till June 28, 2019.

According to the agreement between the Group and Tele2, the Group had an unconditional right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. at any time, after three years after the closing date of the transaction on February 29, 2016 (call option). Tele2 had a similar unconditional right to require the Group to acquire a 49% interest in Khan Tengri Holding B.V. (put option).

In connection with the closure of the transaction on the acqisition by the Group of 75% of shares in Kcell JSC in the end of December 2018, on December 28, 2018 the Group received notice on exercising of put option from Tele2 A.B.

On March 1, 2019 the Group's call option in relation to right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. became exercisable. As of March 1, 2019 neither call or put option provided the Group ability to direct relevant activities of Khan Tengri Holding B.V. as the Group is obliged to transfer shares of Khan Tengri Holding B.V. to a trust management company within 12 months after closing of transaction for acquiring 49% from Tele2 which is also subject to the approval of the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan. As at March 1, 2019 the Group did not obtain control over Khan Tengri Holding B.V.

On May 23, 2019 the Group concluded an agreement with Tele2 for the purchase of remaining 49% share of Khan Tengri Holding B.V. and 50.52% of the voting rights of all outstanding shares, and completed the acquisition on June 28, 2019. The consideration transferred for 49% interest acquired by the Group was 181,535 million tenge, including cash paid in the amount of 101,119 million tenge and loan provided to Mobile Telecom Service LLP in the amount of 80,416 million tenge for the purpose of consideration payment to the seller, Tele2.

In June 2019 the Group received approval from the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan of the terms of the trust management agreement that indicate that the Group has control over Khan Tengri Holding B.V.

On February 25, 2016 the Group provided a guarantee to associate organization Khan Tengri Holding B.V. under the credit facility from Development Bank of Kazakhstan JSC with a credit limit of up to 10,009 million tenge for the period until December 19, 2024. Guarantee issued in the amount of 937 million tenge was included into the consideration of business combination due to the acquisition of residual shares in associate of Khan Tengri Holding B.V.

The Group's interest in Khan Tengri Holding B.V. was recorded in the consolidated financial statements using the equity method till the date of control acquisition.

Net assets recognized in the consolidated financial statements for the year ended December 31, 2019 were based on a preliminary estimate of their fair value, as fair value assessment had not been completed by the time the consolidated financial statements for 2019 were approved. As at December 31, 2020 an independent professional appraiser finalised fair value assessment of acquired assets and liabilities and, as a result, comparative information as at December 31, 2019, was restated *(Note 2)*.

5. BUSINESS COMBINATIONS (continued)

Acquisitions in 2019 (continued)

Khan Tengri Holding B.V. (continued)

Fair value of the identified assets and liabilities of Khan Tengri Holding B.V. as at the date of acquisition were:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	127,017
Intangible assets	120,438
Other non-current financial assets	78
Other non-current assets	2,060
Current assets	
Inventories	909
VAT receivable	1,160
Income tax prepaid	614
Trade accounts receivable	15,801
Other current assets	3,312
Cash and cash equivalents	5,392
Total assets	**276,781**
Liabilities	
Non-current liabilities	
Borrowings	7,551
Lease liabilities	21,530
Provisions	4,527
Deferred tax liabilities	10,139
Other non-current liabilities	1,861
Current liabilities	
Borrowings	2,705
Lease liabilities	5,383
Provisions	299
Trade and other payables	26,747
Other current liabilities	12,704
Total liabilities	**93,446**
Net assets	**183,335**
Consideration transferred for 49% interest	181,535
Acquisition-date fair value of initial 51% interest	98,943
	280,478
Acquisition-date fair values of identifiable net assets acquired	(183,335)
Guarantee issued to Mobile Telecom Service LLP	(937)
Goodwill	**96,206**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	5,392
Consideration transferred	(181,535)
Net cash outflow	**(176,143)**

5. BUSINESS COMBINATIONS (continued)

Acquisitions in 2019 (continued)

Khan Tengri Holding B.V. (continued)

The main components of intangible assets are licenses, trademarks, software and subscriber base.

At the date of the acquisition it is expected that the full contractual amounts of trade receivables can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

The deferred tax liability is mainly due to the tax effect of accelerated depreciation of fixed assets and intangible assets for tax purposes.

The amount of goodwill equal to 96,206 million tenge includes the cost of the expected synergetic effect from the acquisition. The entire amount of goodwill is allocated to the mobile telecommunications segment. It is expected that recognized goodwill will not be deductible for the purposes of the taxation either in full or in part.

During 2019, the Group recognized income from re-measurement of previously held interest in the equity-accounted associate in the amount of 17,042 million tenge as a result of remeasuring its existing interest in the equity-accounted associate amount of 81,901 million tenge at the date of obtaining control to its acquisition-date fair value of 98,943 million tenge.

From the date of acquisition, the contribution of Khan Tengri Holding B.V. to the Group's revenue amounted to 75,553 million tenge, and to the Group's net profit before tax in the amount of 13,212 million tenge. If the combination had taken place at the beginning of 2019, the Group's revenues would have been 468,651 million tenge, and the profit before tax would have been 80,653 million tenge.

JV Khorasan-U LLP

The Group has gained control over JV Khorasan-U LLP on February 20, 2019. The Group assessed the fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed in the acquisition of the entity under IFRS 3 *Business Combinations*. The valuation was performed by an independent appraiser.

The Group assessed the fair value:

In millions of tenge	**At acquisition date**
Cash consideration paid	–
Net liabilities from pre-existing relationship	(1,948)
Total consideration transferred	**(1,948)**
Fair value of investment associate prior to the acquisition	85,804
Total purchase consideration and value of previously held interest in the acquiree	**83,856**

Liabilities from pre-existing relationship represent receivables of JV Khorasan-U LLP from the Group, mainly for delivery of uranium.

5. BUSINESS COMBINATIONS (continued)

Acquisitions in 2019 (continued)

JV Khorasan-U LLP (continued)

The following table is the fair value of the assets acquired and liabilities as at the acquisition date:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	22,808
Intangible assets	178,856
Other non-current financial assets	3,409
Other non-current assets	882
Current assets	
Inventories	8,873
VAT receivable	1,736
Trade accounts receivable	10,038
Other current assets	62
Cash and cash equivalents	5,563
Total assets	**232,227**
Liabilities	
Non-current liabilities	
Provisions	712
Deferred tax liabilities	36,873
Other non-current liabilities	528
Current liabilities	
Borrowings	17,441
Trade and other payables	4,526
Other current liabilities	539
Total liabilities	**60,619**
Carrying value of of identifiable net assets (before elimination of intra-group balances)	171,608
Less: elimination of intra-group balances	(1,948)
Carrying value of identifiable net assets acquired	**169,660**
Less:	
Non-controlling interest	(85,804)
Total purchase consideration and value of previously held interest in the acquiree	**83,856**

Net result of business combinations recognised during the year 2019 comprises bargain purchase gain of 2,150 million tenge and excess of fair value of investment in the associate over its carrying value of 52,500 million tenge at the acquisition date:

In millions of tenge	
Fair value of the investment in associate at date of acquisition	85,804
Less: carrying value of the investments at date of acquisition	(31,154)
Net gain from business combination – JV Khorasan-U LLP	**54,650**

5. BUSINESS COMBINATIONS (continued)

Acquisitions in 2019 (continued)

EGRES-2

On December 13, 2019 the Group acquired 50% share in EGRES-2 JSC from Inter RAO P JSC in accordance with purchase sale agreement dated December 27, 2018. The sale price equaled 25,000 thousand US dollars (equivalent to 9,616 million tenge as at the acquisition date).

The Group's interest of 50% in EGRES-2 was recorded in the consolidated financial statements using the equity method till the date of control acquisition.

Net assets recognized in the consolidated financial statements for the year ended December 31, 2019 were based on a preliminary estimate of their fair value, as fair value assessment had not been completed by the time the consolidated financial statements for 2019 were approved. As at December 31, 2020 an independent professional appraiser finalised fair value assessment of acquired assets and liabilities and, as a result, comparative information as at December 31, 2019, was restated *(Note 2)*.

Fair value of the identified assets and liabilities of EGRES-2 as at the date of acquisition were:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	90,576
Intangible assets	23
Other non-current assets	41,300
Current assets	
Inventories	2,650
Income tax prepaid	1,744
Trade accounts receivable	2,602
Other current assets	1,007
Cash and cash equivalents	1,579
Total assets	**141,481**
Liabilities	
Non-current liabilities	
Borrowings	93,224
Employee benefit liabilities	452
Provisions	478
Deferred tax liabilities	1,362
Current liabilities	
Borrowings	864
Provisions	584
Trade and other payables	1,567
Other current liabilities	2,420
Total liabilities	**100,951**
Net assets	**40,530**
Less:	
Consideration transferred for 50% interest	(9,616)
Acquisition-date fair value of initial 50% interest	(20,265)
Gain on business combination	**10,649**

During 2019, the Group recognized income from re-measurement of previously held interest in the equity-accounted joint venture in the amount of 2,478 million tenge within other non-operating income as a result of remeasuring its existing interest in the equity-accounted associate amount of 17,787 million tenge at the date of obtaining control to its acquisition-date fair value of 20,265 million tenge.

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER

Disposals in 2020

Transtelecom JSC

In April 2018, a purchase and sale agreement was concluded on the sale of 26% minus 1 (one) share of Transtelecom JSC. On January 24, 2020 the remaining balance of the purchase price was paid by the buyer for 26% minus 1 (one) share of Transtelecom JSC. On January 29, 2020 shares of Transtelecom JSC were disposed, as a result, the Group lost control over the subsidiary and recognised residual interest of 25% at fair value of 9,086 millon tenge as investment in associate and disposal of non-controlling interest in Transtelecom JSC of 14,040 million tenge in consolidated statement of changes in equity *(Note 18)*.

At the date of loss of control net assets of Transtelecom JSC were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	85,466
Intangible assets	4,607
Other non-current financial assets	298
Other non-current assets	376
Inventories	2,307
VAT receivable	767
Income tax prepaid	169
Trade accounts receivable	8,333
Loans issued and finance lease receivables	798
Amounts due from credit institutions	27
Other current financial assets	626
Other current assets	11,545
Cash and cash equivalents	6,352
Total assets	**121,671**
Borrowings	53,139
Lease liabilities	1,853
Deferred tax liabilities	4,467
Employee benefit liabilities	504
Other non-current liabilities	2,472
Trade and other payables	18,841
Other current liabilities	7,646
Total liabilities	**88,922**
Net assets	**32,749**

Net cash inflow from disposal of a subsidiary was as follows:

In millions of tenge	
Cash consideration received	9,450
Advances received previously	(470)
Less: cash and cash equivalents of disposed subsidiary	(6,352)
Total cash inflow	**2,628**

Net of loss incurred by Transtelecom JSC for the period from January 1, 2020 till the date of sale amounted to 15 million tenge. The resulting loss on disposal of Transtelecom JSC amounted to 173 million tenge.

MC SEZ Khorgos-Eastern Gates JSC ("Khorgos")

In March 2020, in accordance with the Resolution of the Government of the Republic of Kazakhstan dated March 19, 2019 the Group transferred 100% of shares in Khorgos free of charge to the akimat of Almaty oblast. As a result, the Group lost control of Khorgos and recorded the disposal of net assets of 24,809 million tenge through equity in retained earnings *(Note 18)*.

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER (continued)

Disposals in 2020 (continued)

MC SEZ Khorgos-Eastern Gates JSC ("Khorgos") (continued)

The assets and liabilities of Khorgos as at the disposal date are as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	20,219
Intangible assets	555
Other non-current assets	2,734
Inventories	16
Trade accounts receivable	31
Other current assets	332
Cash and cash equivalents	1,886
Total assets	**25,773**
Employee benefit liabilities	3
Trade and other payables	847
Other current liabilities	114
Total liabilities	**964**
Net assets	**24,809**

Khorgos revenue and loss for the period from January 1 until the disposal date were 60 million tenge and 1,248 million tenge, respectively.

Uranium Enrichment Center JSC (TsOU)

In 2019 the Group has entered into a conditional contract to sell its 50% interest minus 1 (one) share in JSC Uranium Enrichment Center (TsOU) to its partner in this joint venture – TVEL JSC (TVEL). The Group maintained 1 share of TsOU, which will retain the Group's right to access uranium enrichment services in accordance with the conditions previously agreed with TVEL. On March 17, 2020 the Group completed this sale. The contract price was 6,253 million Russian rubles or 90 million euro fixed at an exchange rate as at December 31, 2019. Actual cash consideration received was 90 million Euro (equivalent to 43,858 million tenge).

In millions of tenge	
Contract price at the exchange rate as at December 31, 2019	40,485
Less: carrying value of the investment in joint venture	(18,671)
Transfer of foreign currency translation reserve	249
Gain from disposal of joint venture	**22,063**

Gain from disposal of joint venture was included in other non-operating income.

As at December 31, 2019 the Group classified the investment in the joint venture TsOU as an asset held for sale.

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER (continued)

Disposals in 2019

KMG Retail LLP

On February 8, 2019 Group completed the sale of 100% interest in KMG Retail LLP, which was classified as a disposal group held for sale, for 60,512 million tenge.

At the date of loss of control net assets of KMG Retail LLP were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	34,266
Intangible assets	42
Other non-current assets	6,556
Other current assets	138
Cash and cash equivalents	2,288
Total assets	**43,290**
Trade and other payables	203
Other current liabilities	56
Total liabilities	**259**
Net assets	**43,031**

The resulting gain on disposal of KMG Retail LLP amounted to 17,481 million tenge.

Kazakhstan-British University JSC (KBTU)

In January 2019, a sale agreement on 100% shares in KBTU between the National Company "KazMunayGas" JSC ("NC KMG"), a subsidiary of the Fund, and the Public Foundation "Nursultan Nazarbayev Education Fund" came into force. According to the terms of the agreement, the transfer of shares and payment of 11,370 million tenge for them are made in three tranches within two years. On February 6, 2019 KMG lost control over KBTU.

At the date of loss of control net assets of KBTU were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	6,367
Intangible assets	1,964
Amounts due from credit institutions	2,091
Deferred tax assets	98
Other non-current assets	37
Inventories	120
VAT receivable	77
Income tax prepaid	103
Trade accounts receivable	504
Other current assets	158
Cash and cash equivalents	4,732
Total assets	**16,251**
Trade and other payables	267
Other current and non-current liabilities	5,082
Total liabilities	**5,349**
Net assets	**10,902**

The resulting gain on disposal of KBTU net of loss of 143 million tenge incurred by KBTU for the period from January 1, 2019 till the date of sale amounted to 6 million tenge.

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER (continued)

Disposals in 2019 (continued)

Management Company of Special Economic Zone Taraz assets of Chemical Park ("Chemical Park")

In April 2019 in accordance with the Resolution of the Government of Republic of Kazakhstan dated March 26, 2019 the Fund transferred 90% shares of Chemical Park with the net assets of 7,906 million tenge to the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan.

At the date of loss of control net assets of Chemical Park were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	4,283
Intangible assets	5
Other non-current assets	1,878
Inventories	25
VAT receivable	265
Trade accounts receivable	19
Other current assets	12
Cash and cash equivalents	1,980
Total assets	**8,467**
Trade and other payables	132
Other current liabilities	429
Total liabilities	**561**
Net assets	**7,906**

MAEK-Kazatomprom LLP

On December 4, 2019 in accordance with the Resolution of the Government of the Republic of Kazakhstan dated November 14, 2019 the Group transferred controlling shares of MAEK-Kazatomprom LLP to the State property and privatization committee of the Ministry of Finance of the Republic of Kazakhstan with net assets of 21,626 million tenge.

At the date of loss of control net assets of MAEK-Kazatomprom LLP were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	25,048
Intangible assets	26
Other non-current assets	543
Inventories	2,630
Income tax prepaid	386
Trade accounts receivable	8,255
Other current assets	257
Cash and cash equivalents	1,218
Total assets	**38,363**
Borrowings	5,209
Lease liabilities	110
Deffered tax liabilities	1,247
Employee benefit liabilities	337
Provisions	20
Other non-current liabilities	27
Trade and other payables	6,117
Other current liabilities	3,670
Total liabilities	**16,737**
Net assets	**21,626**

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER (continued)

Disposals in 2019 (continued)

International Airport Aktobe JSC, Airport Pavlodar JSC and International Airport Atyrau JSC

On September 10, 2019 in accordance with a decree of the Government of the Republic of Kazakhstan dated July 31, 2019, the Fund transferred controlling stakes of three airports, International Airport Aktobe JSC, Airport Pavlodar JSC and International Airport Atyrau JSC to the Akimat of Aktobe, Pavlodar and Atyrau regions. The net assets of the airports amounted to 9,810 million tenge.

At the date of loss of control net assets of airports were as follows:

	Net assets at the date of disposal		
In millions of tenge	**International Airport Aktobe JSC**	**Airport Pavlodar JSC**	**International Airport Atyrau JSC**
Property, plant and equipment	4,895	1,091	3,550
Intangible assets	18	–	4
Inventories	301	26	221
VAT receivable	–	3	4
Income tax prepaid	–	3	2
Trade accounts receivable	90	15	26
Other non-current and current assets	36	6	19
Cash and cash equivalents	271	42	225
Total assets	**5,611**	**1,186**	**4,051**
Borrowings	–	–	81
Deferred tax liabilities	–	30	557
Trade and other payables	18	22	30
Other current and non-current liabilities	81	39	180
Total liabilities	**99**	**91**	**848**
Net assets	**5,512**	**1,095**	**3,203**

Assets classified as held for sale or distribution to the Shareholder

Assets classified as held for sale or distribution to the Shareholder comprised the following:

In millions of tenge	**Segment**	**December 31, 2020**	December 31, 2019
Assets classified as held for sale, including:			
Transtelecom JSC	Transportation	**–**	106,247
Uranium Enrichment Center (TsOU) JSC	Mining	**–**	18,671
Other		**61,360**	5,569
Assets classified as held for distribution to Shareholder, including:			
KOREM JSC	Energy	**323**	–
Other		**104**	–
		61,787	130,487

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER (continued)

Assets classified as held for sale or distribution to the Shareholder (continued)

Liabilities associated with assets classified as held for sale or distribution to the Shareholder comprised the following:

In millions of tenge	**Segment**	**December 31, 2020**	December 31, 2019
Liabilities associated with assets classified as held for sale, including:			
Transtelecom JSC	Transportation	**–**	85,656
Other		**4,814**	130
Liabilities associated with assets classified as held for distribution to the Shareholder, including:			–
KOREM JSC	Energy	**22**	–
		4,836	85,786

In accordance with the planned activities for transfer of 100% shares of KOREM JSC withing 12 months period to the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan, as at December 31, 2020 the Fund classified net assets of KOREM JSC of 301 million tenge as held for distribution to the Shareholder.

7. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Net book value at January 1, 2019	4,299,387	2,339,017	993,281	1,098,920	2,876,322	139,094	83,398	863,045	12,692,464
Effect of adoption of IFRS 16 (restated)	47,124	5,559	47,886	–	112,983	–	11,684	–	225,236
Foreign currency translation	(16,199)	(1,306)	(433)	85	(595)	–	205	(4)	(18,247)
Changes in estimates	40,047	12,156	184	–	(643)	2,059	2,079	–	55,882
Additions	89,852	7,164	38,947	172	108,378	27,343	11,729	667,310	950,895
Additions through lease agreements	3,468	90	4,245	–	114,763	–	2,771	–	125,337
Acquisition through business combinations (restated)	–	–	34,458	–	95,347	22,627	24,832	60,889	238,153
Disposals	(24,598)	(6,261)	(23,331)	(804)	(68,729)	(1,529)	(8,857)	(40,607)	(174,716)
Depreciation charge	(224,885)	(150,601)	(60,178)	(35,828)	(299,592)	(30,875)	(20,138)	–	(822,097)
Depreciation and impairment on disposals	14,198	5,833	13,821	335	39,757	–	7,940	25,194	107,078
Impairment, net of reversal of impairment	(4,910)	(86,719)	(29,081)	(189)	(83,043)	(2,099)	(1,181)	27,002	(180,220)
Discontinued operations/transfer from/(to) assets classified as held for sale	17	(81)	(24,002)	–	(37,927)	1,619	(1,452)	(7,657)	(69,483)
Transfers from/(to) intangible assets, net	(342)	(64)	–	–	(15)	–	89	(9,944)	(10,276)
Transfers from/(to) exploration and evaluation assets, investment property, net	1,958	–	14,678	–	144	2,458	2,356	985	22,579
Transfer from/(to) inventories, net	36	4,400	7	(3,911)	769	3,869	(1,078)	2,507	6,599
Other transfers and reclassifications	7,827	57,119	141,914	75,846	349,777	271	55,576	(688,330)	–
Net book value at December 31, 2019 (restated)	4,232,980	2,186,306	1,152,396	1,134,626	3,207,696	164,837	169,953	900,390	13,149,184
Historical cost	5,615,863	3,437,819	1,666,593	1,390,130	5,398,638	320,677	324,427	994,697	19,148,844
Accumulated depreciation and impairment	(1,382,883)	(1,251,513)	(514,197)	(255,504)	(2,190,942)	(155,840)	(154,474)	(94,307)	(5,999,660)
Net book value at December 31, 2019 (restated)	4,232,980	2,186,306	1,152,396	1,134,626	3,207,696	164,837	169,953	900,390	13,149,184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Including right-of-use assets under lease agreements									
Net book value at January 1, 2019	–	–	–	–	128,242	–	194	–	128,436
Effect of adoption of IFRS 16 (restated)	47,124	5,559	47,886	–	112,983	–	11,684	–	225,236
Foreign currency translation	(230)	(19)	(105)	–	(547)	–	10	–	(891)
Changes in estimates	–	524	–	–	(819)	–	2,060	–	1,765
Additions through lease agreements	3,468	90	4,245	–	114,763	–	2,771	–	125,337
Acquisition through business combinations	–	–	2,926	–	–	–	20,740	–	23,666
Disposals	–	–	(99)	–	(29,541)	–	–	–	(29,640)
Depreciation charge	(6,251)	(436)	(10,270)	–	(41,971)	–	(4,038)	–	(62,966)
Depreciation and impairment on disposals	–	–	–	–	6,444	–	–	–	6,444
Other transfers and reclassifications	(297)	(4,790)	29,375	–	(13,351)	–	(10,937)	–	–
Net book value at December 31, 2019 (restated)	43,814	928	73,958	–	276,203	–	22,484	–	417,387
Historical cost of right-of-use assets under lease agreements	50,061	1,364	84,243	–	402,208	–	26,701	–	564,577
Accumulated depreciation and impairment of right-of-use assets under lease agreements	(6,247)	(436)	(10,285)	–	(126,005)	–	(4,217)	–	(147,190)
Net book value at December 31, 2019 (restated)	43,814	928	73,958	–	276,203	–	22,484	–	417,387

7. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Net book value at January 1, 2020 (restated)	4,232,980	2,186,306	1,152,396	1,134,626	3,207,696	164,837	169,953	900,390	13,149,184
Foreign currency translation	**366,276**	**43,416**	**9,164**	**(70)**	**28,817**	**–**	**9,579**	**15,345**	**472,527**
Changes in estimates	**27,038**	**10,923**	**(195)**	**–**	**(1,032)**	**(13,552)**	**3,358**	**–**	**26,540**
Additions	**19,930**	**4,143**	**8,156**	**3,075**	**95,187**	**26,983**	**19,687**	**1,056,336**	**1,233,497**
Additions through lease agreements	**1,558**	**468**	**11,294**	**–**	**139,493**	**–**	**5,365**	**–**	**158,178**
Acquisition through business combinations *(Note 5)*	**–**	**–**	**10,979**	**–**	**12,212**	**–**	**3,046**	**1,079**	**27,316**
Disposals	**(18,443)**	**(29,041)**	**(17,528)**	**(134)**	**(73,516)**	**(3)**	**(4,746)**	**(7,304)**	**(150,715)**
Depreciation charge	**(271,726)**	**(149,339)**	**(72,040)**	**(36,788)**	**(330,223)**	**(27,308)**	**(20,722)**	**–**	**(908,146)**
Depreciation and impairment on disposals	**13,876**	**12,257**	**4,148**	**100**	**40,446**	**–**	**4,156**	**5,294**	**80,277**
Impairment/write-off, net of reversal of impairment	**(38,202)**	**(156,275)**	**3,268**	**26**	**(21,569)**	**(376)**	**(2,077)**	**(34,617)**	**(249,822)**
Transfer from/(to) assets classified as held for sale or distribution to the Shareholder	**–**	**(834)**	**(24,223)**	**–**	**(77,813)**	**(2,055)**	**(1,054)**	**(1,274)**	**(107,253)**
Transfers from/(to) intangible assets (*Note 8*)	**(609)**	**(96)**	**–**	**–**	**31**	**–**	**(619)**	**(12,096)**	**(13,389)**
Transfers from/(to) exploration and evaluation assets, investment property	**67**	**–**	**(21,045)**	**–**	**(68)**	**26**	**(1)**	**–**	**(21,021)**
Transfer from/(to) inventories, net	**42**	**1,591**	**13**	**(5,098)**	**423**	**5,584**	**564**	**3,593**	**6,712**
Other transfers and reclassifications	**122,632**	**62,601**	**111,904**	**65,876**	**295,772**	**611**	**12,253**	**(671,649)**	**–**
Net book value at December 31, 2020	**4,455,419**	**1,986,120**	**1,176,291**	**1,161,613**	**3,315,856**	**154,747**	**198,742**	**1,255,097**	**13,703,885**
Historical cost	**6,207,948**	**3,607,779**	**1,764,392**	**1,447,389**	**5,812,284**	**338,271**	**375,664**	**1,374,385**	**20,928,112**
Accumulated depreciation and impairment	**(1,752,529)**	**(1,621,659)**	**(588,101)**	**(285,776)**	**(2,496,428)**	**(183,524)**	**(176,922)**	**(119,288)**	**(7,224,227)**
Net book value at December 31, 2020	**4,455,419**	**1,986,120**	**1,176,291**	**1,161,613**	**3,315,856**	**154,747**	**198,742**	**1,255,097**	**13,703,885**

7. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Including right-of-use assets under lease agreements									
Net book value at January 1, 2020 (restated)	43,814	928	73,958	–	276,203	–	22,484	–	417,387
Foreign currency translation	**4,180**	**144**	**1,408**	**–**	**21,192**	**–**	**2,432**	**–**	**29,356**
Changes in estimates	**–**	**5,009**	**(294)**	**–**	**(1,225)**	**–**	**3,358**	**–**	**6,848**
Additions through lease agreements	**1,558**	**468**	**11,294**	**–**	**139,493**	**–**	**5,365**	**–**	**158,178**
Acquisition through business combinations *(Note 5)*	**–**	**–**	**939**	**–**	**1,659**	**–**	**–**	**–**	**2,598**
Disposals	**(1,305)**	**–**	**(1,040)**	**–**	**(42,499)**	**–**	**(922)**	**–**	**(45,766)**
Depreciation charge	**(7,300)**	**(296)**	**(17,086)**	**–**	**(57,998)**	**–**	**(3,225)**	**–**	**(85,905)**
Depreciation and impairment on disposals	**–**	**–**	**322**	**–**	**20,566**	**–**	**645**	**–**	**21,533**
Impairment, net of reversal of impairment	**–**	**–**	**–**	**–**	**(5,925)**	**–**	**–**	**–**	**(5,925)**
Capitalized repair works	**–**	**–**	**–**	**–**	**3,598**	**–**	**–**	**–**	**3,598**
Net book value at December 31, 2020	**40,947**	**6,253**	**69,501**	**–**	**355,064**	**–**	**30,137**	**–**	**501,902**
Historical cost of right-of-use assets under lease agreements	**53,747**	**7,014**	**102,001**	**–**	**530,064**	**–**	**35,063**	**–**	**727,889**
Accumulated depreciation and impairment of right-of-use assets under lease agreements	**(12,800)**	**(761)**	**(32,500)**	**–**	**(175,000)**	**–**	**(4,926)**	**–**	**(225,987)**
Net book value at December 31, 2020	**40,947**	**6,253**	**69,501**	**–**	**355,064**	**–**	**30,137**	**–**	**501,902**

As at December 31, 2020 property, plant and equipment with net book value of 959,895 million tenge was pledged as collateral for some of the Group's borrowings (December 31, 2019: 1,101,686 million tenge).

As at December 31, 2020 the cost of fully amortised property, plant and equipment of the Group was equal to 1,320,644 million tenge (December 31, 2019: 1,088,767 million tenge).

In 2020 the Group capitalized borrowing costs at an average interest rate of 4.85% in the amount of 26,763 million tenge *(Note 19)* (2019: at an average interest rate of 7.1% in the amount of 24,913 million tenge).

During 2020, the Group reclassified to assets held for sale property and equipment of 107,253 million tenge mainly represented by compressor stations "Korkyt-ata" and "Turkestan". During 2020, the Group sold the compressor station "Turkestan" for the consideration of 43,667 million tenge. As at December 31, 2020, assets classified as held for sale is mainly represented by the compressor station "Korkyt-ata" for 42,241 million tenge, the transaction is expected to be completed during 2021.

During 2019, the Group reclassified to assets held for sale property and equipment of 69,483 million tenge including tankers and gas compressor station with net book value of 35,621 million tenge, the latter was sold for the consideration of 32,696 million tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INTANGIBLE ASSETS

In millions of tenge	Licenses	Subsur-face use rights	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value at January 1, 2019 (restated)	625,667	703,161	204,746	33,364	45,528	73,679	1,686,145
Foreign currency translation	(2,107)	(833)	(1,493)	2,237	(60)	(491)	(2,747)
Additions	6,517	3,845	–	–	12,359	3,244	25,965
Acquisition through business combinations	108,499	178,856	96,206	–	2,204	9,758	395,523
Disposals	(2,781)	(39)	–	–	(5,746)	(1,597)	(10,163)
Amortization charge	(38,164)	(35,507)	–	–	(16,855)	(7,623)	(98,149)
Accumulated amortization on disposals	1,966	–	–	–	5,485	248	7,699
(Impairment)/reversal of impairment, net	(52)	(5,794)	–	(6,641)	(645)	448	(12,684)
Discontinued operations/transfer from/(to) assets classified as held for sale	(3)	4	–	–	(1,788)	(18)	(1,805)
Transfers from/(to) property, plant and equipment, net	(125)	197	–	–	9,995	209	10,276
Transfers from/(to) exploration and evaluation assets, investment property	–	1,800	–	–	–	–	1,800
Transfer from/(to) inventories, net	–	–	–	–	43	5	48
Other transfers	947	–	–	–	1,380	(2,327)	–
Net book value at December 31, 2019 (restated)*	700,364	845,690	299,459	28,960	51,900	75,535	2,001,908
Foreign currency translation	**48,907**	**19,429**	**1,002**	**2,776**	**363**	**835**	**73,312**
Additions	**5,156**	**100**	**–**	**–**	**17,702**	**3,808**	**26,766**
Acquisition through business combinations *(Note 5)*	**–**	**–**	**15,520**	**–**	**329**	**3,889**	**19,738**
Disposals	**(1,354)**	**–**	**–**	**–**	**(7,117)**	**(2,176)**	**(10,647)**
Amortization charge	**(44,591)**	**(33,681)**	**–**	**–**	**(19,224)**	**(5,633)**	**(103,129)**
Accumulated amortization on disposals	**1,343**	**–**	**–**	**–**	**6,334**	**130**	**7,807**
(Impairment)/reversal of impairment, net	**(222)**	**–**	**–**	**(6,911)**	**(1,158)**	**1,153**	**(7,138)**
Transfer from/(to) assets classified as held for sale or distribution to the Shareholder	**–**	**–**	**–**	**–**	**(62)**	**–**	**(62)**
Transfers from/(to) property, plant and equipment, net *(Note 7)*	**124**	**609**	**–**	**–**	**11,455**	**1,201**	**13,389**
Transfers from/(to) other non-current assets	**–**	**–**	**–**	**–**	**80**	**–**	**80**
Other transfers	**1,318**	**–**	**–**	**–**	**3,328**	**(4,646)**	**–**
Net book value at December 31, 2020	**711,045**	**832,147**	**315,981**	**24,825**	**63,930**	**74,096**	**2,022,024**
Historical cost	**869,540**	**933,938**	**432,947**	**63,722**	**189,762**	**148,180**	**2,638,089**
Accumulated amortization and impairment	**(158,495)**	**(101,791)**	**(116,966)**	**(38,897)**	**(125,832)**	**(74,084)**	**(616,065)**
Net book value at December 31, 2020	**711,045**	**832,147**	**315,981**	**24,825**	**63,930**	**74,096**	**2,022,024**
Historical cost	806,879	912,221	416,367	57,921	161,474	139,728	2,494,590
Accumulated amortization and impairment	(106,515)	(66,531)	(116,908)	(28,961)	(109,574)	(64,193)	(492,682)
Net book value at December 31, 2019 (restated)	700,364	845,690	299,459	28,960	51,900	75,535	2,001,908

9. EXPLORATION AND EVALUATION ASSETS

In millions of tenge	**Tangible**	**Intangible**	**Total**
Net book value at January 1, 2019	398,129	33,719	431,848
Foreign currency translation	(870)	–	(870)
Change in estimate	9	–	9
Additions	56,052	3,144	59,196
Disposals	(37,742)	(2,004)	(39,746)
Impairment/write-off, net of reversal of impairment	(99,267)	(5,522)	(104,789)
Impairment on disposals	33,159	507	33,666
Transfers from/(to) property, plant and equipment, net	(2,767)	(2,458)	(5,225)
Transfers from/(to) intangible assets, net	–	(1,800)	(1,800)
Transfer from/(to) inventories, net	(389)	(6)	(395)
Other transfers and reclassifications	(5,449)	5,449	–
Net book value at December 31, 2019	340,865	31,029	371,894
Foreign currency translation	**16,935**	**–**	**16,935**
Change in estimate	**(845)**	**–**	**(845)**
Additions	**15,208**	**787**	**15,995**
Impairment/write-off, net of reversal of impairment	**(32,054)**	**(4,164)**	**(36,218)**
Transfers from/(to) property, plant and equipment, net	**(93)**	**–**	**(93)**
Transfer from/(to) inventories, net	**(274)**	**(1)**	**(275)**
Net book value at December 31, 2020	**339,742**	**27,651**	**367,393**
Historical cost	**365,000**	**35,825**	**400,825**
Accumulated impairment	**(25,258)**	**(8,174)**	**(33,432)**
Net book value at December 31, 2020	**339,742**	**27,651**	**367,393**
Historical cost	446,630	49,673	496,303
Accumulated impairment	(105,765)	(18,644)	(124,409)
Net book value at December 31, 2019	340,865	31,029	371,894

As at December 31, 2020 and 2019 the exploration and evaluation assets are represented by the following projects:

In millions of tenge	**2020**	2019
Kashagan	**186,062**	169,069
Zhambyl	**59,603**	58,293
Urikhtau	**38,834**	35,265
Embamunaigas	**33,458**	41,337
KazTransGas projects	**17,366**	13,206
Other	**32,070**	54,724
	367,393	371,894

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

As at December 31 investments in joint ventures and associates comprised the following:

			2020		2019	
In millions of tenge	**Main activity**	**Place of business**	**Carrying amount**	**Percentage ownership**	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**2,793,887**	**20.00%**	2,377,207	20.00%
Asia Gas Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	**291,086**	**50.00%**	168,086	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	**156,771**	**50.00%**	101,766	50.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	**142,585**	**50.00%**	158,867	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	**76,702**	**50.00%**	79,849	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**44,585**	**50.00%**	47,662	50.00%
Forum Muider B.V.	Gas pipeline construction	Netherlands	**42,437**	**50.00%**	33,938	50.00%
JV Kazgermunai LLP	Oil and gas exploration and production	Kazakhstan	**32,840**	**50.00%**	25,620	50.00%
Other			**150,741**		180,142	
Total joint ventures			**3,731,634**		3,173,137	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	**531,591**	**29.82%**	459,091	29.82%
Caspian Pipeline Consortium JSC	Transportation of crude oil	Kazakhstan/Russia	**478,134**	**20.75%**	359,173	20.75%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	**78,636**	**33.00%**	95,320	33.00%
JV KATCO LLP	Exploration, production, processing and export of uranium	Kazakhstan	**55,845**	**49.00%**	61,642	49.00%
Other			**109,836**		94,508	
Total associates			**1,254,042**		1,069,734	
			4,985,676		4,242,871	

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2020, reflecting equity method accounting adjustments:

In millions of tenge	Tengizchevroil LLP	Asia Gas Pipeline LLP	Beineu-Shymkent Pipeline LLP	Mangistau Investments B.V.	KazRosGas LLP	Ural Group Limited BVI	Forum Muider B.V.	JV Kazgermunai LLP
Joint ventures								
Non-current assets	20,221,619	1,333,611	544,058	468,069	44,681	246,111	134,249	101,629
Current assets, including	908,846	616,479	147,802	89,172	118,142	993	34,903	24,627
Cash and cash equivalents	50,588	180,065	18,027	5,267	44,459	833	9,091	19,264
Non-current liabilities, including	6,412,967	886,363	351,719	160,711	207	115,216	57,775	35,090
Non-current financial liabilities	4,061,782	692,254	335,084	–	–	81,291	52,564	–
Current liabilities, including	748,064	481,556	76,155	110,186	9,212	2,718	26,503	25,486
Current financial liabilities	69,558	464,699	63,101	21,306	–	–	1,637	–
Equity	13,969,434	582,171	263,986	286,344	153,404	129,170	84,874	65,680
Share of ownership	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Consolidation adjustments	–	–	24,778	(587)	–	(20,000)	–	–
Carrying amount of investment as at December 31, 2020	2,793,887	291,086	156,771	142,585	76,702	44,585	42,437	32,840
Revenue	3,776,155	727,503	201,524	488,032	167,016	–	100,937	101,595
Depreciation, depletion and amortization	(700,929)	(78,212)	(18,222)	(75,609)	(289)	(14)	(7,323)	(27,084)
Finance income	3,887	7,352	–	239	2,293	–	500	511
Finance costs	(58,264)	(54,943)	(14,365)	(9,555)	–	(16,986)	(3,110)	(1,598)
Income tax expenses	(371,799)	(90,323)	–	(19,663)	(6,628)	(1,077)	(5,968)	(6,200)
Profit/(loss) for the year from continuing operations	867,380	350,677	110,010	33,498	7,785	(20,531)	23,109	31,245
Other comprehensive income/(loss)	1,216,017	2,964	–	(1,479)	16,232	11,671	(100)	4,337
Total comprehensive income/(loss)	2,083,397	353,641	110,010	32,019	24,017	(8,860)	23,009	35,582
Dividends received	–	53,821	–	32,291	15,155	–	3,006	10,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2019, reflecting equity method accounting adjustments:

In millions of tenge	Tengizchevroil LLP	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP	Ural Group Limited BVI	Forum Muider B.V.	JV Kazgermunai LLP
Joint ventures								
Non-current assets	16,276,184	1,395,615	433,949	482,553	10,176	218,689	96,927	118,312
Current assets, including	975,247	578,072	114,571	171,411	195,666	729	26,631	42,245
Cash and cash equivalents	45,128	136,318	16,091	11,918	83,674	714	5,241	37,401
Non-current liabilities, including	4,137,239	1,225,064	148,898	354,711	148	123,902	29,726	40,343
Non-current financial liabilities	2,563,353	1,050,532	49,553	342,836	–	94,532	26,253	–
Current liabilities, including	1,228,155	412,451	80,494	145,277	45,996	192	25,956	68,975
Current financial liabilities	44,762	379,633	400	119,557	–	–	3,204	–
Equity	11,886,037	336,172	319,128	153,976	159,698	95,324	67,876	51,239
Share of ownership	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Consolidation adjustments	–	–	(697)	24,778	–	–	–	–
Carrying amount of investment as at December 31, 2019	2,377,207	168,086	158,867	101,766	79,849	47,662	33,938	25,620
Revenue	6,231,720	785,250	836,474	172,894	306,259	–	105,278	191,297
Depreciation, depletion and amortization	(874,694)	(74,734)	(70,250)	(16,028)	(280)	(13)	(6,885)	(50,605)
Finance income	9,428	9,674	159	–	2,384	–	372	227
Finance costs	(39,896)	(90,669)	(8,772)	(26,563)	–	(27,471)	(404)	(1,348)
Income tax expenses	(889,194)	(113,177)	(51,818)	–	(8,625)	(1,688)	(7,769)	(73,148)
Profit/(loss) for the year from continuing operations	2,074,701	428,204	165,766	112,387	30,311	(37,790)	24,620	35,121
Other comprehensive (loss)/income	(41,327)	–	485	–	(846)	(627)	(134)	(216)
Total comprehensive income/(loss)	2,033,374	428,204	166,251	112,387	29,465	(38,417)	24,486	34,905
Change in unrecognized share of losses	–	46,016	–	–	–	–	–	–
Dividends received	–	–	61,872	–	–	–	15,312	30,183

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on IFRS financial statements of these entities for 2020 and 2019, reflecting equity method accounting adjustments:

	2020				2019			
In millions of tenge	**Kazzinc LLP**	**Caspian Pipeline Consortium JSC**	**Petro-Kazakhstan Inc. ("PKI")**	**JV KATCO LLP**	Kazzinc LLP	Caspian Pipeline Consortium JSC	Petro-Kazakhstan Inc. ("PKI")	JV KATCO LLP
Associates								
Non-current assets	**1,732,663**	**2,082,957**	**284,545**	**73,426**	1,513,171	1,992,522	330,021	63,374
Current assets	**491,115**	**193,677**	**67,047**	**73,445**	422,595	99,635	55,086	96,384
Non-current liabilities	**300,729**	**32,817**	**72,335**	**8,768**	286,301	38,825	69,474	11,253
Current liabilities	**140,509**	**134,300**	**20,426**	**8,291**	110,028	499,392	26,785	7,961
Equity	**1,782,540**	**2,109,517**	**258,831**	**129,812**	1,539,437	1,553,940	288,848	140,544
Share of ownership	**29.82%**	**20.75%**	**33.00%**	**49.00%**	29.82%	20.75%	33.00%	49.00%
Goodwill	**–**	**40,409**	**–**	**68**	–	36,730	–	68
Unrecognized gain on transactions with associates	**–**	**–**	**–**	**(7,831)**	–	–	–	(7,293)
Impairment of the investment	**–**	**–**	**(6,778)**	**–**	–	–	–	–
Carrying amount of investment	**531,591**	**478,134**	**78,636**	**55,845**	459,091	359,173	95,320	61,642
Revenue	**1,243,589**	**872,851**	**83,863**	**93,923**	1,099,241	867,450	131,688	78,298
Profit/(loss) for the year from continuing operations	**252,431**	**393,165**	**(26,702)**	**52,267**	172,955	341,538	(55,286)	33,638
Other comprehensive income/(loss)	**–**	**180,142**	**13,223**	**–**	–	(6,181)	(1,473)	–
Total comprehensive income/(loss)	**252,431**	**573,307**	**(13,479)**	**52,267**	172,955	335,357	(56,759)	33,638
Other	**–**	**–**	**–**	**(538)**	–	–	–	(4,545)
Dividends received	**53,442**	**–**	**2,609**	**30,870**	73,669	–	15,004	–

All of the above joint ventures and associates are strategic for the Group's business.

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate aggregate financial information of individually insignificant joint ventures (the Group's proportional interest):

In millions of tenge	**2020**	2019
Carrying amount of investments as at December 31	**150,741**	180,142
Net profit for the year from continuing operations	**198**	85,214
Other comprehensive loss	**(407)**	(108)
Total comprehensive(loss)/income	**(209)**	85,106

The following tables illustrate aggregate financial information of individually insignificant associates (the Group's proportional interest):

In millions of tenge	**2020**	2019
Carrying amount of investments as at December 31	**109,836**	94,508
Net profit/(loss) for the year from continuing operations	**67,274**	(8,608)
Other comprehensive loss	**(88)**	–
Total comprehensive income/(loss)	**67,186**	(8,608)

In 2020 dividends received from individually insignificant joint ventures and associates were equal to 44,598 million tenge (2019: 39,943 million tenge).

The following table summarizes the movements in equity investments in joint ventures and associates in 2020 and 2019:

In millions of tenge	**2020**	2019
Balance as at January 1	**4,242,871**	3,701,451
Share in profit of joint ventures and associates, net *(Note 34)*	**641,608**	914,757
Dividends received	**(246,164)**	(235,983)
Change in dividends receivable	**5,815**	11,028
Adjustment of unrealized income*	**2,936**	(7,043)
Additional contributions without change in ownership	**17,391**	9,765
Acquisitions	**213**	4,305
Disposals	**(22,273)**	(130,904)
Transfers to assets classified as held for sale or distribution to the Shareholder	**3,709**	(18,671)
Foreign currency translation	**349,926**	(12,905)
Other comprehensive income, other than foreign currency translation	**4,828**	316
Impairment, net *(Note 31)*	**(36,790)**	(413)
Discount on loans issued	**21,620**	(4,003)
Other changes in equity of joint ventures and associates	**(14)**	11,171
Balance as at December 31	**4,985,676**	4,242,871

* *Equity method eliminations and adjustments of unrealized income from sale of inventory from a JV to a subsidiary and capitalized borrowing costs of the loans provided by the Company and subsidiaries to JVs.*

As at December 31, 2020, the Group's share in unrecognized losses of joint ventures and associates was equal to 20,514 million tenge (December 31, 2019: 34,359 million tenge).

11. LOANS ISSUED AND FINANCE LEASE RECEIVABLES

As at December 31, loans issued and finance lease receivables comprised the following:

In millions of tenge	**2020**	2019
Loans issued at amortized cost	**225,812**	244,802
Loans issued at FVPL	**138,024**	214,396
Finance lease receivables	**74,024**	75,119
Total loans and finance lease receivables	**437,860**	534,317
Less: allowance for expected credit losses	**(15,624)**	(13,488)
Loans issued and finance lease receivables, net	**422,236**	520,829
Less: current portion	**(55,406)**	(150,273)
Non-current portion	**366,830**	370,556

Movements in the loan allowance for expected credit losses for the years ended December 31 were as follows:

In millions of tenge	**2020**	2019
Allowance at January 1	**13,488**	23,821
Charged, net *(Note 31)*	**2,053**	(8,924)
Write-off, net	**(16)**	(1,402)
Foreign exchange difference, net	**99**	(7)
Allowance at December 31	**15,624**	13,488

As at December 31 the components of finance lease receivables are as follows:

In millions of tenge	**2020**	2019
Within one year	**16,737**	12,662
Later than one year, but not later than five years	**41,466**	47,585
After five years	**58,838**	57,567
Lease payments	**117,041**	117,814
Less: unearned finance income	**(43,017)**	(42,695)
Net investment in finance leases	**74,024**	75,119

In millions of tenge	**2020**	2019
Loans issued and finance lease receivables in tenge	**97,215**	294,237
Loans issued in US dollars	**321,687**	223,168
Loans issued in other foreign currencies	**3,334**	3,424
	422,236	520,829

12. AMOUNTS DUE FROM CREDIT INSTITUTIONS

As at December 31 amounts due from credit institutions comprised the following:

In millions of tenge	**2020**	2019
Bank deposits	**370,845**	643,857
Loans to credit institutions	**122,217**	127,393
Less: allowance for expected credit losses	**(3,490)**	(7,484)
Amounts due from credit institutions, net	**489,572**	763,766
Less: current portion	**(354,257)**	(593,974)
Non-current portion	**135,315**	169,792

12. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

In millions of tenge	**2020**	2019
Rating from A+(A1) to A-(A3)	**124,409**	207,078
Rating from BBB+(Baa1) to BBB(Baa2)	**1,608**	–
Rating from BBB-(Baa3) to BB-(Ba3)	**284,997**	420,760
Rating from B+(B1) to B-(B3)	**78,558**	135,928
	489,572	763,766

In millions of tenge	**2020**	**Weighted average interest rate**	2019	Weighted average interest rate
Amounts due from credit institutions, denominated in US dollars	**308,948**	**0.47%**	546,639	1.06%
Amounts due from credit institutions, denominated in tenge	**180,623**	**3.46%**	217,117	5.86%
Amounts due from credit institutions, denominated in other currencies	**1**	**0.70%**	10	4%
	489,572		763,766	

As at December 31, 2020 amounts due from credit institutions included funds of 12,031 million tenge pledged as collateral for certain Group's borrowings (December 31, 2019: 15,062 million tenge).

13. OTHER FINANCIAL ASSETS

As at December 31 other financial assets comprised the following:

In millions of tenge	**2020**	2019 (restated)
Financial assets at FVOCI, including:	**56,830**	52,984
Bonds of Kazakhstani financial institutions	**42,331**	35,268
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**6,492**	11,475
Corporate bonds	**6,135**	1,214
Treasury notes of foreign governments	**1,810**	4,965
Equity securities	**62**	62
Financial assets at amortized cost, including:	**683,618**	520,188
Bonds of Kazakhstani financial institutions	**333,082**	210,161
Corporate bonds	**104,700**	101,885
Notes of the National Bank of the Republic of Kazakhstan	**62,295**	7,460
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1,834**	1,676
Other financial assets, including:		
Restricted cash	***170,135***	*151,450*
Other accounts receivable	***114,510***	*128,440*
Amounts due from employees	***12,441***	*12,829*
Dividends receivable	***3,427***	*12,708*
Other	***10,730***	*15,028*
Less: allowance for expected credit losses	**(129,536)**	(121,449)
Financial assets at FVPL, including:	**62,361**	47,604
Equity securities	**56,955**	27,754
Corporate bonds	**3,508**	4,006
Options	**1,048**	543
Bonds of Kazakhstani financial institutions	**753**	722
Forward and futures contracts	**97**	952
Note receivable from shareholder of joint venture	**–**	13,627
Total financial assets	**802,809**	620,776
Less: current portion	**(188,427)**	(176,672)
Non-current portion	**614,382**	444,104

13. OTHER FINANCIAL ASSETS (continued)

As at December 31 other financial assets by currency, except for derivatives, comprised:

In millions of tenge	**2020**	2019 (restated)
Financial assets, denominated in tenge	**618,107**	442,910
Financial assets, denominated in US dollars	**149,242**	157,132
Financial assets, denominated in euro	**29,363**	4,741
Financial assets, denominated in rubles	**14**	22
Financial assets, denominated in other currency	**4,938**	14,476
	801,664	619,281

14. OTHER NON-CURRENT ASSETS

As at December 31 other non-current assets comprised the following:

In millions of tenge	**2020**	2019 (restated)
Advances paid for non-current assets	**217,889**	434,486
Long-term VAT receivable	**194,145**	235,573
Long-term inventories	**67,306**	24,024
Prepaid expenses	**10,521**	14,507
Other	**24,166**	27,046
Less: impairment allowance	**(66,120)**	(74,822)
	447,907	660,814

15. INVENTORIES

As at December 31 inventories comprised the following:

In millions of tenge	**2020**	2019
Uranium products *(at lower of cost and net realizable value)*	**183,360**	169,367
Production materials and supplies *(at lower of cost and net realizable value)*	**65,869**	61,707
Goods for resale *(at lower of cost and net realizable value)*	**60,180**	70,604
Oil refined products for sale *(at lower of cost and net realizable value)*	**56,712**	53,943
Work in progress *(at lower of cost and net realizable value)*	**45,104**	44,913
Oil and gas industry materials and supplies *(at cost)*	**38,196**	35,744
Crude oil *(at cost)*	**34,151**	61,100
Gas processed products *(at cost)*	**32,841**	52,566
Fuel *(at lower of cost and net realizable value)*	**20,489**	17,523
Railway industry materials and supplies *(at cost)*	**15,010**	21,485
Aircraft spare parts *(at cost)*	**13,308**	11,504
Electric transmission equipment spare parts *(at lower of cost and net realizable value)*	**4,845**	2,803
Uranium industry materials and supplies *(at lower of cost and net realizable value)*	**1,841**	1,137
Telecommunication equipment spare parts *(at lower of cost and net realizable value)*	**1,805**	2,100
Other materials and supplies *(at lower of cost and net realizable value)*	**52,652**	47,956
	626,363	654,452

16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As at December 31 trade accounts receivable comprised the following:

In millions of tenge	**2020**	2019 (restated)
Trade accounts receivable	**714,328**	666,464
Less: allowance for expected credit losses	**(47,221)**	(46,076)
	667,107	620,388

16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)

As at December 31 other current assets comprised the following:

In millions of tenge	**2020**	2019 (restated)
Advances paid and deferred expenses	**89,778**	195,205
Other prepaid taxes	**84,595**	97,818
Other non-financial current assets	**24,798**	20,519
Less: impairment allowance	**(14,402)**	(19,379)
	184,769	294,163

At December 31, 2020 the Group's receivables of 156,111 million tenge were pledged under certain Group borrowings (December 31, 2019: 71,401 million tenge).

Movements in the allowance for expected credit losses for trade accounts receivable for the years ended December 31 were as follows:

In millions of tenge	**2020**	2019
Allowance at January 1	**46,076**	56,961
Charged, net	**10,213**	11,571
Foreign exchange difference, net	**3,596**	(918)
Change in estimate	**3**	(188)
Transfers to assets classified as held for sale or distribution to the Shareholder	**(32)**	(643)
Write-off, net	**(12,635)**	(20,707)
Allowance at December 31	**47,221**	46,076

Movements in the impairment allowance for other current assets for the years ended December 31 were as follows:

In millions of tenge	**2020**	2019 (restated)
Allowance at January 1	**19,379**	18,520
Charged, net	**(3,071)**	3,287
Foreign exchange difference, net	**16**	(1)
Change in estimate	**(137)**	(1,519)
Transfers to assets classified as held for sale or distribution to the Shareholder	**(5)**	833
Write-off, net	**(1,780)**	(1,741)
Allowance at December 31	**14,402**	19,379

17. CASH AND CASH EQUIVALENTS

As at December 31 cash and cash equivalents comprised the following:

In millions of tenge	**2020**	2019
Current accounts with banks − US dollars	**701,048**	1,116,492
Current accounts with banks − tenge	**248,087**	215,008
Current accounts with banks − other currency	**44,149**	33,392
Bank deposits − US dollars	**740,940**	199,949
Bank deposits − tenge	**405,360**	379,212
Bank deposits − other currency	**55,743**	6,450
Reverse repurchase agreements with contractual maturity of three months or less	**15,421**	10,735
Cash on hand	**9,057**	9,821
Cash in transit	**8,185**	23,555
Less: allowance for expected credit losses	**(321)**	(652)
	2,227,669	1,993,962

17. CASH AND CASH EQUIVALENTS (continued)

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at December 31, 2020 the weighted average interest rates for short-term bank deposits were 7.7% in tenge, 0.39% in US dollars, 1.13% in other currency; and current accounts were 0.1% in tenge, 0.07% in USD dollars, 0.35% in other currency, respectively (December 31, 2019: the weighted average interest rates for short-term bank deposits were 8.3% in tenge, 1.5% in US dollars, 0.07% in other currency; and current accounts were 1.3% in tenge, 0.06% in US dollars, 4.0% in other currency, respectively).

18. EQUITY

18.1 Share capital

During 2020 and 2019 the Fund issued common shares, which were paid as follows:

Payment for shares	Number of shares authorized and issued	Par value per share, in tenge	Share capital in millions of tenge
As of December 31, 2018	3,481,939,318		5,133,766
Cash contributions	3,500	10,000,000; 70,196,400	95,196
Property contributions	14,951	10,000	150
As of December 31, 2019	3,481,957,769		5,229,112
Cash contributions	**764**	**34,075,462**	**26,000**
Property contributions	**1,875**	**21,848,312; 465,216**	**3,545**
As of December 31, 2020	**3,481,960,408**		**5,258,657**

As at December 31, 2020 3,481,960,408 shares of the Fund were fully paid, including 1,750 shares, which were registered in the first quarter of 2021 (December 31, 2019: 3,481,957,769 shares).

Cash contributions

On April 23, 2020 the Shareholder made cash contributions to the Fund's share capital of 26,000 million tenge. These amounts were aimed to finance projects carried out by United Chemical Company LLP ("UCC"), subsidiary of the Fund.

Property contributions

On June 23, 2020 the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan contributed property with a fair value of 2,731 million tenge to the Fund's share capital. This property was transferred to the charter capital of subsidiary Samruk Energy JSC ("Samruk Energy").

On December 29, 2020 the Shareholder contributed property to the Fund's share capital in form of railway transport with a fair value of 814 million tenge.

18.2 Dividends

Dividends attributable to equity holder of the Parent

In 2020 the Fund declared and paid dividends to the Shareholder of 120,000 million tenge based on financial results for 2019 according to the Resolution of the Government dated August 21, 2020.

Dividends attributable to non-controlling interest

During 2020 the Group declared dividends of 65,695 million tenge to the holders of non-controlling interest in National Company "KazMunayGas" JSC ("NC KMG") group, Kazakhtelecom JSC ("KTC"), National Atomic Company "Kazatomprom" JSC ("NAC KAP") and Kazakhstan Electricity Grid Operating Company JSC ("KEGOC"). Total amount of dividends paid to the holders of non-controlling interest during 2020 equaled 72,054 million tenge.

18. EQUITY (continued)

18.3 Other contributions of the Shareholder

Transfer of pipelines contributed by the Government due to termination of the trust management agreement

In 2020 the Group disposed gas pipeline assets obtained on trust management terms from the Government for 17,323 million tenge due to change in judgements *(Note 3)*. These pipelines were recognised within APIC in prior years. As of disposal date the book value of pipelines was 16,118 million tenge. The difference between cost and book value as of disposal date mainly represents depreciation of the pipelines, and was reversed from retained earnings.

18.4 Other transactions with the Shareholder

During 2020, the Group, represented by its subsidiaries Passenger Transportation JSC and Tulpar Wagon Building Plant LLP entered into a three-side purchase and finance lease arrangements with Industrial Development Fund JSC, which is under common control of ultimate Shareholder, for renewal of passenger waggon fleet for 35,714 million tenge. Interest is repaid annually at 1.5%. The principal amount is subject to repayment in annual instalments until it is fully repaid in 2040. The grace period on repayment of principal amount is 6 years.

The borrowings were obtained at the rates below market and the fair value of the borrowings was calculated based on market interest rates from 10.2% to 10.56%. The Group recognised the adjustment to fair value of 20,858 million tenge with effect on the deferred tax effect of 4,172 million tenge as other transaction with the Shareholder in consolidated statement of changes in equity.

On December 29, 2020 the Shareholder transferred to the Fund the property in form of railway sections with a fair value of 23,797 million tenge.

18.5 Other distributions to the Shareholder

Social projects financing

During 2020 in accordance with the Shareholder's resolutions, the Fund recognized liabilities for financing of various social projects for total amount of 29,368 million tenge as other distributions to the Shareholder in the consolidated statement of changes in equity. During 2020 the Group made repayments of liabilities of 33,268 million tenge.

Financing construction of social facilities

During 2020 in accordance with the Shareholder's resolutions, the Fund recognized liabilities for financing of the construction of social facilities located in the Turkestan city as part of the socio-economic development of the Turkestan region in the amount of 13,059 million tenge as other distributions to the Shareholder in the consolidated statement of changes in equity. During 2020 the Group made repayments of these liabilities of 14,118 million tenge.

In 2020, in accordance with the Shareholder resolution on housing of the residents, living in Zhana-ozen town, the Group recognized liabilities of 3,098 million tenge as other distributions to the Shareholder and paid-off 2,490 million tenge as of December 31, 2020.

In 2020 in accordance with the Shareholder resolution, the Fund recognized liabilities for additional financing of the construction of the Athletics Complex in the Nur-Sultan city of 5,153 million tenge as other distributions to the Shareholder in the consolidated statement of changes in equity, and paid-off 9,976 million tenge as of December 31, 2020, including liabilities recognized in 2018.

In 2020 in accordance with the Shareholder resolution, the Fund recognized liabilities for financing of the construction of social medical facilities of 50,004 million tenge as other distributions to the Shareholder in the consolidated statement of changes in equity.

Additionally, in 2020, the Group reversed its distribution to Shareholder by 832 million tenge, which was recognised in prior years under the construction project of a kindergarden in Nur-Sultan city.

18. EQUITY (continued)

18.6 Transfer of assets to the Shareholder

Transfer of shares of Khorgos

In March 2020 in accordance with the Resolution of the Government of the Republic of Kazakhstan dated March 19, 2019 the Group transferred 100% of the shares of a subsidiary Khorgos with the net assets of 24,809 million tenge to the Almaty region municipalities free of charge *(Note 6)*. This transaction was recognized as transfer of assets to the Shareholder in consolidated statement of changes in equity.

18.7 Discount on loans from the Government

During 2020 the Group made partial early repayment of bonds in the amount of 88,804 million tenge purchased by the National Bank. Due to the early redemption of obligations due to the National Bank of the Republic of Kazakhstan, the Group recognized the decrease in discount on loans from the Government of 37,581 million tenge in consolidated statement of changes in equity *(Note 20)*.

18.8 Disposal of subsidiaries

In January 2020 the Group sold 26% minus 1 (one) share of Transtelecom JSC to the third party. As a result, the Group lost control over the subsidiary and recognised disposal of non-controlling interest in Transtelecom JSC of 14,040 million tenge in consolidated statement of changes in equity *(Note 6)*.

18.9 Change in ownership interests of subsidiaries − sale of interest that does not result in the loss of control

NAC KAP

As part of the Comprehensive Privatization Plan for 2016-2020, during 2020 the Fund additionally placed 6.28% shares of NAC KAP on international stock exchanges of Nur-Sultan (AIX) and London (LSE).

As a result of share issue, the Group recognized proceeds of 84,570 million tenge, net of transaction costs of 595 million tenge, non-controlling interest increased by 59,492 million tenge, and the difference of 25,078 million tenge was recognized as an increase in retained earnings. Total amount of cash received equaled 83,944 million tenge as at date of payment.

18.10 Non-controlling interest

The following tables illustrate information of subsidiaries in which there is significant non-controlling interests as at December 31:

	Non-controlling interest			
	2020		2019 (restated)	
	Share	**Carrying amount**	Share	Carrying amount
NC KazMunayGas JSC	**9.58%**	**762,616**	9.58%	819,830
NAC Kazatomprom JSC	**25.00%**	**535,302**	18.80%	439,870
Kazakhtelecom JSC	**47.97%**	**267,297**	47.97%	241,097
KEGOC JSC	**10.00% − 1**	**27,567**	10.00% − 1	23,989
Air Astana JSC	**49.00%**	**3,796**	49.00%	19,343
Other		**76,273**		90,503
		1,672,851		1,634,632

All significant subsidiaries with non-controlling interest are registered in Kazakhstan.

18. EQUITY (continued)

18.10 Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries, in which there are significant non-controlling interests as at December 31, 2020 and for the year then ended:

In millions of tenge	NC KazMunay-Gas JSC	Kazakhtelecom JSC	Kazatomprom NAC JSC	KEGOC JSC	Air Astana JSC
Summarized statement of financial position					
Non-current assets	**12,176,863**	**929,390**	**1,146,991**	**411,590**	**316,346**
Current assets	**2,476,425**	**186,036**	**542,289**	**116,820**	**125,253**
Non-current liabilities	**4,683,232**	**427,409**	**237,915**	**183,055**	**283,029**
Current liabilities	**1,333,375**	**169,477**	**111,572**	**69,689**	**150,823**
Total equity	**8,636,681**	**518,540**	**1,339,793**	**275,666**	**7,747**
Attributable to:					
Equity holder of the Parent	**7,874,065**	**251,243**	**804,491**	**248,099**	**3,951**
Non-controlling interest	**762,616**	**267,297**	**535,302**	**27,567**	**3,796**
Summarized statement of comprehensive income					
Profit for the year from continuing operations	**171,896**	**65,308**	**221,368**	**68,531**	**(38,673)**
Other comprehensive (loss)/income	**403,662**	**602**	**42**	**–**	**6,944**
Total comprehensive income for the year, net of tax	**575,558**	**65,910**	**221,410**	**68,531**	**(31,729)**
Attributable to:					
Equity holder of the Parent	**677,743**	**64,140**	**183,580**	**68,531**	**(31,729)**
Non-controlling interest	**(102,185)**	**1,770**	**37,830**	**–**	**–**
Dividends declared to non-controlling interest	**(12,682)**	**(6,315)**	**(43,423)**	**(3,275)**	**–**
Summarised cash flow information					
Operating activity	**311,761**	**170,971**	**161,593**	**96,702**	**(11,236)**
Investing activity	**(70,841)**	**(119,485)**	**48,759**	**(65,795)**	**2,363**
Financing activity	**(245,226)**	**(32,109)**	**(201,415)**	**(30,690)**	**20,992**
Net increase/(decrease) in cash and cash equivalents	**(4,306)**	**19,377**	**8,937**	**217**	**12,119**

18. EQUITY (continued)

18.10 Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries, in which there are significant non-controlling interests as at December 31, 2019 and for the year then ended:

In millions of tenge	NC KazMunay-Gas JSC	Kazakhtelecom JSC	Kazatomprom NAC JSC	KEGOC JSC	Air Astana JSC
Summarized statement of financial position					
Non-current assets	11,442,004	930,514	1,176,113	356,741	249,039
Current assets	2,639,911	148,536	498,020	97,812	130,718
Non-current liabilities	4,446,817	467,709	246,885	170,330	217,903
Current liabilities	1,438,442	148,475	185,094	44,341	122,378
Total equity	8,196,656	462,866	1,242,154	239,882	39,476
Attributable to:					
Equity holder of the Parent	7,376,826	221,769	802,284	215,893	20,133
Non-controlling interest	819,830	241,097	439,870	23,989	19,343
Summarized statement of comprehensive income					
(Loss)/profit for the year from continuing operations	1,158,451	60,345	213,749	56,647	11,495
Profit for the year from discontinued operations	6	–	–	–	–
Other comprehensive (loss)/income	(37,622)	(1,145)	1,573	–	3,306
Total comprehensive income for the year, net of tax	1,120,835	59,200	215,322	56,647	14,801
Attributable to:					
Equity holder of the Parent	1,159,447	55,941	191,580	56,647	14,801
Non-controlling interest	(38,612)	3,259	23,742	–	–
Dividends declared to non-controlling interest	(7,681)	(5,658)	(35,935)	(3,164)	–
Summarised cash flow information					
Operating activity	123,801	141,122	159,529	69,698	49,382
Investing activity	(319,562)	(252,293)	(28,271)	(25,305)	4,328
Financing activity	(270,371)	138,557	(159,103)	(42,210)	(36,851)
Net increase/(decrease) in cash and cash equivalents	(466,132)	27,386	(27,845)	2,183	16,859

18. EQUITY (continued)

18.11 Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in the consolidated financial statements. In 2020 foreign translation difference amounted to 860,588 million tenge (2019: 51,501 miilion tenge).

Certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in the foreign operations. As at December 31, 2020 unrealized foreign currency loss of 344,510 million tenge resulting from translation of these borrowings were transferred to currency translation reserve recognized in other comprehensive income (2019: gain of 17,245 million tenge).

18.12 Hedge reserve

National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh")

On August 7, 2015 the Group hedged cash flows to reduce the risk of changes in tenge equivalent revenues denominated in Swiss Francs. The principal of Eurobonds issued on June 20, 2014 on the Swiss stock exchange and maturing on June 20, 2019 and 2022 are used as hedging instruments, and which are separately identifiable and reliably estimated. A highly probable revenue stream forecast relating to transit traffic in Swiss Francs (in particular, first sales received in the period from January 1 to June 20, 2019 and 2022 is the hedged item in this hedging relationship.

For the year ended December 31, 2020, the effective part of 15,220 million tenge was recorded in the cash flow hedging reserve through other comprehensive income as net fair value loss on cash flow hedging instruments (2019: 26 million tenge). The ineffective part of 32 million tenge was recorded in finance costs (2019: 95 million tenge).

In 2019, the hedge accounting, where the hedging instrument was Eurobonds payable on June 20, 2019 was discontinued due to the receipt of revenue from freight transportation in international (transit) routes, which was the cash flow hedging item, and accordingly, the cumulative loss attributable to this hedging instrument has been reclassified from other comprehensive loss to freight transportation revenue in the amount of 19,005 million tenge.

Air Astana JSC

In 2015 Air Astana entered into a cash flow hedge with finance lease obligations denominated in US dollars, to reduce the risk of changes in sales revenue expressed in US dollars. In connection with the transition of the functional currency to US dollar, this hedge ceased to be economically effective from December 31, 2017.

As a result of the change, the hedge relationship has been discontinued so that starting from January 1, 2018 no further foreign currency translation gains or losses are transferred from profit or loss to hedge reserve, and the hedge reserve recognized in equity as at December 31, 2020 shall remain in equity until the forecasted revenue cash flows are received.

During 2020 amount reclassified from the hedging reserve to foreign exchange loss from inception of the hedge was 4,819 million tenge before tax of 964 million tenge (2019: 4,270 million tenge before tax of 753 million tenge). Hedge income attributable to non-controlling interest comprised 2,361 million tenge (2019: 2,092 million tenge).

National Company "KazMunayGas" JSC ("NC KMG")

The Group buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.). Throughout a given period, the volatility associated with the oil market, both in crudes and in finished products, is transmitted to the Group's refinery margin (difference between the purchase price of crude oil and the selling price of finished products). To reduce this volatility, the Group hedges the margin with a swap on a hedged basket as relevant for the period.

For the year ended December 31, 2020, the effective part of 24 million tenge was recorded in the cash flow hedging reserve through other comprehensive income as net fair value loss on cash flow hedging instruments.

18.13 Other capital reserves

Other capital reserves include mainly remuneration of employees for the services rendered in the form of share-based payments with equity instruments of a subsidiary in which they are employed. The cost of equity-settled remunerations is recognized, together with a corresponding increase in other capital reserves, over the period in which performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

18. EQUITY (continued)

18.14 Book value per share

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

In millions of tenge	**2020**	2019 (restated)
Total assets	**27,482,846**	26,417,010
Less: intangible assets	**(2,022,024)**	(2,001,908)
Less: total liabilities	**(12,331,231)**	(12,074,057)
Net assets for common shares	**13,129,591**	12,341,045
Number of common shares as at December 31	**3,481,960,408**	3,481,957,769
Book value per common share, tenge	**3,771**	3,544
Earnings per share		
Weighted average number of common shares for basic and diluted earnings per share	**3,481,958,351**	3,481,948,779
Basic and diluted share in net profit for the period	**167.30**	407.96

19. BORROWINGS

As at December 31 borrowings, including interest payable, comprised the following:

In millions of tenge	**2020**	2019
Fixed interest rate borrowings	**6,026,196**	5,519,465
Floating interest rate borrowings	**1,433,004**	1,321,928
	7,459,200	6,841,393
Less: amounts due for settlement within 12 months	**(850,210)**	(737,950)
Amounts due for settlement after 12 months	**6,608,990**	6,103,443

In millions of tenge	**2020**	2019
US dollar-denominated borrowings	**4,908,083**	4,694,855
Tenge-denominated borrowings	**1,893,815**	1,758,863
Other currency-denominated borrowings	**657,302**	387,675
	7,459,200	6,841,393

19. BORROWINGS (continued)

Changes in borrowings are as follows:

In millions of tenge	**2020***	2019*
Balance as at January 1	**6,841,393**	6,852,775
Received by cash	**1,855,340**	1,442,641
Interest accrued	**439,898**	353,805
Discount	**(32,060)**	(42,355)
Interest capitalized *(Note 7)*	**26,763**	24,679
Interest paid	**(471,638)**	(380,843)
Repayment of principal	**(1,720,862)**	(1,471,115)
Amortization of discount	**22,551**	33,822
Write-off of borrowings	**(653)**	(111,476)
Business combination	**–**	119,464
Finance costs for the early redemption of bonds *(Note 32)*	**45,278**	45,236
Bonds early extinguishment premium and fees paid	**(45,278)**	(45,236)
Foreign currency translation	**493,124**	(15,408)
Other	**5,344**	35,404
Balance as at December 31	**7,459,200**	6,841,393

* *Cash proceeds and repayments of certain borrowings obtained by the Fund's Corporate Center are included within cash flows from operating activities because these borrowings are part of the Fund's main activity of assets management. These borrowings were not included within changes in financial liabilities.*

Bonds issuance and repayment

On March 19, 2020, the Group placed bonds on the organized market with a maturity date in April 2021 of 129,200 million tenge.

In June 2020, the Group, made a partial early repayment in the amount of 217 million US dollars (equivalent to 86,503 million tenge) of 2012 Eurobonds issued with a total nominal volume of 1,100 million US dollars. The total amount paid amounted to 284 million US dollars (equivalent to 113,229 million tenge), including accrued interest of 6 million US dollars (equivalent to 2,505 million tenge) and an early repayment premium of 61 million US dollars (equivalent to 24,221 million tenge). The Group recognised the early repayment premium as part of finance costs *(Note 32)*. In addition, the Group derecognised unamortised portion of the premium of 5,104 million tenge and transaction costs of 114 million tenge for repaid Eurobonds as part of other finance income and finance costs, respectively.

In October, 2020, the Group placed bonds for 750 million US dollars (equivalent to 321,698 million tenge) at coupon interest rate of 3.5% per annum and due 2033.

In October-November, 2020, the Group made an early full repayment of bonds due in 2022 and 2023 with nominal value of 906,564 thousand US dollars (equivalent to 392,214 million tenge). Bond repayment fee was 49 million US dollars (equivalent to 21,057 million tenge) *(Note 32)*.

On December 3, 2020, the Group placed bonds for 3 years with a coupon interest of 10.9%, with a par value of 129,200 million tenge. The Fund used these funds for the early redemption of its bonds issued in March 19, 2020.

Other borrowings

In June 2020, the Group borrowed 19,400 million Russian roubles (equivalent to 112,296 million tenge) for the purpose of early partial repayment of Eurobonds issued in 2012 in the amount of 1,100 million US dollars and maturing on July 10, 2042, under a loan agreement with Moscow Credit Bank dated May 28, 2020. Interest on the loan is repaid in quarterly instalments at the interest rate "Key rate of the Central Bank of the Russian Federation + 2.5%". The principal debt is to be repaid in a lump sum in December 2021.

On August 5, 2020, the Group entered into a credit line agreement with Halyk Bank of Kazakhstan JSC to refinance loans from the Eurasian Development Bank and Vnesheconombank in the amount of 105,000 million tenge for a period of 8 years.

In 2020, the Group made partial repayment of the loan from Eximbank for 289 million US dollars (equivalent to 112,494 million tenge), including accrued interest.

19. BORROWINGS (continued)

Other borrowings (continued)

During 2020, the Group received borrowed funds in the amount of 495 million US dollars (equivalent to 205,868 million tenge) under an open credit line with the State Development Bank of China with interest rate of 5.8% per annum and maturity until 2037. The principal will be repaid starting in 2022. Interest is paid in semi-annual installments.

On October 1, 2020, the Group and VTB Bank entered into a bank loan agreement, in accordance with which a loan was received for 10,400 million Russian rubles (equivalent to 56,992 million tenge at the exchange rate on the date of the transaction). The loan was issued for a period until October 1, 2023 and at an interest rate equal to the key rate of the Central Bank of the Russian Federation and a fixed interest rate spread of 1.75% per annum.

In November, 2020, the Group received a long-term loan from VTB Bank Kazakhstan and VTB Bank (PJSC) for the total amount of 15,152 million Russian rubles (equivalent to 84,621 million tenge) at the rate of Key Rate of Central Bank of Russia + 2.15% per annum and maturity of 3 years. The Group used proceeds from these loans to make a full early repayment of its syndicated loan of 205 million US dollars (equivalent to 86,971 million tenge), including accrued interest. This syndicated loan was raised to partially fund a strategic project − construction of three compressor stations at MG "Beineu-Bozoi-Shymkent".

In December, 2020, the Group received a long-term loan from Halyk bank for the total amount of 41,089 million tenge with 11% interest rate and maturity of 4 years, and used it to fully refinance its long-term loan from Halyk bank for 144 million US dollars (equivalent to 59,007 million tenge), including accrued interest.

During 2020, the Group received and repaid a short-term loan from Bank of Tokyo-Mitsubishi UFJ, Ltd (London branch) with interest rate COF (0.18%) + 1.50% for working capital financing for 91 million US dollars (equivalent to 37.539 million tenge).

During 2020, the Group received and repaid a short-term loan from ING Bank NV with interest rate COF (0.28%) + 2.00% for working capital financing for 83 million US dollars (equivalent to 34.409 million tenge).

State subsidy of the interest rate

In May 2020, the Group, represented by the Company, entered into a contract with the Transport Committee of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan to subsidise part of the coupon rate in the amount of 307,194 million tenge, on bonds issued in 2019 at the coupon rate of 11.5% per annum and used for early repayment of Eurobonds issued in 2017 in the amount of 780 million US dollars, which in turn were attracted and utilised for infrastructure modernization, updating locomotives and freight cars. The Agreement stipulates that the amount of subsidy should be provided for under the Republican budget program No. 010 "Subsidising the coupon rate on the carrier's Bonds issued for the development of the main railway network and rolling stock of railway transport" (further the "Program"). Since the budget Program is available to all transportation companies that have the status of a "carrier" in accordance with the Law on Railway Transport, the Group's management accounts for the financing under this Program as a government grant recognised within finance income.

During 2020, the Group recognised income from government subsidies under the Program in the amount of 29,183 million tenge as part of financial income *(Note 33)*.

Covenants

Under the terms of some loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. The Group reviews compliance with all the Group loan covenants at each reporting date.

On October 31, 2011 the Group, represented by its subsidiary SSAP LLP, obtained a credit line in Eurasian Development Bank (EDB) in the amount of 8,820 million tenge maturing in 2024 and an interest rate of 10.5%, which corresponded to the market interest rate for similar loans.

The loan was obtained as part of reconstruction of the sulphuric acid plant and is due for settlement in accordance with the established schedule starting from March 1, 2016. Interest is due for settlement starting from March 1, 2014.

As part of the credit agreement with EDB, the SSAP LLP undertakes to ensure payment on the debt-service ratio of at least 1.2 and the ratio of Debt / EBITDA not exceeding 3.5.

Based on the results of 2020, the Group calculated these ratios, where the Debt / EBITDA ratio was 4.58. Debt service ratio is calculated based on the free cash flow divided by the amount of debt payments. As at December 31, 2020 the debt service ratio was 0.72, which meant a breach of obligations under the contract.

19. BORROWINGS (continued)

Covenants (continued)

On December 3, 2020 the Group sent a letter to the EDB with a request not to apply penalties and not to demand the principal amount and accrued interest and commissions to be immediately paid to the bank in case of violation by the borrower, based on the results of 2020, of obligations to comply with the values of financial ratios provided for in subparagraphs a) and b) of clause 9.4 of the Loan Agreement No. 138 dated 2 August 2011.

Due to the fact that the Group did not receive a letter of acquittance from the bank before December 31, 2020 the long term portion of loans in the amount of 2,086 million tenge was reclassified to current liabilities.

As of December 31, 2019 the Group complied with all financial and non-financial covenants under other loan agreements.

As at December 31 the carrying amount of borrowings of the Fund and the Group subsidiaries is presented below:

In millions of tenge	**2020**	2019
NC KMG and its subsidiaries	**4,017,810**	3,777,706
NC KTZh and its subsidiaries	**1,444,085**	1,362,486
The Fund	**553,217**	536,088
UCC and its subsidiaries	**516,888**	277,685
Kazakhtelecom and its subsidiaries	**284,527**	263,782
Samruk-Energy and its subsidiaries	**196,075**	205,063
KEGOC and its subsidiaries	**161,034**	150,326
EGRES-2	**100,611**	94,088
NAC KAP and its subsidiaries	**97,827**	159,964
Air Astana	**69,035**	6,437
Other subsidiaries of the Fund	**18,091**	7,768
Total borrowings	**7,459,200**	6,841,393

20. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

As at December 31 loans from the Government of the Republic of Kazakhstan comprised the following:

In millions of tenge	**2020**	2019
Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund	**541,754**	578,001
Loans from the Government of the Republic of Kazakhstan	**51,468**	49,559
	593,222	627,560
Less: amounts due for settlement within 12 months	**(30,773)**	(5,238)
Amounts due for settlement after 12 months	**562,449**	622,322

Bonds, purchased by the National Bank of the Republic of Kazakhstan

In accordance with the Rules on proceeds to the National Fund of the Republic of Kazakhstan from transfer of assets of national managing holdings, national holdings, national companies and their subsidiaries, affiliates and other legal entities affiliated with them to the competitive environment approved by the Resolution of the Government of the Republic of Kazakhstan No. 323 dated June 4, 2018, funds received from sale of national assets can be used for redemption of Fund's liabilities due to the National Fund.

In this regard, in 2020, in accordance with the adopted corporate decisions of the Fund, a partial early repayment of bonds at par value in the amount of 88,804 million tenge was carried out within the eleventh issue of the Fund's bonds purchased by the National Bank of the Republic of Kazakhstan. In this regard, the Fund recognized depreciation of the discount on loans from the Government in the amount of 37,581 million tenge in a consolidated statement of changes in equity *(Note 18)*.

21. PREPAYMENT ON OIL SUPPLY AGREEMENT

In 2018, the KMG Kashagan B.V.signed the second supplementary agreement to the crude oil supply agreement entered into in 2016. Under the terms of the supplementary agreement, the term of oil supplies was extended until December 2025, accordingly the minimum volume of oil from the Kashagan field was increased, and for the period from 2018 to 2025 amounts to 16.6 million tons.

The Agreement stipulates price determination on the basis of current market quotations and prepayment is reimbursed by means of physical supply of crude oil.

In accordance with the terms of the agreement, supply of oil started from January 2017. The KMG Kashagan B.V. considers this agreement as a contract, which was signed for the purpose of delivery of non-financial items in accordance with the Company's expectations and sale requirements.

During 2020, the KMG Kashagan B.V. delivered crude oil for the amount of 707 million US dollars (equivalent to 292,233 million tenge) with total volume of 2,482,193 tons according to the delivery schedule of the remaining 10,600 thousand tons as at December 31, 2020.

The total amount of accrued remuneration for 2020 was 13,735 million tenge (2019: 52,644 million tenge) *(Note 32)*. Payment of remuneration shall be made in kind with crude oil.

As at December 31, 2020, the current portion of the advance payment under the crude oil supply agreement amounted to 97,882 million tenge (December 31, 2019: 158,162 million tenge). The non-current portion of the advance payment under the crude oil supply agreement was 185,680 million tenge (December 31, 2019: 357,902 million tenge).

In accordance with the terms of agreement, KMG Kashagan B.V. must ensure the supplied volume of crude oil is unencumbered.

Prepayment on oil supply agreement is recognized as a contract liability to customers in accordance with IFRS 15.

22. LEASE LIABILITIES

The Group has leases for various items of property, plant and equipment, mainly aircraft.

From 2012 to 2014, Air Astana JSC ("Air Astana"), a subsidiary of the Group, acquired 10 (ten) aircraft on a fixed-rate lease basis with a transfer of ownership at the end of the lease term. The lease term for each aircraft is 12 (twelve) years. Air Astana has the option of purchasing each aircraft at a nominal price at the end of the lease term. Most aircraft leases are for eight years with no option to purchase at the end of the lease term.

Loans provided by financial institutions to the lessor in respect of 5 (five) new Airbus were guaranteed by European Export Credit Agencies, 3 (three) Boeing 767 aircraft were guaranteed by US Export Import Bank.

Air Astana pledged the leased assets with carrying amount of 266,484 million tenge to secure lease liabilities (December 31, 2019: 201,396 million tenge).

The Group's leases are subject to certain covenants. These covenants impose restrictions in respect of certain transactions, including, but not limited to restrictions in respect of indebtedness. These requirements have been met during 2020 and 2019.

As at December 31, 2020 interest calculation was based on effective interest rates ranging from 4.01% to 14.5% (December 31, 2019: from 4.7% to 14.0%).

22. LEASE LIABILITIES (continued)

As at December 31 future minimum lease payments under leases together with the present value of the net minimum lease payments comprised the following:

	Minimum lease payments		Present value of minimum lease payments	
In millions of tenge	**2020**	2019 (restated)	**2020**	2019 (restated)
Within one year	**139,234**	101,928	**118,878**	84,282
Two to five years inclusive	**343,809**	296,409	**288,224**	238,632
After five years	**138,253**	146,158	**108,217**	103,942
	621,296	544,495	**515,319**	426,856
Less: amounts representing finance costs	**(105,977)**	(117,639)	**–**	–
Present value of minimum lease payments	**515,319**	426,856	**515,319**	426,856
Less: amounts due for settlement within 12 months			**(118,878)**	(84,282)
Amounts due for settlement after 12 months			**396,441**	342,574

The Air Astana lease obligations are denominated in US dollars.

Changes in lease liabilities are as follows:

In millions of tenge	**2020**	2019 (restated)
Balance as at January 1	**426,856**	156,493
Effect of adoption of IFRS 16 *(restated)*	**–**	240,119
Interest paid	**(27,320)**	(19,348)
Transfer to assets classified as held for sale	**–**	(110)
Repayment of principal	**(95,262)**	(102,611)
Interest accrued	**33,835**	28,177
Business combination	**1,037**	23,879
Foreign currency translation	**35,711**	(1,655)
Additions of leases	**152,415**	107,184
Other	**(11,953)**	(5,272)
Balance as at December 31	**515,319**	426,856

23. PROVISIONS

As at December 31 provisions comprised the following:

In millions of tenge	Asset retirement obligations	Provision for environ-mental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Provision at January 1, 2019	181,453	66,068	18,474	33,670	121,251	420,916
Effect of adoption of IFRS 16	–	–	–	–	348	348
Foreign currency translation	(236)	(168)	(13)	–	(216)	(633)
Additions through business combinations	5,239	478	–	–	584	6,301
Transfer to liabilities associated with assets classified as held for sale	(42)	–	–	–	–	(42)
Change in estimate	56,731	264	2,342	–	(4,602)	54,735
Unwinding of discount	15,091	3,872	–	–	171	19,134
Provision for the year	6,432	2,888	4,393	1,727	52,678	68,118
Use of provision	(3,812)	(4,571)	(1,147)	(30,493)	(28,005)	(68,028)
Reversal of unused amounts	(208)	(4,490)	(5,865)	–	(20,056)	(30,619)
Provision at December 31, 2019	260,648	64,341	18,184	4,904	122,153	470,230
Foreign currency translation	**8,705**	**3,704**	**(1)**	**–**	**12,747**	**25,155**
Transfer to liabilities associated with assets classified as held for sale	**(24)**	**–**	**–**	**–**	**–**	**(24)**
Change in estimate	**19,746**	**(1,877)**	**–**	**–**	**1,975**	**19,844**
Unwinding of discount	**17,138**	**2,526**	**–**	**–**	**154**	**19,818**
Provision for the year	**1,815**	**5,454**	**722**	**–**	**19,035**	**27,026**
Use of provision	**(739)**	**(5,426)**	**(7,019)**	**–**	**(72,421)**	**(85,605)**
Reversal of unused amounts	**(1,189)**	**(43)**	**(1,451)**	**(1,032)**	**(4,828)**	**(8,543)**
Provision at December 31, 2020	**306,100**	**68,679**	**10,435**	**3,872**	**78,815**	**467,901**

Current portion and non-current portion of provisions are presented as follows:

In millions of tenge	Asset retirement obligations	Provision for environ-mental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Current portion	1,931	7,825	18,184	4,904	86,523	119,367
Non-current portion	258,717	56,516	–	–	35,630	350,863
Provision at December 31, 2019	260,648	64,341	18,184	4,904	122,153	470,230
Current portion	**2,030**	**8,190**	**10,435**	**3,872**	**56,453**	**80,980**
Non-current portion	**304,070**	**60,489**	**–**	**–**	**22,362**	**386,921**
Provision at December 31, 2020	**306,100**	**68,679**	**10,435**	**3,872**	**78,815**	**467,901**

Other provisions as at December 31, 2020 included provisions for aircraft maintenance for the amount of 34,965 million tenge (December 31, 2019: 34,916 million tenge), gas transportation provision of 30,766 million tenge (December 31, 2019: 27,965 million tenge), provision of 563 million tenge by results of an environmental audit of Embamunaigas JSC (December 31, 2019: 4,585 million tenge) *(Note 39)*.

As of December 31, 2019, the Group provisioned 90 million US dollars (equivalent to 34,132 million tenge) within other provisions in relation to the arbitrage dispute with the Consortium of companies (Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP) over the jack-up rig construction contract dated July 5, 2012.

A s of December 31, 2020 the full settlement amount of 90.4 million US dollars (equivalent to 38,821 million tenge at transaction date) was paid-off by the Group *(Note 39)*.

24. EMPLOYEE BENEFIT LIABILITY

State contribution scheme

The Group pays social tax according to the current statutory requirements in the Republic of Kazakhstan. Social tax and payroll are expensed as incurred.

In addition to that, the Group also withholds and contributes up to 10% limit on pension contributions, from salaries of its employees as the employee contribution to their cumulative pension funds. These amounts are expensed in the period they are incurred.

Defined benefit plan

Employee benefit liabilities under various plans are payable in accordance with collective agreements concluded between certain subsidiaries of the Group (NC KMG, NC KTZh, KTC, Samruk Energy JSC, NAC KAP, EGRES-2 and Kazpost JSC) and employees of those subsidiaries represented by their labor unions.

As at December 31 total liablity under the Group's defined benefit plan comprised the following:

In millions of tenge	**2020**	2019
Present value of defined benefit obligation	**134,994**	124,823
Liability falling due within one year	**(14,051)**	(12,983)
Liability falling due after one year	**120,943**	111,840

A reconciliation of the present value of the defined benefit plan liability with specified payments for the years ended December 31 is as follows:

In millions of tenge	**2020**	2019
Total liability at the beginning of the year	**124,823**	101,521
Actuarial loss recognized during the period in other comprehensive income	**8,295**	7,667
Interest cost	**9,282**	8,019
Current service cost	**6,336**	4,900
Past service cost	**226**	8,760
Transfer to assets held for sale	**(37)**	(337)
Foreign currency translation	**940**	–
Benefits paid during the year	**(12,172)**	(8,757)
Unrecorded past service cost	**(1000)**	3,383
Acquisition through business combination	**158**	452
Actuarial (gain)/loss recognized during the period in profit and loss	**(1,857)**	(785)
Total liability at the end of the year	**134,994**	124,823

Total service cost, including current service cost, interest cost, past service cost, unrecorded past service cost and actuarial loss, of 21,282 million tenge was recognized in the consolidated statement of comprehensive income within respective line items in 2020 (2019: 31,944 million tenge).

Estimates of the Group's liabilities were made on the basis of published statistical data regarding mortality and actual Group's data on number, age, gender and years of employee service. Other principal assumptions at the reporting date, calculated as weighed average for all plans, were as follows:

	2020	2019
Discount rate	**8,22%**	7.92%
Expected rate of increase of future annual financial assistance	**5,40%**	4.12%
Expected rate of increase of future annual minimum salary	**4,86%**	5.00%
Expected rate of increase of future annual railway ticket price	**2,71%**	2.47%

25. OTHER NON-CURRENT LIABILITIES

As at December 31 other current liabilities comprised the following:

In millions of tenge	**2020**	2019 (restated)
Other financial liabilities		
Obligations under guarantee agreements	**47,200**	41,603
Accounts payable	**21,536**	9,309
Historical costs associated with obtaining subsoil use rights	**11,922**	11,761
Obligations to the Shareholder on the financing of social projects	**–**	3,046
Other	**17,355**	9,083
Other non-financial liabilities		
Advances received and deferred income	**27,055**	26,825
Contract liabilities to customers	**6,937**	7,674
Government grant liability	**29**	60
Other	**6,051**	4,159
	138,085	113,520

26. TRADE AND OTHER PAYABLES, AND OTHER CURRENT LIABILITIES

As at December 31 trade accounts payable comprised the following:

In millions of tenge	**2020**	2019 (restated)
Trade accounts payable	**731,348**	909,461
Accounts payable for the supply of property, plant and equipment	**82,722**	112,150
Other accounts payable	**14,188**	23,671
	828,258	1,045,282

As at December 31, trade accounts payable were expressed in the following currencies:

In millions of tenge	**2020**	2019 (restated)
Tenge-denominated trade accounts payable	**413,111**	507,172
US dollar-denominated trade accounts payable	**239,608**	326,279
Other currency-denominated trade accounts payable	**78,629**	76,010
	731,348	909,461

As at December 31 other current liabilities comprised the following:

In millions of tenge	**2020**	2019 (restated)
Other financial liabilities		
Obligations to the Shareholder on the financing of social projects	**54,027**	12,100
Amounts due to customers	**40,364**	34,768
Due to employees	**35,181**	29,972
Obligations under guarantee agreements	**6,174**	7,355
Dividends payable	**477**	6,727
Other	**30,445**	43,312
Other non-financial liabilities		
Contract liabilities to customers	**228,774**	299,467
Other taxes payable	**179,929**	137,789
Vacation and other employee benefits allowance	**87,479**	88,685
Pension and social contributions liabilities	**16,750**	15,805
Other estimated liabilities	**12,162**	19,975
Advances received and deferred income	**11,971**	11,802
Government grant liability	**197**	–
Other	**48,101**	33,969
	752,031	741,726

27. REVENUE

Revenue comprised the following for the years ended December 31:

In millions of tenge	**2020**	2019
Sales of crude oil	**1,971,894**	3,529,421
Sales of oil refined products	**1,844,148**	2,589,921
Railway cargo transportation	**1,075,719**	970,096
Sales of gas products	**810,280**	875,150
Sales of refined gold	**637,758**	435,835
Sales of uranium products	**563,266**	467,777
Telecommunication services	**519,687**	432,329
Oil and gas transportation fee	**289,858**	389,464
Electricity transmission services	**286,804**	222,229
Electricity complex	**262,969**	240,491
Oil processing fees	**192,482**	195,272
Air transportation	**162,962**	331,340
Postal services	**41,765**	46,303
Interest income	**40,137**	38,823
Railway passenger transportation	**39,397**	86,012
Less: Crude oil Quality Bank	**(2,283)**	(14,956)
Less: indirect taxes and commercial discounts	**(538,286)**	(586,663)
Other revenue	**357,452**	400,069
	8,556,009	10,648,913

In millions of tenge	**2020**	2019
Geographical markets		
Kazakhstan	**4,041,217**	3,733,260
Other countries	**4,514,792**	6,915,653
	8,556,009	10,648,913

28. COST OF SALES

Cost of sales comprised the following for the years ended December 31:

In millions of tenge	**2020**	2019 (restated)
Materials and supplies	**3,225,362**	4,597,447
Depreciation, depletion and amortization	**940,167**	849,888
Personnel costs, including social taxes and withdrawals	**910,830**	895,307
Fuel and energy	**362,935**	400,468
Repair and maintenance	**254,890**	244,487
Production services rendered	**241,946**	301,679
Taxes other than social taxes and withdrawals	**103,853**	93,694
Mineral extraction tax	**86,858**	142,825
Interest expense	**62,544**	69,004
Transportation expenses	**58,662**	49,629
Rent	**46,152**	82,149
Other	**324,522**	262,204
	6,618,721	7,988,781

29. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following for the years ended December 31:

In millions of tenge	**2020**	2019
Personnel costs, including social taxes and withdrawals	**204,885**	209,941
Depreciation and amortization	**36,172**	36,317
Consulting services	**34,755**	39,100
Taxes other than social taxes and withdrawals	**31,399**	34,983
Sponsorship and charitable donations	**10,596**	7,977
Repair and maintenance	**7,882**	7,211
Allowance for expected credit losses for trade receivable and other assets	**6,983**	17,475
Other services by third parties	**5,254**	6,246
Rent	**4,600**	5,251
Utilities expenses and maintenance of buildings	**3,677**	4,641
Business trips	**2,576**	8,520
Transportation services	**2,339**	3,717
Bank services	**1,733**	2,053
Professional education and advanced trainings	**1,526**	3,196
Fines and penalties	**1,229**	(22,846)
Provision under Consortium case *(Note 39)*	**–**	34,132
Other	**70,269**	71,943
	425,875	469,857

30. TRANSPORTATION AND SELLING EXPENSES

Transportation and selling expenses comprised the following for the years ended December 31:

In millions of tenge	**2020**	2019 (restated)
Transportation	**472,576**	426,399
Custom duties	**72,959**	132,395
Rent tax	**41,120**	133,144
Rent expenses	**27,224**	27,064
Personnel costs, including social taxes and withdrawals	**17,423**	17,902
Depreciation and amortization	**17,356**	13,877
Commission fees to agents and advertising	**15,325**	20,937
Other	**6,566**	7,316
	670,549	779,034

31. IMPAIRMENT LOSS

Impairment loss comprised the following for the years ended December 31:

In millions of tenge	**2020**	2019
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets *(Notes 7, 8, 9)*	**293,178**	297,693
Impairment of investments in joint ventures and associates *(Note 10)*	**36,790**	413
Impairment of VAT receivable	**7,553**	19,143
Expected credit losses on other financial assets	**4,901**	13,336
Impairment of assets held for sale	**3,115**	10,208
Accrual/(reversal) of expected credit losses on loans issued *(Note 11)*	**2,053**	(8,924)
(Reversal)/accrual of expected credit losses on amounts in credit institutions	**(3,970)**	4,381
(Reversal)/accrual of expected credit losses on cash and cash equivalents	**(337)**	436
Other	**458**	19,007
	343,741	355,693

31. IMPAIRMENT LOSS (continued)

For the following non-current assets impairment losses were recognised for years ended:

In millions of tenge	**2020**	2019
Impairment expense		
Refining CGU of KMGI	**162,455**	93,587
EMG CGU	**60,440**	–
Sunkar, Barys and Berkut, self-propelled barges (Barges)	**10,297**	11,837
Satti, the drilling jackup rig (Satti rig)	**–**	24,505
Batumi Oil Terminal, the CGU (BNT CGU)	**–**	12,583
Other	**36,586**	27,738
Write-off		
Brownfields of KMG EP	**19,692**	18,888
Kalamkas-sea project	**–**	45,562
Pearls project	**–**	38,180
KLPE	**3,593**	24,813
Samtyr, Zhayik, Saraishyk, Zaburunie projects	**115**	–
	293,178	297,693

Refining CGU of KMGI

In 2020 and 2019, the Group performed impairment test of the Refining CGU of KMGI. The Group considered forecasted refining margins and production volumes, among other factors, when reviewing for indicators of impairment. The recoverable amount of Refining CGU of KMGI was determined based on fair value less costs of disposal (FVLCD), which was calculated using the discounted cash flow method. The key assumptions used in the FVLCD calculations for the CGU were operating profit, discount rates and growth rate used to extrapolate cash flows beyond the budgeted period. The discount rate applied to cash flow projections for Refining CGU was 10.7% (2019: 9.6%) and cash flows beyond the 5-year period were extrapolated using 2.2% (2019: 1.9%) growth rate, which is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values was 8.5% (2019: 7.7%). For the purposes of impairment test, the Group updated projected cash flows to reflect the decrease in forecasted refining margins and change in post-tax discount rate. In 2020, based on the results of the test performed, the Group recognized impairment loss of property, plant and equipment and intangible assets of 155,544 million tenge and 6,911 million tenge respectively (2019: 86,946 million tenge and 6,641 million tenge, respectively).

Sensitivity to changes in assumptions:

The additional impairment charges will occur if the weighted average cost of capital increases by more than 2.3 points to 13%, or should the operating profit decrease by more than 28.4%.

EMG CGU

In 2020, EMG carried out an assessment of the recoverable amount of property, plant and equipment and exploration and evaluation assets due to the presence of impairment indicators such as decline in the forecasted oil prices. EMG calculated recoverable amount using a discounted cash flow model for value in use valuation method. The discount rate applied to cash flow projections was equal to 14.4%. The 5-year business plan was used as a primary source of information, which contains forecasts for crude oil production, sales volumes, revenues, costs and capital expenditure. The result of this assessment indicated that the carrying value of assets exceeded their estimated recoverable amount by 60,440 million tenge, particularly, 44,098 million tenge of property, plant and equipment and 16,342 million tenge of exploration and evaluation assets were impaired in the consolidated statement of comprehensive income.

Sensitivity to changes in assumptions

The additional impairment charges will occur if the weighted average cost of capital increases by more than 1 point to 15.4% or if the Brent price decreases by more than 1%.

Barges

The recoverable amount of the barges was determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the barges until the end of the existing and probable contracts at the discount rate of 11.3% (2019: 10.05%). As a result of the test, the Group recognized an impairment loss of 10,297 million tenge for the year ended December 31, 2020 in regards of Sunkar, Barys and Berkut barges (2019: 11,837 million tenge on Sunkar and Berkut).

31. IMPAIRMENT LOSS (continued)

Satti rig

The recoverable amount of Satti rig was determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the rig. The forecasted cash flows were based on financial budget approved by the Group management for the period of 2020-2024, and on estimated forecasts for the period of the useful life of the rig till 2041 extrapolated by inflation rates and discounted at 12.5%. As a result of the impairment test, the Group recognised an impairment loss of 24,505 million tenge as at December 31, 2019. As at December 31, 2020, the recoverable value of the Satti rig exceeded its carrying value.

BNT CGU

For the year ended December 31, 2019, the Group recognized an impairment loss of 12,583 million tenge using FVLCD. The impairment was caused due to decrease in oil transshipment volumes in post-prognosis period. As at December 31, 2020, the recoverable value of BNT CGU exceeded its carrying value.

Brownfields of KMG EP

For year ended December 31, 2020, the Group wrote-off exploration and evaluation assets of 19,692 million tenge related to several KMG EP subsoil use contracts that were terminated with relinquishment of contract territories to the Government (2019:18,888 million tenge).

Kalamkas-sea project

On September 27, 2019 the Group decided not to extend the development of the Kalamkas-sea field. As a result, exploration and evaluation assets of the Kalamkas-sea field in the amount of 119,000 thousand US dollars were written off (equivalent to 45,562 million tenge).

Pearls project

Exploration stage of Pearls project expired on December 14, 2019. To proceed to the next stage, the Development plan was due to be submitted by the partners of the project. However, the partners of the Pearls project decided not to proceed with the Development plan, and agreed to relinquish the contract area under the Pearls PSA to the Government voluntarily, as a result, as at December 31, 2019 the Group recognized impairment loss for 38,180 million tenge.

KLPE

Due to the change in the configuration of the project "Construction of an integrated gas chemical complex in the Atyrau region (second phase)" (capacity, location), in 2020 KLPE conducted an impairment test for capitalized costs included in construction in progress. Based on the results of the test, KLPE wrote off the capitalized costs from the balance sheet in the amount of 3,593 million tenge (2019: 24,813 million tenge). The written-off costs include the costs of developing a feasibility study, consulting, legal and other services for the project.

32. FINANCE COSTS

Finance costs comprised the following for the years ended December 31:

In millions of tenge	**2020**	2019 (restated)
Interest on loans and debt securities issued	**440,027**	414,554
Finance costs for the early redemption of bonds *(Note 19)*	**45,278**	45,236
Interest on lease liabilities	**33,853**	30,055
Discount on provisions and other payables	**20,557**	20,447
Interest on oil supply agreement (Note 21)	**13,735**	52,644
Financial guarantees	**12,757**	18,880
Discount on assets at rates below market	**2,310**	2,845
Other	**40,436**	55,119
	608,953	639,780

32. FINANCE COSTS (continued)

In June 2020, the Group, made a partial early repayment in the amount of 217 million US dollars (equivalent to 86,503 million tenge) of 2012 Eurobonds issued with a total nominal volume of 1,100 million US dollars. The total amount paid amounted to 284 million US dollars (equivalent to 113,229 million tenge), including accrued interest of 6 million US dollars (equivalent to 2,505 million tenge) and an early repayment premium of 61 million US dollars (equivalent to 24,221 million tenge). The Group recognised the early repayment premium as part of finance costs *(Note 19)*.

In October-November, 2020, the Group made an early full repayment of bonds due 2022 and 2023 with nominal value of 906,564 thousand US dollars (equivalent to 392,214 million tenge). Bond repayment fee was 49 million US dollars (equivalent to 21,057 million tenge) *(Note 19)*.

33. FINANCE INCOME

Finance income comprised the following for the years ended December 31:

In millions of tenge	**2020**	2019
Interest income on amounts due from credit institutions and cash and cash equivalents	**66,117**	76,799
Interest income from loans and financial assets	**36,541**	40,997
Income from subsidized interest rates on financial liabilities	**29,558**	273
Discount on liabilities at rates below market	**11,201**	9,049
Revaluation gain on financial assets at fair value through profit/loss	**10,765**	1,639
Income from financial guarantees	**10,277**	26,924
Write-off of loan	**–**	111,476
Other	**15,729**	13,792
	180,188	280,949

In May 2020, the Group entered into an agreement with the Transport Committee of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan to subsidise a part of coupon interest rate on 307,194 million tenge bonds issued in 2019 at 11.5% per annum and used for the early redemption of 2017 Eurobonds of 780 million US dollars. During 2020, the Group recognised income from government grants under the Programme of 29,183 million tenge in finance income *(Note 19)*.

In 2019, the Group derecognized a loan from partners of the Pearls project under the carried interest arrangement for the total amount of 110,930 million tenge, including an interest of 3,543 million tenge, since the partners of the project decided to voluntarily relinquish the contract area under the Pearls PSA.

34. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

Share in profit/(loss) of joint ventures and associates comprised the following for the years ended December 31:

In millions of tenge	**2020**	2019
Asia Gas Pipeline LLP	**175,339**	168,086
Tengizchevroil LLP	**173,476**	414,940
Caspian Pipeline Consortium JSC	**81,582**	70,869
Kazzinc LLP	**75,280**	51,579
Beineu Shymkent Gas Pipeline LLP	**55,005**	56,194
JV KATCO LLP	**25,073**	11,938
Mangistau Investments B.V.	**16,749**	81,991
JV Kazgermunai LLP	**15,622**	17,561
JV South Mining Chemical Company LLP	**11,533**	7,765
Forum Muider B.V.	**11,504**	12,243
Kazakhstan − China Pipeline LLP	**10,380**	3,313
Petro Kazakhstan Ink	**(8,812)**	(18,244)
Ural Group Limited BVI	**(10,265)**	(18,895)
AstanaGas KMG LLP	**(15,007)**	(596)
Other	**24,149**	56,013
	641,608	914,757

35. INCOME TAX EXPENSES

Income tax expenses comprised the following for the years ended December 31:

In millions of tenge	**2020**	2019 (restated)
Current income tax expenses		
Corporate income tax ("CIT")	**190,640**	228,776
Withholding tax on dividends and interest income	**16,043**	19,653
Excess profit tax	**(194)**	11,291
Deferred income tax expense/(benefit)		
Corporate income tax ("CIT")	**17,090**	65,376
Withholding tax on dividends and interest income	**26,021**	62,242
Excess profit tax	**(2,985)**	(4,904)
Income tax expenses	**246,615**	382,434

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2020 and 2019) to income tax expenses was as follows for the years ended December 31:

In millions of tenge	**2020**	2019 (restated)
Accounting profit before income tax from continuing operations	**829,157**	1,802,915
Income tax expenses on accounting profit	**165,831**	360,583
Tax effect of other items, which are not deductible or assessable for taxation purposes	**61,117**	86,317
Change in unrecognized deferred tax assets	**82,035**	14,169
Effect of different corporate income tax rates	**26,219**	21,047
Excess profit tax	**(3,179)**	6,388
Share in non-taxable profit of joint ventures and associates	**(100,816)**	(123,559)
Other differences	**15,408**	17,489
Total corporate income tax expenses	**246,615**	382,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. INCOME TAX EXPENSES (continued)

Deferred tax balances, calculated by applying the statutory tax rates effective at the respective reporting dates to the temporary differences between tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, are comprised of the following at December 31:

	2020				2019 (restated)			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Deferred tax assets								
Property, plant and equipment	**51,983**	**–**	**–**	**51,983**	48,672	–	–	48,672
Tax loss carryforward	**883,930**	**–**	**–**	**883,930**	804,080	–	–	804,080
Employee related accruals	**16,864**	**–**	**–**	**16,864**	16,560	82	–	16,642
Allowance for expected credit losses of financial assets	**36,876**	**–**	**–**	**36,876**	24,007	–	–	24,007
Provision for environmental remediation	**71,398**	**–**	**–**	**71,398**	39,186	256	–	39,442
Other accruals	**148,834**	**–**	**–**	**148,834**	114,811		–	114,811
Other	**34,648**	**–**	**–**	**34,648**	68,609	3,893	–	72,502
Less: unrecognized deferred tax assets	**(652,493)**	**–**	**–**	**(652,493)**	(570,458)		–	(570,458)
Less: deferred tax assets offset with deferred tax liabilities	**(512,773)**	**–**	**–**	**(512,773)**	(457,658)	(758)	–	(458,416)
Deferred tax assets	**79,267**	**–**	**–**	**79,267**	87,809	3,473	–	91,282
Deferred tax liabilities								
Property, plant and equipment	**1,127,858**	**392**	**–**	**1,128,250**	1,063,984	7,608	–	1,071,592
Undistributed earnings of joint ventures and associates	**–**	**–**	**419,083**	**419,083**	–	–	356,581	356,581
Other	**108,696**	**–**	**–**	**108,696**	95,531	–	–	95,531
Less: deferred tax assets offset with deferred tax liabilities	**(512,773)**	**–**	**–**	**(512,773)**	(457,658)	(758)	–	(458,416)
Deferred tax liabilities	**723,781**	**392**	**419,083**	**1,143,256**	701,857	6,850	356,581	1,065,288
Net deferred tax liabilities	**(644,514)**	**(392)**	**(419,083)**	**(1,063,989)**	(614,048)	(3,377)	(356,581)	(974,006)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. INCOME TAX EXPENSES (continued)

The movements in the net deferred tax liabilities were as follows for the years ended December 31:

	2020				2019 (restated)			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Balance at January 1 (restated)	**614,048**	**3,377**	**356,581**	**974,006**	502,066	8,281	295,580	805,927
Effect of adoption of IFRS 16 (restated)	**–**	**–**	**–**	**–**	(39)	–	–	(39)
Foreign currency translation	**3,776**	**–**	**36,481**	**40,257**	(1,861)	–	(1,241)	(3,102)
Charged to other comprehensive income	**7,074**	**–**	**–**	**7,074**	2,739	–	–	2,739
Acquisition of subsidiaries	**3,560**	**–**	**–**	**3,560**	47,685	–	–	47,685
Discontinued operations	**(1,034)**	**–**	**–**	**(1,034)**	(1,918)	–	–	(1,918)
(Credited)/charged to profit and loss	**17,090**	**(2,985)**	**26,021**	**40,126**	65,376	(4,904)	62,242	122,714
Balance at December 31	**644,514**	**392**	**419,083**	**1,063,989**	614,048	3,377	356,581	974,006

35. INCOME TAX EXPENSES (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax asset arising mainly from tax losses carry forward were equal to 652,493 million tenge as at December 31, 2020 (December 31, 2019: 570,458 million tenge).

Tax losses carryforwards as at December 31, 2020 in the Republic of Kazakhstan expire for tax purposes 10 (ten) years from the date they are incurred.

36. CONSOLIDATION

Subsidiaries included in the consolidated financial statements are presented as follows:

		Main activity	Country of incorporation	Ownership percentage	
				2020	2019
1	National Company "KazMunayGas" JSC ("NC KMG") and subsidiaries	Exploration, production, processing and transportation of oil and gas	Kazakhstan	**90.42%**	90.42%
2	KMG Kashagan B.V.	Exploration and production of hydrocarbons	Netherlands	**95.00%**	95.00%
3	National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh") and subsidiaries	Passenger and cargo transportation	Kazakhstan	**100.00%**	100.00%
4	National Atomic Company "Kazatomprom" JSC ("NAC KAP") and subsidiaries	Production and mining of uranium, rare metals	Kazakhstan	**75.00%**	81.28%
5	Samruk-Energy JSC ("Samruk-Energy") and subsidiaries	Electricity and heat production	Kazakhstan	**100.00%**	100.00%
6	Kazakhstan Electricity Grid Operating Company JSC ("KEGOC") and subsidiaries	Electricity transmission services	Kazakhstan	**90.00%+1**	90.00% + 1
7	Kazpost JSC and subsidiaries	Postal and financial activities	Kazakhstan	**100.00%**	100.00%
8	Kazakhtelecom JSC ("KTC") and subsidiaries	Telecommunication services	Kazakhstan	**52.03%**	52.03%
9	Air Astana JSC ("Air Astana") and subsidiaries	Air transportation	Kazakhstan	**51.00%**	51.00%
10	Samruk-Kazyna Construction JSC and subsidiaries	Construction and real estate management	Kazakhstan	**100.00%**	100.00%
11	National Mining Company "Tau-Ken Samruk" and subsidiaries	Exploration, mining and processing of solid minerals	Kazakhstan	**100.00%**	100.00%
12	United Chemical Company LLP ("UCC") and subsidiaries	Development and implementation of projects in the chemical industry	Kazakhstan	**100.00%**	100.00%
13	Samruk-Kazyna Invest LLP and subsidiaries	Investments	Kazakhstan	**100.00%**	100.00%
14	Samruk-Kazyna Contract LLP	Procurement activities	Kazakhstan	**100.00%**	100.00%
15	KOREM JSC	Electricity market operator	Kazakhstan	**100.00%**	100.00%
16	SK Business Service LLP and subsidiaries	Transformation services, information and IT services	Kazakhstan	**100.00%**	100.00%
17	Qazaq Air JSC	Air transportation	Kazakhstan	**100.00%**	100.00%
18	Kazakhstan nuclear electric plants LLP	Servicing companies in the electricity sector	Kazakhstan	**100.00%**	100.00%
19	Stantsiya Ekibastuzskaya GRES-2 JSC ("EGRES-2")	Power generation	Kazakhstan	**100.00%**	100.00%

37. RELATED PARTY DISCLOSURES

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

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel and other entities controlled by the Government. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

37. RELATED PARTY DISCLOSURES (continued)

The following table provides the total amount of transactions, which have been entered into with related parties as at December 31:

In millions of tenge		Associates	Joint ventures	Other state-controlled entities
Due from related parties	**2020**	**3,008**	**29,132**	**22,639**
	2019	4,225	40,165	25,921
Due to related parties	**2020**	**27,742**	**218,085**	**9,163**
	2019	34,212	186,746	14,946
Sale of goods and services	**2020**	**137,678**	**324,665**	**736,717**
	2019	115,182	370,651	506,918
Purchase of goods and services	**2020**	**268,838**	**1,163,124**	**23,381**
	2019	194,076	1,547,959	20,833
Other (loss)/income	**2020**	**8,870**	**26,557**	**3,756**
	2019	(2,531)	(1,748)	2,342
Cash and cash equivalents, and amounts due from credit institutions (assets)	**2020**	**–**	**242**	**262,012**
	2019	–	248	308,250
Loans issued	**2020**	**17,279**	**313,509**	**5,559**
	2019	66,394	365,017	5,184
Borrowings	**2020**	**14,004**	**4**	**1,065,166**
	2019	17,460	5	1,114,707
Other assets	**2020**	**6,833**	**16,802**	**158,936**
	2019	13,171	116,244	120,270
Other liabilities	**2020**	**65,329**	**46,634**	**39,063**
	2019	15,132	61,270	31,483
Interest accrued due from related parties	**2020**	**6,733**	**31,424**	**26,820**
	2019	11,049	43,425	10,901
Interest accrued due to related parties	**2020**	**12,462**	**4,763**	**79,974**
	2019	1,676	11,362	88,097

As at December 31, 2020 some of the Group's borrowings of 48,121 million tenge were guaranteed by the Government of the Republic of Kazakhstan (December 31, 2019: 51,062 million tenge).

Total compensation to key management personnel included in general and administrative expenses in the consolidated statement of comprehensive income was equal to 6,247 million tenge for the year ended December 31, 2020 (December 31, 2019: 8,870 million tenge). Compensation to key management personnel mainly consists of contractual salary and other payments based on achievement of operating results.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of borrowings, loans from the Government of the Republic of Kazakhstan, lease liabilities, amounts due to the customers, derivatives, cash and cash equivalents, loans issued, amounts due from credit institutions, other financials assets, as well as accounts receivable and accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group also monitors the liquidity risk arising from all financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

The Group's exposure to interest risk relates primarily to the Group's long-term and short-term borrowings with variable interest rates *(Note 19)*.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity of the Group's profit before income tax (through the impact on variable rate borrowings) to a reasonably possible change in variable LIBOR interest rates, with all other variables held constant.

In millions of tenge	Increase/ (decrease) in basis points*	Effect on profit before income tax
2020		
US dollar	**100/(25)**	**(8,942)/2,235**
2019		
US dollar	35/(35)	(2,859)/2,859

* *1 basis point = 0.01%.*

Currency risk

As a result of significant borrowings, lease liabilities, and trade accounts payable, cash and cash equivalents, amounts due from credit institutions and accounts receivable denominated in the US dollars, the Group's consolidated financial position can be affected significantly by movement in the US dollar / tenge exchange rates.

The following table demonstrates the sensitivity of the Group's profit before income tax to a reasonably possible change in the US dollar and euro, with all the variables held constant.

In millions of tenge	Increase/(decrease) in exchange rate	Effect on profit before income tax
2020		
US dollar	**14.00%/(11.00%)**	**(431,973)/339,984**
Euro	**14.00%/(11.00%)**	**(10,545)/8,285**
2019		
US dollar	12.00%/(9.00%)	(368,433)/276,518
Euro	12.00%/(9.00%)	(9,692)/7,196

Credit risk

Credit risk arising from the inability of a party to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group to that party. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by carrying amount of each financial asset.

The Group considers that its maximum exposure is reflected by the amount of loans issued *(Note 11)*, amount due from credit institutions *(Note 12)*, trade accounts receivable and other current assets *(Note 16)*, other financial assets *(Note 13)*, and cash and cash equivalents *(Note 17)*, net of allowances for expected credit losses recognized at the reporting date.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The Group has a policy that ensures enforcement of constant control procedures for sales to only be made to buyers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimised by the fact that the Group operates on a prepayment basis with the majority of its buyers.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at price close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table shown below summarizes the maturity profile of the Group's financial liabilities at December 31 based on contractual undiscounted payments.

In millions of tenge	On demand	Due later than 1 month but not later than 3 months	Due later than 3 months but not later than 1 year	Due later than 1 year but not later than 5 years	Due after 5 years	Total
At December 31, 2020						
Loans from the Government of the Republic of Kazakhstan	**13**	**24**	**43,343**	**92,154**	**2,007,592**	**2,143,126**
Borrowings	**79,199**	**89,703**	**1,005,031**	**3,509,439**	**7,506,849**	**12,190,221**
Lease liabilities	**4,953**	**25,395**	**106,419**	**335,323**	**123,909**	**595,999**
Due to customers	**40,356**	**–**	**8**	**13**	**–**	**40,377**
Financial guarantees	**27,404**	**20,525**	**64,625**	**273,599**	**103,299**	**489,452**
Trade and other payables	**348,453**	**416,480**	**64,588**	**22,227**	**1,448**	**853,196**
	500,378	**552,127**	**1,284,014**	**4,232,755**	**9,743,097**	**16,312,371**
At December 31, 2019						
Loans from the Government of the Republic of Kazakhstan	331	377	23,166	136,666	2,118,816	2,279,356
Borrowings	172,546	187,028	671,439	3,466,395	7,033,406	11,530,814
Finance lease liabilities	5,230	20,200	69,599	257,676	110,251	462,956
Due to customers	34,762	–	7	86	–	34,855
Financial guarantees	22,839	23,980	76,603	414,912	110,477	648,811
Trade and other payables	432,641	496,024	112,264	11,135	–	1,052,064
	668,349	727,609	953,078	4,286,870	9,372,950	16,008,856

Capital management

The Group manages its capital primarily through capital management of its subsidiaries while conducting its oversight function. Major objective of the capital management is to ensure that subsidiaries of the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary.

The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary. Key performance indicators ("KPI") used by the Group to manage capital of its subsidiaries are ratios of: Debt to Earnings before Interest, Taxes, Depreciation and Amortization, and Interest ("D/EBITDA") from continuing and discontinued operations; and Debt to Equity ("D/E"). Debt is considered to be equal to all borrowings, debt securities, guarantee and finance lease liabilities of relevant subsidiaries reduced by value of cash and cash equivalents. Equity is considered to be equal to the entire equity of the subsidiary attributable to majority shareholders.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Allowed maximum for the indicator is approved for each subsidiary based on the needs and specifics of its business and varies within following ranges (consolidated KPI's for the Group have been presented for reference purposes as the Group does not monitor KPI's on the consolidated level):

KPI	2020	2019 (restated)
D/EBITDA	**3.58**	2.55
D/E	**0.59**	0.58

In billions of tenge	2020	2019 (restated)
Borrowings *(Note 19)*	**7,459**	6,841
Loans from the Government of the Republic of Kazakhstan *(Note 20)*	**593**	628
Lease liabilities *(Note 22)*	**515**	427
Derivative instruments	**1**	2
Guaranteed principal amount of liabilities of entities outside the Group	**427**	454
Total debt	**8,995**	8,352
Less: cash and cash equivalents	**(2,228)**	(1,994)
Net debt	**6,767**	6,358
EBITDA	**2,512**	3,279
Total equity	**15,152**	14,343

Fair values of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2020 and 2019 the carrying amount of the following Group's financial instruments is a reasonable estimate of their fair value:

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2020
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	**–**	**–**	**138,024**	**138,024**
Financial assets measured at fair value through OCI	**8,988**	**47,779**	**63**	**56,830**
Financial assets at fair value through profit and loss	**34,643**	**3,897**	**22,676**	**61,216**
Derivative financial assets	**–**	**97**	**1,048**	**1,145**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments (continued)

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2019
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	–	–	214,396	214,396
Financial assets measured at fair value through OCI	42,577	10,344	63	52,984
Financial assets at fair value through profit and loss	3,900	17,125	25,084	46,109
Derivative financial assets	–	952	543	1,495

	December 31, 2020				
			Fair value by level of assessment		
In millions of tenge	**Carrying amount**	**Fair value**	**Quotations in an active market (Level 1)**	**From the observed market (Level 2)**	**Based on the significant amount of unobserved (Level 3)**
Financial assets					
Loans issued at amortized cost and finance lease receivables	**284,212**	**271,526**	**–**	**17,441**	**254,085**
Amounts due from credit institutions	**489,572**	**498,082**	**335,558**	**162,524**	**–**
Financial liabilities					
Borrowings	**7,459,200**	**8,370,443**	**5,246,774**	**2,217,000**	**906,669**
Loans from the Government of the Republic of Kazakhstan	**593,222**	**416,166**	**–**	**416,166**	**–**
Guarantee obligations	**53,374**	**51,693**	**–**	**35,972**	**15,721**

	December 31, 2019				
			Fair value by level of assessment		
In millions of tenge	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Loans issued at amortized cost and finance lease receivables	306,433	314,192	–	26,674	287,518
Amounts due from credit institutions	763,766	776,646	474,248	302,381	17
Financial liabilities					
Borrowings	6,841,393	7,324,768	4,943,524	1,948,352	432,892
Loans from the Government of the Republic of Kazakhstan	627,560	548,717	–	548,717	–
Guarantee obligations	48,958	46,414	–	25,992	20,422

The fair value of the above financial instruments has been calculated by discounting the expected future cash flows at prevailing interest rates.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments (continued)

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy are shown below:

	Valuation technique	Significant unobservable inputs	Range as of December 31, 2020	2019
Loans issued at amortized cost and finance lease receivables	Discounted cash flow method	Interest/ discount rate	**3.5-15%**	3.5-15%
Borrowings			**1.9-13%**	1.9-12.9%
Financial guarantee issued			**4.9%**	4.1%

39. COMMITMENTS AND CONTINGENCIES

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries.

Prices may also be affected by government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices.

A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the consolidated financial results and cash flows of operations. The Group does not hedge significantly its exposure to the risk of fluctuations in the price of its products.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle.

The new law on transfer pricing came into effect in Kazakhstan from January 1, 2009. The new law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest at December 31, 2020.

As at December 31, 2020 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Due to uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2020.

39. COMMITMENTS AND CONTINGENCIES (continued)

Taxation (continued)

As at December 31, 2020, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

"Embamunaigas" JSC environmental audit (Embamunaigas)

Since 2018 Embamunaigas, the Group subsidiary, has been subject to three ecological audits for the periods from November 2017 to December 2018 and received a notification for damages caused by ecological violations.

As at January 1, 2019 the provision on this case was at 26,070 million tenge. In 2019, Embamunaigas filed for tax return of 10,420 million tenge and increased provisions for this amount. In the meantime, to avoid late payment penalties, Embamunaigas paid-off 6,472 million tenge. Also, in 2019, the court ruled to decrease the amount of fines, and accordingly Embamunaigas reversed 25,433 million tenge, net. As a result, the provision amounted to 4,585 million tenge as at December 31, 2019.

During 2020, Embamunaigas reversed 658 million tenge, net, and settled 3,364 million tenge, thus, as of December 31, 2020, the provision was 563 million tenge *(Note 23)*.

Comprehensive tax audit at Atyrau refinery for 2015-2017

On December 15, 2020, based on 2015-2017 comprehensive tax audit, Atyrau refinery received additional tax assessment for VAT for 9,257 million tenge, including penalties, and reduction in tax carry-forward losses for 29,026 million tenge. Atyrau refinery has not agreed with tax audit results, and, on January 28, 2021, sent an appeal to the RK Ministry of finance. The Group believes that the risk of additional tax assessment is remote, as such, the Group did not recognize any provisions as of December 31, 2020.

Legal proceedings

The proceedings initiated against Mr. Stati and his related parties related to the arrest of shares KMG Kashagan B.V. belonging to the Fund

On September 14, 2017 the pre-judgement attachment in respect of the Fund's rights on management of 50% KMG Kashagan B.V. shares worth 5.2 billion US dollars was imposed with regard to the decision of the Amsterdam Court (the "Pre-judgement Attachment").

The named Pre-judgement Attachment was imposed as part of the claim for recognition and enforcement of the arbitral award on the matter of Anatolie Stati, Gabriel Stati, Ascom Group SA and Terra Raf Trans Trading Ltd. against the Republic of Kazakhstan issued in 2013 by the Arbitration Tribunal at the Arbitration Institute of the Stockholm Chamber of Commerce.

On July 14, 2020, the Amsterdam Appeal Court has decided to recognize the arbitrary award rendered in 2013 against the Republic of Kazakhstan on the territory of the Netherlands, though the court has rejected claim of Mr. Stati to enforce the arbitrary award in relation to the Fund.

On December 18, 2020, the Supreme Court overturned the decision of the Amsterdam Court of Appeal dated May 5, 2019 to maintain the arrest.
Верховный суд постановил, что Апелляционный суд неверно интерпретировал нормы права и направил дело о правомерности ареста акций КМГ Кашаган на рассмотрение в Апелляционный суд г. Гааги.

В настоящее время совместно с консультантами готовятся все соответствующие материалы. Дата слушания пока не определена, ориентировочно ожидается не ранее осени текущего года.

17 марта 2021 года прошли слушания по Основному процессу по иску Стати, поданному 7 декабря 2017 года, в котором Стати просит суд признать Фонд частью Республики Казахстан и обязать Фонд исполнить Арбитражное решение от 19.12.2013г.

28 апреля 2021 года Окружной суд Амстердама удовлетворил ходатайство Фонда отложить Основной процесс до решения Апелляционного суда в Гааге по обжалованию ограничения на акции KMG Kashagan B.V.

09 июня 2021 года Фонд внес в Окружной суд Амстердама отзыв на дополнительные аргументы Стати, который будет рассмотрен Судом после решения Апелляционного суда в Гааге.

В настоящее время Фонд принимает все необходимые меры по защите своих интересов в установленном порядке и продолжит отстаивать свои права.

On March 17, 2021, hearings were held on the Main Process. On April 28, 2021, a court decision is expected on the progress of further consideration of the case in the Main Process.

Currently, the Fund makes all necessary arrangements to protect its interest in accordance with the established procedure and will continue to defend its rights.

Sign-off of settlement agreement between KMG Drilling and the Consortium (the KMG Drilling – Consortium case)

As of December 31, 2019, KMG Drilling, the subsidiary of the Group, provisioned of 90 million US dollars (equivalent to 34,132 million tenge) *(Note 23)* in the annual consolidated financial statements of the Group for the year ended December 31, 2019, in relation to the arbitrage dispute with the Consortium of companies (Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP) over the jack-up rig construction contract dated July 5, 2012.

On July 15, 2020, KMG Drilling and the Consortium signed-off a final settlement agreement on the dispute with a slight increase in settlement amount by 0.4 million US dollars.

39. COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings (continued)

Sign-off of settlement agreement between KMG Drilling and the Consortium (the KMG Drilling – Consortium case) (continued)

On November 17, 2020, the full settlement amount of 90.4 million US dollars (equivalent to 38,821 million tenge at transaction date) was paid-off by KMG Drilling, accordingly, as of December 31, 2020, the case is closed.

Resolution of civil litigation at KMGI

On December 5, 2019, the Prosecutor's Office of Romania (further the POR) issued an ordinance according to which charges related to the disputes between the Romanian Government and KMGI were dismissed due to expiration of the statute of limitations.

Three following plaintiffs filed a complaint against the above POR's decision:

1) The Romanian Privatization Agency on the improper fulfillment by KMGI of the post-privatization requirements for obligations of Petromidia Refinery and Vega Refinery in 2013-2014 for 30 million US dollars;

2) Faber Invest & Trade Inc. (further Faber), the non-controlling shareholder of KMGI subsidiaries, who challenged decisions of KMGI as a shareholder of Rompetrol Rafinare S.A. for 55 million US dollars;

3) Mr. Stephenson George Philip, the former director of KMGI.

On December 27, 2019, KMGI appealed against the ordinance and required the case to be dismissed on merits, not expiration of statute of limitations.

On July 10, 2020, the Supreme Court issued a final decision according to which all the complaints against the POR's decision was rejected.

However, Faber has resumed one of the previous filings, which challenged the increase in the Rompetrol Rafinare Constanta, the KMGI subsidiary, share capital of 2003-2005. The hearing was held on November 10, 2020, however, no final decision was made. The next hearings are scheduled to be on April 19, 2021.

The Group believes that its position with regard to the new Faber filing will be sustained similar to the matters resolved in 2020 in favour of the Group, and as such, the Group did not recognize any provisions as of December 31, 2020.

Disputes regarding the calculation of the proportion of profit oil sharing with the Republic (KMG Karachaganak LLP)

According to the Karachaganak Final Production Sharing Agreement (FPSA), the Karachaganak project profit oil sharing is regulated by the Fairness Index. In the second quarter of 2014, the economics of the Karachaganak project reached a level where the trigger on the Fairness Index "worked" and the proportion in the profit oil sharing changed in favour of the Republic of Kazakhstan.

In addition, from August 20, 2014 to the present, the Ministry of Energy of the Republic of Kazakhstan (MinEnergy) quarterly notifies the Contracting Companies, participants of FPSA, (Contracting Companies) of disagreement regarding the presented calculation of the proportion of the profit oil sharing.

On December 30, 2016, a legally non-binding Memorandum of Understanding was signed between the Republic of Kazakhstan and the Contracting Companies.

On July 17, 2020, the Republic of Kazakhstan and the Contracting Companies signed-off settlement agreement regarding the calculation of the proportion of Profit oil sharing. According to this agreement, Karachaganak is exempt from obligation to pay the financial contribution and reimburse arbitration costs.

On December 11, 2020, the Republic of Kazakhstan and the Contracting Companies signed-off the dispute closure agreement, as such as of December 31, 2020, the case is closed, and the Group has no due commitments.

Cost recovery audits

In accordance with the production sharing agreements not all costs incurred by the contractors can be reimbursed, certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct cost recovery audits. In accordance with the costs recovery audits completed prior to December 31, 2020 certain costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

39. COMMITMENTS AND CONTINGENCIES (continued)

Cost recovery audits (continued)

As of December 31, 2020 the Group's share in the total disputed amounts of costs is 871,407 million tenge (2019: 782,206 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

The Government requires oil companies in the Republic of Kazakhstan to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group's business, prospects, consolidated financial position and results of operations.

In 2020, in accordance with its obligations, the Group delivered 6,401 thousand tons of crude oil (2019: 6,224 thousand tons), including joint ventures, to the Kazakhstan market.

Oil supply commitments

As of December 31, 2020 the Group had commitments under the oil supply agreements in the total amount of 13.5 million ton (as at December 31, 2019: 19.2 million ton).

Commitments under oilfield and mining field licenses and subsurface use contracts

As at December 31, 2020 the Group had following commitments on fulfillment of minimal work programs with respect to the requirements of their oilfield and mining licenses and related subsurface use contracts with the Government (in millions of tenge):

Year	Capital expenditures	Operational expenditures
2021	532,703	168,222
2022	235,761	131,630
2023	180,483	94,883
2024	223,519	94,346
2025-2058	2,865,740	1,575,571
Total	**4,038,206**	**2,064,652**

Capital commitments

As at December 31, 2020 the Group, including its joint ventures and associates, had capital commitments of approximately 2,902,735 million tenge related to acquisition and construction of property, plant and equipment (as at December 31, 2019: 2,979,596 million tenge).

As at December 31, 2020, the Group had commitments in the total amount of 248,408 million tenge (as at December 31, 2019: 101,786 million tenge) under the investment programs approved by the joint order of Ministry of Energy of RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK (hereinafter – the CRNM) to facilitate production units.

39. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments (continued)

Unfulfilled contractual commitments of KazTransOil JSC (KTO) and Kazakhstan - China Pipeline LLP (KCP) under investment programs

KTO and KCP have not fulfilled their investment programs related to previous years (2015-2019) for 26,552 million tenge and 14,477 million tenge (the Group share), respectively. These amounts were not included to the commitments of the Group as of December 31, 2020, due to the following:

- With regard to KTO, unfulfilled amount in accordance with legislation on natural monopolies of RK was accounted for within tariffs for oil pumping to the domestic market for 2021-2025 by CRNM;
- With regard to KCP, the CRNM applied temporary compensating tariffs for oil pumping from October 2020 till September 2022, this was challenged by KCP at court. On December 23, 2020, KCP won the case. However, on January 26, 2021, CRNM appealed against the court decision. On March 25, 2021, the Court upheld the decision unchanged and rejected the satisfaction of the CRNM's appeal. However, the CRNM has the right to appeal the decision of the Court to a higher instance.

And the application of tariffs is postponed until the court decision is released.

Commitments on use of anti-crisis funds

As at December 31, 2020 Fund's commitments included commitments to finance the program "Affordable housing − 2020" in the amount of 3,241 million tenge and commitments to finance investment projects of 63,110 million tenge, including the following:

- Financing the implementation of the investment project "Construction of an integrated gas and chemical complex in Atyrau region. The first phase" in the amount of not greater than 61,409 million tenge.
- Financing of the project "Creation of a special economic zone "Taraz Chemical Park" in the amount of 201 million tenge.
- Financing the acquisition of three leased aircraft by QAZAQ AIR JSC in the amount of 1,500 million tenge.

40. SEGMENT REPORTING

For management purposes, the Group is organized into organizational business units based on their products and services, and has 8 (eight) reportable operating segments *(Note 1)*.

Certain of operating segments have been formed by aggregation of smaller reportable segments in line with the organizational structure of the Group. Each reportable segment maintains its accounting records in line with IFRS. Financial performance of each segment prepared in line with IFRS is reported to the chief operating decision maker for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Eliminations represent the exclusion of intra-group turnovers. Inter-segment transactions were made on terms agreed to between the segments that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. SEGMENT REPORTING (continued)

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for 2020:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	4,838,789	1,227,048	1,309,894	561,602	555,963	12,151	30,691	19,871	–	8,556,009
Revenues from sales to other segments	28,911	189	3,969	4,662	124,398	8,586	272,124	12,099	(454,938)	–
Total revenue	4,867,700	1,227,237	1,313,863	566,264	680,361	20,737	302,815	31,970	(454,938)	8,556,009
Geographical markets										
Kazakhstan	1,090,531	661,039	1,193,100	547,388	654,024	15,288	302,815	31,970	(454,938)	4,041,217
Other countries	3,777,169	566,198	120,763	18,876	26,337	5,449	–	–	–	4,514,792
Gross profit	1,143,283	278,252	276,454	186,966	179,342	691	182,407	14,830	(289,529)	1,972,696
General and administrative expenses	(191,562)	(32,936)	(100,820)	(49,214)	(26,988)	(5,698)	(24,540)	(4,012)	9,895	(425,875)
Transportation and selling expenses	(639,237)	(14,444)	(4,870)	(12,869)	(12,647)	(1,113)	-	-	14,631	(670,549)
Finance income	110,261	6,296	47,448	7,673	10,231	686	36,538	15,586	(54,531)	180,188
Finance costs	(320,188)	(8,203)	(187,814)	(52,992)	(59,364)	(5,968)	(37,210)	(15,331)	78,117	(608,953)
Share in profits of joint ventures and associates	518,157	115,387	11,111	–	11,685	(2,083)	(12,649)	–	–	641,608
Foreign exchange gain/(loss), net	199,385	4,076	(57,823)	7,124	2,694	(31,029)	(75,732)	1,831	(432)	50,094
Depreciation, depletion and amortization	(552,964)	(62,880)	(180,682)	(114,241)	(78,336)	(7,088)	(2,208)	(1,744)	1,346	(998,797)
Impairment of property, plant and equipment and intangible assets	(263,358)	(7,107)	(12,864)	(5,792)	(466)	(3,591)	–	–	–	(293,178)
Impairment of other assets	(37,932)	(3,015)	(19,380)	(890)	(1,104)	(1,659)	12,120	(1,203)	2,500	(50,563)
Income tax expenses	(117,493)	(64,875)	(9,010)	(20,975)	(24,216)	(130)	(3,724)	(4,143)	(2,049)	(246,615)
Total net profit/(loss) for the period	262,506	293,832	(35,745)	59,924	72,821	(52,164)	201,679	7,009	(227,320)	582,542
Other segment information										
Total assets of the segment	16,854,461	2,411,794	3,861,110	1,220,457	1,574,935	804,995	7,738,822	337,307	(7,321,035)	27,482,846
Total liabilities of the segment	6,535,391	377,221	2,701,075	664,364	756,442	609,561	1,696,538	199,447	(1,208,808)	12,331,231
Allowances for expected credit losses for doubtful accounts	(2,222)	320	(552)	(2,470)	(1,860)	(541)	–	124	218	(6,983)
Investments in joint ventures and associates	4,214,205	650,943	21,218	–	79,035	5,273	47,330	13	(32,341)	4,985,676
Capital expenditures	(490,344)	(49,446)	(340,727)	(116,242)	(93,861)	(349,854)	(601)	(3,086)	9,725	(1,434,436)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. SEGMENT REPORTING (continued)

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for 2019:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	7,244,405	989,086	1,456,010	466,885	432,271	7,410	30,232	22,614	–	10,648,913
Revenues from sales to other segments	57,701	13,973	4,835	4,521	74,971	2,940	242,417	9,509	(410,867)	–
Total revenue	7,302,106	1,003,059	1,460,845	471,406	507,242	10,350	272,649	32,123	(410,867)	10,648,913
Geographical markets										
Kazakhstan	1,227,593	497,143	1,171,718	454,753	481,945	6,203	272,649	32,123	(410,867)	3,733,260
Other countries	6,074,513	505,916	289,127	16,653	25,297	4,147	–	–	–	6,915,653
Gross profit	1,958,700	199,798	288,256	141,039	130,418	1,398	197,184	13,317	(215,190)	2,714,920
General and administrative expenses	(217,636)	(38,709)	(119,271)	(46,992)	(21,773)	(5,435)	(24,204)	(4,663)	8,826	(469,857)
Transportation and selling expenses	(744,437)	(11,552)	(10,898)	(12,235)	(8,382)	(771)	–	–	9,241	(779,034)
Finance income	244,423	6,609	7,608	6,554	6,557	621	45,973	8,537	(45,933)	280,949
Finance costs	(360,752)	(14,780)	(195,397)	(44,072)	(41,344)	(5,858)	(33,611)	(10,164)	66,198	(639,780)
Share in profits of joint ventures and associates, net	814,865	85,010	8,013	5,831	11,966	(104)	(10,825)	1	–	914,757
Foreign exchange gain/(loss), net	(6,263)	(127)	(15,671)	(1,265)	1,115	769	5,425	248	(1,053)	(16,822)
Depreciation, depletion and amortization	(506,491)	(64,854)	(160,386)	(98,583)	(69,973)	(3,773)	(2,052)	(1,063)	3,139	(904,036)
Impairment of property, plant and equipment and intangible assets	(253,523)	(14,455)	(2,681)	(1,844)	88	(25,278)	–	–	–	(297,693)
Impairment of other assets	(29,866)	(464)	(18,485)	(1,035)	1,290	(2,012)	(12,162)	(1,255)	5,989	(58,000)
Income tax expenses	(283,726)	(34,175)	(29,020)	(10,047)	(18,224)	(88)	(3,074)	(2,332)	(1,748)	(382,434)
Total net profit for the period	1,171,447	251,522	(91,655)	60,134	69,020	(39,236)	170,669	6,746	(178,166)	1,420,481
Other segment information										
Total assets of the segment	16,332,443	2,304,494	3,757,170	1,195,489	1,500,157	574,620	7,574,272	300,602	(7,122,237)	26,417,010
Total liabilities of the segment	6,587,029	460,432	2,562,000	693,493	719,878	379,654	1,563,722	180,028	(1,072,179)	12,074,057
Allowances for expected credit losses for doubtful accounts	(1,963)	(749)	(13,236)	(2,282)	(55)	(12)	839	(245)	228	(17,475)
Investments in joint ventures and associates	3,532,589	582,600	33,553	–	70,559	6,428	49,473	10	(32,341)	4,242,871
Capital expenditures	(552,017)	(64,000)	(309,134)	(75,417)	(54,828)	(108,255)	(1,131)	(3,530)	6,921	(1,161,391)

41. SUBSEQUENT EVENTS

Disposal of subsidiaries

On January 8, 2021 the Group completed the transaction on selling controlling share in its subsidiary Vostokmashzavod JSC. As a result of the sale, the Group lost control over this subsidiary.

Legal proceedings

On February 19, 2021, a Decision was issued of the arbitration proceedings on the claim of KazTransGas LSC ("KTG") against the partners of the North Caspian project on gas price calculus from the Kashagan field. The decision was issued in favour of KTG. In accordance with the Decision, the court ordered the parties to make their calculations within 30 days on the basis of the principles established by the Decision and calculate the amounts payable to KTG, including legal costs. The final amounts are not yet estimated, thus, as at the reporting date the Group did not recognise the effects of this case in its consolidated financial statements.

Other distributions to the Shareholder

On February 23, 2021, based on the Resolution of the Shareholder, the Group carried out the first tranche in the amount of 18,000 million tenge to finance the construction of social medical facilities.

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Consolidated financial statements

For the year ended December 31, 2019
with independent auditor’s report

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Building a better working world

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Independent Auditor's Report

To the Shareholder and Management of "Sovereign Wealth Fund "Samruk-Kazyna" JSC

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of non-current assets	
We considered this matter to be one of most significance in the audit due to the high level of subjectivity in respect of assumptions underlying impairment analysis of non-current assets and significant judgements and estimates made by the management. In addition, increased cost of debt and uncertainty regarding future economic growth affects the Group's business prospects and triggers potential impairment of the Group's assets. Significant assumptions included discount rates, commodities prices, tariffs forecasts, inflation and exchange rate forecasts. Significant estimates included production forecasts, future capital expenditures and commodity reserves available for development and production. Information on non-current assets and the impairment tests performed is disclosed in *Note* 4 to the consolidated financial statements.	We obtained management's impairment analysis, including analysis of impairment indicators and impairment test models. We involved business valuation specialists in the testing of the impairment analysis and calculation of recoverable amounts performed by the management. We analyzed the assumptions underlying management forecast. We compared natural resource and commodity prices used in the calculation of recoverable amounts to available market forecasts. We compared the discount rate and long-term growth rates to general market indicators and other available information. We tested the mathematical accuracy of the impairment models and assessed their sensitivity to changes in assumptions. We analysed the disclosures made in the consolidated financial statements in respect of impairment.
Compliance with loan covenants	
In accordance with the terms of certain financing arrangements, the Group should comply with certain loan covenants. Breaching covenants could result in significant fines and penalties along with funding shortages. In addition, cross default provisions are in place under many of 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 interest-bearing liabilities in the consolidated statement of financial position. Information on compliance with covenants is disclosed in *Note* 19 to the consolidated financial statements.	We examined the terms of financing arrangements on covenants including additional clauses on cross default conditions. We compared data used in the calculations with the financial statements. We assessed arithmetic accuracy of financial covenants calculations. We analyzed the forecast made on approved Budgets as of 31 December 2019, if a breach is likely in the next 12 months, we obtained and analyzed management's analysis for the potential impact on going concern. We analyzed communication with creditors in respect of compliance with covenants as at 31 December 2019. We also analyzed the information disclosed in the consolidated financial statements

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Other information included in the Group's 2019 Annual Report

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

Our opinion on the consolidated financial statements does not cover the other information and we do 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 Audit Committee 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 Audit Committee 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.

- 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 Audit Committee 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 Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, 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.

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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

Gulmira Turmagambetova
General Director
Ernst & Young LLP

Auditor Qualification Certificate
No. МФ-0000461 dated 6 February 2017

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

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6 April 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

In millions of tenge	**Note**	**2019**	2018 (restated)*
Assets			
Non-current assets			
Property, plant and equipment	7	**13,141,006**	12,692,464
Intangible assets	8	**2,000,417**	1,688,235
Exploration and evaluation assets	9	**371,894**	431,848
Investment property		**24,888**	42,388
Investments in joint ventures and associates	10	**4,242,871**	3,701,451
Loans issued and finance lease receivables	11	**370,556**	431,276
Amounts due from credit institutions	12	**169,792**	176,360
Deferred tax assets	34	**91,229**	131,192
Other non-current financial assets	13	**336,245**	291,374
Other non-current assets	14	**768,673**	628,539
		21,517,571	20,215,127
Current assets			
Inventories	15	**654,452**	611,863
VAT receivable		**191,260**	151,750
Income tax prepaid		**81,894**	68,858
Trade accounts receivable	16	**620,388**	747,873
Loans issued and finance lease receivables	11	**150,273**	201,656
Amounts due from credit institutions	12	**593,974**	623,612
Other current financial assets	13	**74,669**	57,257
Other current assets	16	**396,166**	413,097
Cash and cash equivalents	17	**1,993,962**	2,487,553
		4,757,038	5,363,519
Assets classified as held for sale	6	**130,487**	166,279
Total assets		**26,405,096**	25,744,925

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In millions of tenge	Note	2019	2018 (restated)*
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	18.1	**5,229,112**	5,133,766
Additional paid-in capital		**17,303**	17,303
Currency translation reserve	18.9	**1,319,406**	1,349,799
Revaluation reserve of investments at fair value through other comprehensive income		**29,354**	28,806
Hedging reserve	18.10	**(46,726)**	(67,163)
Other capital reserves		**(16,984)**	(16,807)
Retained earnings		**6,171,964**	5,100,419
		12,703,429	11,546,123
Non-controlling interest	18.8	**1,634,047**	1,407,152
Total equity		**14,337,476**	12,953,275
Non-current liabilities			
Borrowings	19	**6,103,443**	6,035,456
Loans from the Government of the Republic of Kazakhstan	20	**622,322**	630,433
Lease liabilities	22	**340,029**	–
Finance lease liabilities	22	**–**	130,640
Provisions	23	**350,863**	269,123
Deferred tax liabilities	34	**1,064,128**	937,119
Employee benefit liabilities	24	**111,840**	94,243
Prepayment on oil supply agreements	21	**357,902**	1,153,761
Other non-current liabilities		**111,659**	120,575
		9,062,186	9,371,350
Current liabilities			
Borrowings	19	**737,950**	817,319
Loans from the Government of the Republic of Kazakhstan	20	**5,238**	22,973
Lease liabilities	22	**84,138**	–
Finance lease liabilities	22	**–**	25,853
Provisions	23	**119,367**	151,793
Employee benefit liabilities	24	**12,983**	7,278
Income taxes payable		**16,124**	18,699
Trade and other payables	25	**1,046,047**	995,322
Prepayment on oil supply agreements	21	**158,162**	527,402
Other current liabilities	25	**739,639**	760,604
		2,919,648	3,327,243
Liabilities associated with assets classified as held for sale	6	**85,786**	93,057
Total liabilities		**12,067,620**	12,791,650
Total equity and liabilities		**26,405,096**	25,744,925

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2018 and reflect adjustments made, refer to Note 2.*

Managing Director for Economy and Finance – Member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31

In millions of tenge	Note	2019	2018 (restated)*
Continuing operations			
Revenue	26	**10,648,913**	10,116,427
Government grants		**54,788**	31,217
		10,703,701	10,147,644
Cost of sales	27	**(7,988,684)**	(7,798,575)
Gross profit		**2,715,017**	2,349,069
General and administrative expenses	28	**(469,857)**	(488,633)
Transportation and selling expenses	29	**(779,807)**	(721,582)
Impairment loss	30	**(355,693)**	(197,406)
Gain on disposal of subsidiaries		**24,179**	26,432
Gain on business combination	5	**80,143**	347,479
Operating profit		**1,213,982**	1,315,359
Finance costs	31	**(639,363)**	(633,155)
Finance income	32	**280,949**	206,520
Other non-operating loss		**(66,843)**	(110,763)
Other non-operating income		**111,320**	44,176
Share in profit of joint ventures and associates, net	33	**914,757**	754,901
Net foreign exchange (loss)/gain, net		**(16,814)**	123,888
Profit before income tax		**1,797,988**	1,700,926
Income tax expenses	34	**(382,382)**	(403,816)
Net profit for the year from continuing operations		**1,415,606**	1,297,110
Discontinued operations			
Loss from discontinued operations, net of income tax		**–**	(3,542)
Net profit for the year		**1,415,606**	1,293,568
Net profit for the year attributable to:			
Equity holder of the Parent		**1,243,050**	1,185,508
Non-controlling interest		**172,556**	108,060
		1,415,606	1,293,568

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge	Note	2019	2018 (restated)*
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	18.9	**(34,256)**	431,034
Unrealized gain/(loss) from revaluation investments at fair value through other comprehensive income		**102**	(367)
Share of the other comprehensive income of associates and joint ventures		**128**	4,356
Gain/(loss) on transactions with hedge instruments	18.10	**23,249**	(10,279)
Reclassification to profit or loss of foreign currency translation reserve on disposal of foreign subsidiaries		**–**	(476)
Tax effect on transactions with hedge instrument	18.10	**753**	(750)
Net realized gain on investments at fair value through other comprehensive income		**23**	119
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of tax		**(10,001)**	423,637
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Share of the other comprehensive gain/(loss) of associates and joint ventures		**188**	(155)
Net gain from investments in equity Investments at fair value through other comprehensive income		**–**	14,509
Actuarial loss on defined benefit plans	24	**(7,667)**	(7,577)
Tax effect on comprehensive loss components		**–**	404
Other comprehensive (loss)/gain not to be reclassified to profit or loss in subsequent periods		**(7,479)**	7,181
Other comprehensive (loss)/income for the year, net of tax		**(17,480)**	430,818
Total comprehensive income for the year, net of tax		**1,398,126**	1,724,386
Total comprehensive income for the year, attributable to:			
Equity holder of the Parent		**1,227,532**	1,560,810
Non-controlling interest		**170,594**	163,576
		1,398,126	1,724,386

* *Certain amounts shown here do not correspond to 2018 consolidated financial statements and reflect restatement made, details of which are disclosed in Note 2.*

Managing Director for Economy and Finance – Member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31

		Attributable to the equity holder of the Parent									
In millions of tenge	**Note**	**Share capital**	**Additional paid-in capital**	**Revaluation reserve of investments at fair value through other comprehen-sive income**	**Currency translation reserve**	**Hedging reserve**	**Other capital reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
Balance as at December 31, 2017 (restated)*		5,133,476	13,189	26,177	941,704	(54,666)	(16,742)	3,959,512	10,002,650	1,821,720	11,824,370
Effect of adoption of new IFRS 9, 15		–	–	2,835	–	–	–	(51,042)	(48,207)	(4,191)	(52,398)
Balance as at January 1, 2018		5,133,476	13,189	29,012	941,704	(54,666)	(16,742)	3,908,470	9,954,443	1,817,529	11,771,972
Total comprehensive income for the period		–	–	(55)	398,780	(12,497)	26	1,174,556	1,560,810	163,576	1,724,386
Issue of shares		290	–	–	–	–	–	–	290	–	290
Other contributions of the Shareholder		–	4,114	–	–	–	–	–	4,114	–	4,114
Dividends		–	–	–	–	–	–	(12,732)	(12,732)	(25,276)	(38,008)
Other transactions with the Shareholder		–	–	–	–	–	–	(31,340)	(31,340)	–	(31,340)
Other distributions to the Shareholder		–	–	–	–	–	–	(111,267)	(111,267)	(643)	(111,910)
Discount on loans from the Government		–	–	–	–	–	–	(10,477)	(10,477)	–	(10,477)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	184,409	184,409
Change in ownership interests of subsidiaries – sale of non-controlling interest		–	–	(405)	423	–	–	36,268	36,286	124,137	160,423
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	–	–	5,938	–	–	150,212	156,150	(855,371)	(699,221)
Other equity movements		–	–	254	2,954	–	(91)	(3,271)	(154)	(1,209)	(1,363)
Balance as at December 31, 2018 (restated)*		5,133,766	17,303	28,806	1,349,799	(67,163)	(16,807)	5,100,419	11,546,123	1,407,152	12,953,275

* *Certain amounts shown here do not correspond to 2018 consolidated financial statements and reflect restatement made, details of which are disclosed in Note 2.*

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to the equity holder of the Parent									
In millions of tenge	Note	Share capital	Additional paid-in capital	Revaluation reserve of investments at fair value through other comprehen-sive income	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2018 (restated)*		5,133,766	17,303	28,806	1,349,799	(67,163)	(16,807)	5,100,419	11,546,123	1,407,152	12,953,275
Effect of adoption of new IFRS 16		–	–	–	–	–	–	(8,932)	(8,932)	(6,227)	(15,159)
Balance as at January 1, 2019		5,133,766	17,303	28,806	1,349,799	(67,163)	(16,807)	5,091,487	11,537,191	1,400,925	12,938,116
Total comprehensive income for the period		–	–	328	(30,736)	20,721	–	1,237,219	1,227,532	170,594	1,398,126
Issue of shares	18.1	95,346	–	–	–	–	–	–	95,346	2,028	97,374
Dividends	18.2	–	–	–	–	–	–	(63,750)	(63,750)	(53,212)	(116,962)
Other transactions with the Shareholder	18.3	–	–	–	–	–	–	(2,501)	(2,501)	–	(2,501)
Other distributions to the Shareholder	18.4	–	–	–	–	–	–	(71,904)	(71,904)	–	(71,904)
Transfer of assets to the Shareholder	18.5	–	–	–	–	–	167	(39,509)	(39,342)	–	(39,342)
Discount on loans from the Government	18.6	–	–	–	–	–	–	5,107	5,107	–	5,107
Acquisition of subsidiaries	5	–	–	–	–	–	–	–	–	85,804	85,804
Change in ownership interests of subsidiaries – sale of non-controlling interest	18.7	–	–	(103)	59	–	–	13,854	13,810	35,078	48,888
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	–	–	–	–	(313)	(1,800)	(2,113)	(1,012)	(3,125)
Other equity movements		–	–	323	284	(284)	(31)	3,761	4,053	(6,158)	(2,105)
Balance as at December 31, 2019		5,229,112	17,303	29,354	1,319,406	(46,726)	(16,984)	6,171,964	12,703,429	1,634,047	14,337,476

Managing Director for Economy and Finance – Member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

In millions of tenge	**Note**	**2019**	2018
Cash flows from operating activities			
Receipts from customers		**10,720,229**	11,139,592
Payments to suppliers		**(6,738,690)**	(6,820,267)
Payments to employees		**(1,033,538)**	(945,284)
Other taxes and payments		**(1,588,817)**	(1,497,177)
Operations with financial instruments (the Fund and Kazpost)		**23,776**	(149,711)
Return of VAT from the budget		**67,180**	84,096
Other payments		**(206,101)**	(114,872)
Income taxes paid		**(270,127)**	(261,221)
Interest paid		**(473,695)**	(534,690)
Interest received		**170,486**	180,128
Net cash flows received from operating activities		**670,703**	1,080,594
Cash flows from investing activities			
Acquisition of property, plant and equipment, and exploration and evaluation assets		**(975,610)**	(854,977)
Dividends received from joint ventures and associates	10	**235,983**	250,499
Acqusition of subsidiaries, net of cash acquired with the subsidiary		**(248,813)**	(161,682)
Redemption/(placement) of bank deposits, net		**10,055**	1,468,343
Loans issued		**(9,167)**	(32,809)
Proceeds from sale of subsidiaries, net of cash of disposed subsidiaries		**63,870**	10,122
Proceeds of receivables from sale of shares of BTA and Forte banks		**57,473**	5,000
Acquisition of intangible assets		**(17,024)**	(15,795)
Acquisition of joint ventures and associates		**(8,131)**	(50,510)
Repayment of loans issued		**59,686**	109,420
Purchase of debt instruments		**(123,589)**	(17,861)
Other receipts		**198,073**	124,274
Net cash flows (used)/received in investing activities		**(757,194)**	834,024

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In millions of tenge	Note	2019	2018
Cash flows from financing activities			
Proceeds from borrowings		**1,406,455**	1,870,800
Repayment of borrowings		**(1,538,093)**	(2,981,551)
Share buyback by subsidiary		**(2,979)**	(642,524)
Repayment of lease liabilities		**(103,644)**	(19,335)
Contributions to the share capital by the Equity holder of the Parent	18.1	**95,196**	–
Contributions by non-controlling interest		**120**	–
Distributions to the Shareholder		**(131,518)**	(57,051)
Dividends paid to non-controlling interest of subsidiaries		**(53,240)**	(24,632)
Sale of non-controlling interest		**49,145**	160,423
Repayment of principal for acquisition of additional interest in the indivisible shares of the North-Caspian project		**–**	(185,570)
Dividends paid to the Shareholder	18.2	**(63,750)**	(12,732)
Acquisition of non-controlling interest		**–**	(56,700)
Other payments		**(48,364)**	(793)
Net cash flows used in financing activities		**(390,672)**	(1,949,665)
Net decrease in cash and cash equivalents		**(477,163)**	(35,047)
Effects of exchange rate changes on cash and cash equivalents		**(23,375)**	244,566
Changes in cash and cash equivalents disclosed as part of assets held for sale		**7,399**	14,962
Change in allowance for expected credit losses		**(452)**	(866)
Cash and cash equivalents at the beginning of the year		**2,487,553**	2,263,938
Cash and cash equivalents at the end of the year	17	**1,993,962**	2,487,553

Managing Director for Economy and Finance –
Member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 102 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. GENERAL INFORMATION

Corporate information

"Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "Fund" or "Samruk-Kazyna") was established on November 3, 2008 in accordance with the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 and the Resolution of the Government of the Republic of Kazakhstan dated October 17, 2008. The formation was enacted by the merger of "Sustainable Development Fund "Kazyna" JSC ("Kazyna") and "Kazakhstan Holding Company for State Assets Management "Samruk" JSC ("Samruk") and the additional transfer to the Fund of interests in certain entities owned by the Government of the Republic of Kazakhstan (the "State" or the "Government"). The Government, represented by the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan, is the sole shareholder of the Fund (the "Shareholder" or the "Parent").

During this process the Government's overall objective was to increase management efficiency and to optimise organisational structures for them to successfully achieve their strategic objectives as set in the respective Government programs.

The Fund is a holding company combining state-owned enterprises listed in *Note 35* (the "Group"). Prior to February 1, 2012, the Fund's activities were governed by the Law of the Republic of Kazakhstan *On National Welfare Fund* No. 134-4 dated February 13, 2009 and were aimed to assist in provision of stable development of the state economy, modernization and diversification of economy, and improvement of the Group companies' efficiency. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 *On Sovereign Wealth Fund* No. 550-4, the Fund's activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has 8 (eight) reportable operating segments as follows *(Note 39)*:

- Oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil, gas and refined products.
- Transportation segment includes operations related to railway and air transportation of cargo and passengers.
- Communication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also renting out of lines, data transfer services and wireless communication services.
- Energy segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Energy System of Kazakhstan.
- Mining segment includes exploration, mining, processing, sales of mineral resources and geological exploration.
- Industrial segment includes industry enterprises and projects of chemical industry.
- Corporate center segment covers Fund's investing and financing activities, including provision of loans to related and third parties.
- Other segment includes operations related to assisting the Government in increasing housing availability by investing into residential development and other operations.

The address of the Fund's registered office is 17/10 E10 str., Nur-Sultan, the Republic of Kazakhstan.

These consolidated financial statements were authorised for issue by the Managing Director for Economy and Finance – Member of the Management Board and Chief accountant of the Fund on April 6, 2020 and preliminary approved by the Audit Committee of the Board of Directors of the Fund. These consolidated financial statements should be further approved by the Board of Directors and the Sole Shareholder.

Privatization plan

On April 30, 2014 the Government approved the initial Privatization Plan for 2014-2016. On December 30, 2015 the Government approved the new 2016-2020 Complex Privatization Plan (replacing previous 2014-2016 Privatization Plan) ("Privatization Plan") and the list of all state owned assets to be privatized, including certain Fund subsidiaries.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements.

These consolidated financial statements are presented in Kazakhstan tenge ("tenge") and all monetary amounts are rounded to the nearest million tenge except where otherwise indicated.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board ("IASB").

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in *Note 4.*

Restatement affecting comparative information

National Atomic Company "Kazatomprom" JSC ("NAC KAP")

Acquisition of Baiken-U LLP

In December 2018 the Group obtained control over Baiken-U LLP. As at December 31, 2018, the Group applied provisional amounts for the acquired assets and liabilities as the assessment of fair value for the business combination was not complete at the end of the reporting period. As at December 31, 2019 an independent professional appraiser finalised fair value assessment of acquired assets and liabilities and, as a result, comparative information as at December 31, 2018, was restated.

Investments in Sekerbank TAS

During the year ended December 31, 2019 the Group reclassified investments in Sekerbank TAS from assets classified as held for sale to the investments in associates. In accordance with IFRS 5, the relevant amendments were made retrospectively.

Samruk-Energy JSC ("Samruk-Energy")

Reclassification of Tegis Munay LLP

In accordance with the Privatization plan Tegis Munay LLP, subsidiary of the Group, including its subsidiary Mangyshlak Munay ("Tegis Munay"), was classified as asset held for sale in the consolidated financial statements of the Group for the year ended December 31, 2018.

On October 14, 2019 the State Commission on the Issues of Modernization of the Economy of the Republic of Kazakhstan approved the proposal of the Group on the re-inclusion of Tegis Munay companies in the single list of assets of the Group.

In accordance with IFRS 5, if non-current assets and disposal groups previously classified as held for sale no longer meet the necessary classification criteria, the Group ceases to account for them as held for sale.

Consequently, the assets and liabilities of Tegis Munay were reclassified from assets held for sale. The relevant amendments were made retrospectively.

Kazakhtelecom JSC ("KTC")

Acquisition of Kcell JSC

On December 21, 2018 the Group acquired 75% of voting shares in Kcell JSC. As at December 31, 2018 the Group applied provisional amounts for the acquired assets and liabilities as the assessment of fair value for the business combination was not complete at the end of the reporting period. As at December 31, 2019 an independent professional appraiser finalised fair value assessment of acquired assets and liabilities and, as a result, comparative information as at December 31, 2018, was restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

Effect of restatement on the statement of financial position as at December 31, 2018:

In millions of tenge	December 31, 2018 (audited)	NAC KAP	Investments in Sekerbank TAS	Tegis Munay	Kcell JSC	December 31, 2018 (audited) (restated)
Assets						
Property, plant and equipment	12,669,551	7,811	–	15,481	(379)	12,692,464
Intangible assets	1,611,163	73,851	–	–	3,221	1,688,235
Investments in joint ventures and associates	3,664,897	18,568	17,986	–	–	3,701,451
Other non-current assets	627,917	–		622	–	628,539
Inventories	611,094	765	–	4	–	611,863
Income tax prepaid	68,857	–	–	1	–	68,858
Other current assets	417,362	–	–	3	(4,268)	413,097
Cash and cash equivalents	2,487,533	–	–	20	–	2,487,553
Assets classified as held for sale	200,396	–	(17,986)	(16,131)	–	166,279
Total assets	**25,645,356**	**100,995**	**–**	**–**	**(1,426)**	**25,744,925**
Equity						
Currency translation reserve	1,333,529	–	16,270	–	–	1,349,799
Retained earnings	5,078,098	38,591	(16,270)	–	–	5,100,419
Equity attributable to equity holder of the Parent	11,507,532	38,591	–	–	–	11,546,123
Non-controlling interest	1,364,353	42,859	–	–	(60)	1,407,152
Total equity	**12,871,885**	**81,450**	**–**	**–**	**(60)**	**12,953,275**
Liabilities						
Deferred tax liabilities	915,415	19,545	–	–	2,159	937,119
Other non-current liabilities	118,675	–	–	1,900	–	120,575
Employee benefit liabilities	7,267	–	–	11	–	7,278
Other current liabilities	764,021	–	–	108	(3,525)	760,604
Liabilities associated with assets classified as held for sale	95,076	–	–	(2,019)	–	93,057
Total liabilities	**12,773,471**	**19,545**	**–**	**–**	**(1,366)**	**12,791,650**
Total equity and liabilities	**25,645,356**	**100,995**	**–**	**–**	**(1,426)**	**25,744,925**

Effect of restatement on the statement of total comprehensive income for the year ended December 31, 2018:

In millions of tenge	2018 (audited)	NAC KAP	Investments in Sekerbank TAS	2018 (audited) (restated)
Impairment loss, net	(208,426)	–	11,020	(197,406)
Gain on business combination	313,517	33,962	–	347,479
Operating profit	**1,270,377**	**33,962**	**11,020**	**1,315,359**
Share in profit of joint ventures and associates, net	749,531	10,460	(5,090)	754,901
Profit before income tax	**1,650,574**	**44,422**	**5,930**	**1,700,926**
Net profit for the period	**1,243,216**	**44,422**	**5,930**	**1,293,568**
Net profit for the period attributable to:				
Equity holder of the Parent	1,140,896	38,682	5,930	1,185,508
Non-controlling interest	102,320	5,740	–	108,060

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

In millions of tenge	2018 (audited)	NAC KAP	Investments in Sekerbank TAS	2018 (audited) (restated)
Other comprehensive income, net of tax				
Exchange differences on translation of foreign operations	437,322	–	(6,288)	431,034
Unrealized loss from revaluation investments at fair value through other comprehensive income	(260)	(107)	–	(367)
Share of the OCI items of associates and joint ventures	3,998	–	358	4,356
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax	**429,674**	**(107)**	**(5,930)**	**423,637**
Other comprehensive income/(loss) for the period, net of tax	**436,855**	**(107)**	**(5,930)**	**430,818**
Total comprehensive income for the period, net of tax	**1,680,071**	**44,315**	**–**	**1,724,386**
Total comprehensive income for the period, net of tax, attributable to:				
Equity holder of the Parent	1,522,219	38,591	–	1,560,810
Non-controlling interest	157,852	5,724	–	163,576

Foreign currency translation

Functional and presentation currency

Items included in these consolidated financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in tenge, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group entities

Gains, losses and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The following table presents currency exchange rates to tenge:

	December 31, 2019	December 31, 2018	**Weighted average for 2019**	Weighted average for 2018	**April 6, 2020**
United States dollar ("USD")	**382.59**	384.20	**382.87**	345.04	**439.01**
Euro ("EUR")	**429**	439.37	**428.61**	406.88	**474.61**
Russian ruble ("RUR")	**6.16**	5.52	**5.92**	5.50	**5.75**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards and interpretations effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2019, but they do not have an impact on the consolidated financial statements of the Group:

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*;
- Amendments to IFRS 9: *Prepayment Features with Negative Compensation*;
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*;
- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*;
- Annual improvements:
  - IFRS 3 *Business Combinations*;
  - IFRS 11 *Joint Arrangements*;
  - IAS 12 *Income Taxes*;
  - IAS 23 *Borrowing Costs*.

All of these amendments had no impact on the consolidated financial statements of the Group.

The Group applies, for the first time, IFRS 16 *Lease* in 2019. The nature and effect of these changes are disclosed below.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-statement of financial position model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 on consolidated statement of financial position is as follows:

In millions of tenge	**As at January 1, 2019**
Assets	
Property, plant and equipment	222,374
Deferred tax assets	2,345
Other non-current assets	(2,647)
VAT receivable	144
Other current assets	(184)
Assets classified as held for sale	208
Total assets	**222,240**
Equity	
Retained earnings	(8,932)
Non-controlling interest	(6,227)
	(15,159)
Liabilities	
Lease liabilities	237,122
Deferred tax liabilities	(156)
Trade and other payables	(123)
Provisions	348
Liabilities associated with assets classified as held for sale	208
Total liabilities	**237,399**
Total equity and liabilities	**222,240**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings and premises, plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under advances received, trade accounts payable and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

a) Nature of the effect of adoption of IFRS 16 (continued)

- Leases previously classified as finance leases

The Group did not change the carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from January 1, 2019.

- Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related advances received and accrued lease payments previously recognised.

Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

In millions of tenge	
Operating lease commitments as at December 31, 2018	**280,683**
Effect of discounting using incremental borrowing rate as at January 1, 2019	(58,528)
Discounted operating lease commitments as at January 1, 2019	**222,155**
Less commitments relating to short-term leases and low-value assets	(9,414)
Add commitments relating to leases previously classified as finance leases	156,493
Payments in periods provided by an extension option and not recognized as at December 31, 2018	24,381
Lease liabilities as at January 1, 2019	**393,615**

The weighted average incremental borrowing rate applied be the Group to the leased liabilities on January 1, 2019 was 5-14.3%.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

- Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

b) Summary of new accounting policies (continued)

- Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group or payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

- Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to extend. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

c) Impact of IFRS 16 adoption on consolidated statement of cash flows

While in accordance with IAS 17, operating lease payments were presented as part of cash flows from operating activities, in accordance with IFRS 16, lease payments were split into interest payments and principal repayment. In accordance with the requirements of IFRS 16, the Group classified repayment of principal in cash flows from financial activities. In accordance with the Group's accounting policy, interest paid is classified as part of the cash flows from operating activities. Payments on short-term leases, leases of low value assets and variable rental payments not included in the valuation of the lease liability are presented as part of operating activities.

Standards that have been issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards that have been issued but not yet effective (continued)

These amendments and interpretations did not have an impact on the consolidated financial statements of the Group:

- IFRS 17 *Insurance Contracts*;
- Amendments to IFRS 3: *Definition of a Business*;
- Amendments to IAS 1 and IAS 8: *Definition of Material*;
- IFRS 7 *Financial Instruments: Disclosures and IFRS 9 Financial Instruments – Interest Rates*;
- IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.*

The Group does not plan for early adoption in respect of above-mentioned new standards and amendments to existing standards to which this option is available.

Basis of consolidation

These consolidated financial statements comprise the financial statements of the Fund and its controlled subsidiaries *(Note 35)*.

Subsidiaries

Subsidiaries are the entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income and consolidated statement of financial position from the date the Group gains control until the date the Group ceases to control the subsidiary.

Except for acquisition in transactions between entities under common control, subsidiaries are consolidated from the date when control is obtained by the Group and are de-consolidated from the date when control ceases. At the acquisition of the subsidiary, acquisition cost is distributed between assets and liabilities based on their fair value as at the date of acquisition. Financial statements of the subsidiaries are prepared for the same reporting period as those of the Fund, using consistent accounting policies.

All intra-group balances and transactions, including unrealized gains resulting from intra-group transactions are eliminated in full. Unrealized losses are eliminated in the same manner as unrealized gains, except that they are eliminated to the extent that there is no evidence of impairment.

Non-controlling interest represents a portion of equity in subsidiaries, which is not owned by the Group, and is recorded separately in equity in the consolidated statement of financial position separately from the equity attributable to the Parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in its deficit balance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes an analysis of the need of separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, equity interest previously held by the Group in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value through profit and loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, the goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date of an entity by the Group, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operations disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured on the basis of the relative values of the operation disposed off and the portion of the cash-generating unit retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Business combinations achieved in stages

The acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

In a business combination achieved in stages the acquirer recognises goodwill as of the acquisition date measured as the excess of (a) over (b) below:

(a) The aggregate of:

  (i) The consideration transferred measured in accordance with this IFRS 3 *Business Combinations*, which generally requires acquisition-date fair value;

  (ii) The amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3; and

  (iii) The acquisition-date fair value of the acquirer's previously held equity interest in the acquire;

(b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Acquisition of subsidiaries from parties under common control

Acquisition of subsidiaries from parties under common control (entities under the Government's control) is accounted for using the pooling of interest method.

Assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the "Predecessor") at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

These consolidated financial statements are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Change in ownership interests in subsidiaries

In transactions where part of the interest in existing subsidiary is either sold or acquired, but control is retained, the differences between the carrying amounts of net assets attributable to interests in subsidiaries acquired or disposed and the consideration given or received for such increases or decreases are charged or credited to retained earnings.

Investment in joint ventures and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but which does not comprise control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. Also, the Group has interests in associates, in which it exercises significant influence over the economic activities of the entities. The Group's investment in its joint ventures and associates are accounted for using the equity method.

Under the equity method, investment in joint venture / associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture / associate. Goodwill relating to a joint venture / associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Investment in joint ventures and associates (continued)

The consolidated statement of comprehensive income reflects the share of the results of operations of the joint venture / associate. Where there has been a change in net assets recognized directly in the equity of the joint venture / associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture / associate are eliminated to the extent of the Group's interest in the joint venture / associate.

The share in profit of joint ventures / associates is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the joint venture / associate and therefore is profit after tax and non-controlling interest in the subsidiaries of the joint ventures / associates.

Financial statements of the joint venture / associate are prepared for the same reporting period as those of the Parent. Where necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures / associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture / associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of investment in the joint venture / associate and its carrying amount and recognises impairment loss in the consolidated statement of comprehensive income.

Upon loss of joint control over the joint venture and significant influence over associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the investment in the joint venture / associate upon loss of joint control / significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 (twelve) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets classified as held for sale and discontinued operations

Assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through the continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 (one) year from the date of classification.

In the consolidated statement of comprehensive income for the reporting period, and for the prior year comparable period, incomes and expenses from discontinued operations are reported separately from normal income and expenses, even when the Group retains a non-controlling interest in the subsidiary after sale. The resulting profit or loss (net of tax) is reported separately in the consolidated statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated.

Oil and natural gas exploration, evaluation and development expenditure

Costs incurred before obtaining subsoil use rights (licenses)

Costs incurred before obtaining full subsoil use rights (licenses) are expensed in the period in which they are incurred, except when costs are incurred after signing preliminary agreements with the Government of the Republic of Kazakhstan, in such cases costs incurred after this date are capitalized.

Expenditures for acquisition of subsurface use rights

Expenditures for acquisition of subsurface use rights (exploration and production) comprise signature bonuses, historical costs, obligatory expenditures for ecological and social programs and are capitalized within intangible assets as subsurface use rights at exploration and evaluation phase.

Expenditures for acquisition of subsurface use rights are accounted for on a field-by-field basis. Each field is tested for impairment on an annual basis. If no future activity is planned, the remaining balance of the acquisition costs is written off. Starting from the commercial production on fields subsurface use rights (remaining costs) shall be transferred to the property, plant and equipment and shall be amortized using unit-of-production method on actual production based on total proved reserves.

Exploration and evaluation expenditures (construction in progress)

Exploration and evaluation expenditures include geological and geophysical costs; costs directly related to exploration drilling; stripping activities; overhead and other expenses on exploration and evaluation, which could be related to a certain field. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. Except for geological and geophysical costs, exploration and evaluation expenditures are capitalized within exploration and evaluation assets, accounted for by subsurface use contracts and are not amortized. If mineral or hydrocarbon resources are not found, this could be an indication of impairment. All capitalized costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. If mineral or hydrocarbon resources are determined and development is sanctioned, relevant costs are then transferred to oil and gas or mining assets subclasses.

Development and production expenditures (oil and gas and mining assets)

Development and production expenditures comprise previously capitalized (and reclassified in commencement of production) expenditures for acquisition of subsurface use rights and exploration and evaluation costs; drilling of producing wells regardless of the drilling results; construction of landfills; development of surface technological facilities required for production, collection and preparation of hydrocarbons and mineral resources at fields; other costs incurred in the process of organization of commercial production at fields; capitalized discounted costs for wells and mines abandonment and site restoration. Development and production expenditures are capitalized within property, plant and equipment (oil and gas and mining assets), and are accounted for on a field-by-field basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and natural gas exploration, evaluation and development expenditure (continued)

Depreciation of oil and gas and mining assets (within property, plant and equipment and intangible assets)

Oil and gas and mining assets are depreciated using a unit-of-production method based on actual production from commencement of commercial production at fields. Certain oil and gas and mining assets (surface facilities and equipment) with useful lives significantly differing from those of the fields are depreciated on a straight-line basis over their useful lives. The cost of acquisition of subsurface use rights including discounted decommissioning costs are depreciated over total proved reserves. The other field development costs are amortized over proved developed reserves.

Property, plant and equipment (other than oil and gas and mining assets)

On initial recognition, property, plant and equipment is measured at cost. Subsequently, property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Property, plant and equipment, other than oil and gas and mining assets, principally comprise the following classes of assets, which are depreciated on a straight-line basis over the expected useful lives:

UPS Power transmission lines	50 years
Refinery assets	4-100 years
Pipelines	2-30 years
Buildings and premises	2-100 years
Railway tracks and infrastructure	10-80 years
Machinery, equipment and vehicles	2-50 years
Other	2-20 years

In cases when items of property, plant and equipment are subject to major inspection, the cost is recognized in the carrying amount of property, plant and equipment as a replacement of component if the recognition criteria set out in IAS 16 are satisfied.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the reporting period the asset is derecognised.

Residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with the finite useful life principally comprise the following classes of assets which are amortised on a straight-line basis over the expected useful lives:

Licenses	3-20 years
Software	1-14 years
Other	2-15 years

Indefinite lives intangible assets are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount.

Investment properties

Investment property is initially measured at cost, including transaction costs.

Since the Group adopted cost model, after initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 *Property, Plant and Equipment*, that is, at cost less accumulated depreciation and less accumulated impairment losses.

The depreciation is calculated based on straight line method basis over the expected remaining useful average life of 2-100 years.

Investment property is derecognised (eliminated from the consolidated statement of financial position) on its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected in the future. The difference between the net inflows arisen from the disposal and carrying amount of the asset is recognised in the consolidated statement of comprehensive income for the period in which it was derecognized.

Impairment of non-financial assets

The Group assesses non-financial assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of its recoverable amount.

An asset's or cash generating unit's (CGU's) recoverable amount is higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and an allowance is made to reduce the asset to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset or CGU and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment provision may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment allowance was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profits and losses.

After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following process is applied in assessing impairment of goodwill:

- Goodwill is tested for impairment annually as at December 31, and when circumstances indicate that its carrying amount may be impaired;
- Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to oil and gas development tangible or intangible assets or whenever facts and circumstances indicate impairment. One or more of the following facts and circumstances indicate that the Group should test exploration and evaluation assets for impairment (the list is not exhaustive):

- The period for which the Group entity has the right to explore and appraise in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on the further exploration for and evaluation of hydrocarbon resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of hydrocarbon resources in the specific area have not led to the discovery of commercial viable quantities of hydrocarbon resources and the Group entity has decided to discontinue such activities in the specific area;
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (debt instruments) (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables, loans due from third and related parties and bank deposits.

Financial assets at fair value through other comprehensive income

The Group measures financial assets at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest consists of consideration for the time value of money, and for the credit risk associated with the principal amount outstanding during a particular period of time.

The Group's financial assets at FVOCI include mainly debt securities of third and related parties.

Financial assets at fair value through profit or loss

Financial assets at FVPL include certain loans due from related parties, which contain embedded derivative financial instruments, and coupon bonds included in other financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

The Group's financial assets at FVPL include mainly note receivable, loans issued, debt and equity securities of third and related parties.

Derecognition

A financial asset is primarily derecognised (removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Hedge accounting

The Group designates certain hedging instruments in respect of foreign currency risk, as either hedges of net investments in foreign operations or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values of foreign operations or cash flows of the hedged item attributable to the hedged risk.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued:

a) When the Group revokes the hedging relationship;

b) When the hedging instrument expires or is sold, terminated, or exercised; or

c) When it no longer qualifies for hedge accounting.

Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Investments in foreign operations hedge

Foreign currency gain or loss arising on items that are designated as part of the hedge of the Group's net investment in foreign operations are recognized in consolidated statement of comprehensive income within currency translation reserve.

Cash flow hedges

Foreign currency gain or loss arising from financial instruments that are designated and qualify as cash flow hedges is recognized in consolidated statement of comprehensive income within hedge reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at cost or net realisable value, whichever is lower. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to sell. The same cost formula is used for all inventories having a similar nature and use. Inventories of oil and gas and energy operating segments are valued on a first-in first-out ("FIFO") basis. All other inventories are valued on the weighted-average cost basis.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits, short-term and highly liquid investments with original maturity of not more than 3 (three) months readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans borrowings and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at FVPL.

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR).

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 (twelve) months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the financial guarantee contracts after initial recognition at the higher of the amount initially recognized less, when appropriate, the cumulative amount of income/amortization in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers* and the amount of the estimated allowance for expected credit losses.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in *Note 37*.

Leases (accounting under IAS 17 *Leases* for comparative reporting period)

Determining whether the agreement is a lease or whether it contains evidence of a lease is based on an analysis of the content of the agreement at the date of the commencement of the lease. The agreement is a lease or contains signs of a lease if the implementation of the agreement depends on the use of a particular asset (or assets), and the right to use the asset or assets as a result of this agreement is transferred from one party to the other, even if this asset (or these assets) is not indicated (not specified) in the agreement explicitly.

The Group as lessee

Leases are classified at the commencement date of the rental relationship as financial or operating leases. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financing costs are recognized directly in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (accounting under IAS 17 *Leases* for comparative reporting period) (continued)

The Group as lessee (continued)

The leased asset is depreciated over the useful life of the asset. However, if there is no reasonable assurance that the Group will transfer ownership of the asset at the end of the lease term, the asset is depreciated over the shorter of the following periods: the estimated useful life of the asset and the lease term.

An operating lease is defined as a lease other than a financial lease. Operating lease payments are recognized as operating expenses in the statement of comprehensive income on a straight-line basis over the term of the lease.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Provisions

Asset retirement obligation (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding addition to the carrying amount of the related item of property, plant and equipment in the amount equivalent to the provision is also recognized. This amount is subsequently depreciated as part of the capital costs of the production and transportation facilities in accordance with respective depreciation method.

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

a) Changes in the provision are added to, or deducted from, the carrying amount of the related asset in the current period;

b) The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of comprehensive income; and

c) If the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Other provisions

Provisions are recognized in the consolidated financial statements when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Contributions to pension funds

The Group withholds 10% from the salary of its employees limited to certain annual amounts as the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits payable by that pension funds and the Group has no present or future obligation to further compensate its employees upon their retirement in relation to these arrangements.

Social tax

The Group pays social tax on salaries payable to employees according to the current statutory requirements of the Republic of Kazakhstan. Social tax is expensed as incurred.

Defined benefit plan

In accordance with the Collective Agreements signed with trade unions and other benefit regulations, some subsidiaries of the Group provide certain benefits to its employees upon their retirement ("Defined Benefit Plan").

The Group recognises actuarial gains and losses arising from the reassessment of the employee benefit liability in the period they are identified in OCI and profits and losses, and recognises benefit costs and obligations based on estimates determined in accordance with IAS 19 *Employee Benefits*.

The obligation and cost of benefits under the defined benefit plan are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing benefits is charged to profit and loss, so as to attribute the total benefit cost over the service lives of employees in accordance with the benefit formula of the defined benefit plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit plan obligation.

The defined benefit plans of Group's subsidiaries are unfunded.

Equity

Share capital

Common shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess or deficiency of the fair value of consideration received over the par value of shares issued is recognized as an increase or decrease in the retained earnings.

Non-controlling interests

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Parent. Losses of subsidiaries are attributed to the non-controlling interest even if this results in a deficit balance.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed in the consolidated financial statements when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Other distributions to the Shareholder

Other distributions to the Shareholder recognized as deductions from retained earnings are represented by expenses incurred or asset distribution made at the discretion of the Shareholder, including property, plant and equipment, interest in another entities, other disposal groups, cash and other assets in accordance with accounting policy of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured.

Sale of goods

Revenues are recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset, which usually occurs when the title is passed, provided that the contract price is fixed or determinable and collectability of the receivable is reasonably assured. For export sales, title generally passes at the border of the Republic of Kazakhstan. Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts, volume rebates and reimbursable taxes.

Sales of support services are recognized as services are performed provided that the service price can be determined and no significant uncertainties regarding the receipt of revenues exist.

Rendering of services

Revenue from rendering of services is recognized when the services have been performed.

In respect of services related to transportation, revenue is recognized with reference to the stage of completion of the transportation at the reporting date provided that the stage of completion of transportation and the amount of revenue can be measured reliably. Prepayments received from customers relating to transportation services that have not been started yet are recognized upon receipt as "advances received from customers". Deferred income is credited to current revenue, as the service is provided.

Sale and lease back transactions

The Group accounts for a transfer of an asset in a sale and leaseback transaction as a sale only if the transfer meets the requirements of IFRS 15 *Revenue* from contracts with customers.

If, under IFRS 15, a sale is to be recognised by the seller-lessee, then the right-of-use asset leased back is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. The seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the seller-lessee continues to recognize the transferred asset and recognizes a financial liability equal to proceeds for the transfer by applying IFRS 9 *Financial Instruments*.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as investments held at FVOCI, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Trade receivables

Accounts receivable represent the Group's right to the consideration amount, which is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities from contracts with customers

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Costs to obtain a contract

The Group pays commission to sales agents for new connected subscribers in the business-to-customer (B2C) segment. The commission to sales agents is capitalized as costs to obtain a contract in the consolidated statements of financial position. Costs to obtain a contract are amortized over the period the service is provided to the customer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Establishment of tariffs

A number of subsidiaries of the Group are subject to regulation by the Committee for regulation of natural monopolies of the Republic of Kazakhstan ("CRNM"). This Committee is responsible for approval of the methodology for tariff calculation and tariff rates, under which the subsidiaries derive a significant portion of their revenues.

Government grants

Due to the fact that the Government of the Republic of Kazakhstan is the sole shareholder of the Fund, the Group analyses all transactions with the Government to assess its role: where the Government acts primarily in its capacity of the Shareholder or where it acts as a regulator. If it is determined that in a specific transaction the Government acts in capacity of the Shareholder any gains or losses incurred by the Group as a result of such transaction are reflected directly in equity as either a contribution or withdrawal of equity by the Shareholder.

If it is determined that in a specific transaction the Government does not act in capacity of the Shareholder such transactions are accounted for using provisions of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. In such circumstances, government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments. Grants related to income are presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated statement of comprehensive income in the period to which they relate on the accrual basis.

Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the profits and losses, except to the extent that it relates to items charged or credited to other comprehensive income or equity, in which case it is recognized in other comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Excess profit tax ("EPT") is treated as an income tax and forms part of income tax expense. In accordance with the subsurface use contracts, the Group accrues and pays EPT, at specified rates of after tax profit which has been adjusted for specific deductions in accordance with the applicable subsurface use contracts, when certain internal rates of return are exceeded.

Deferred tax is calculated with respect to both corporate income tax ("CIT") and EPT. Deferred EPT is calculated on temporary differences for assets allocated to subsurface use contracts at the expected rate of EPT to be paid under the contract.

Deferred tax is provided using the statement of financial position method, in relation to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences arising due to the following are not provided for:

- The initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Value added tax ("VAT")

Tax authorities permit the settlement of sales and purchases VAT on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

Related parties

Related parties include the Group's Shareholder, key management personnel, associates, joint ventures and entities in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's shareholders or key management personnel.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements *(Note 38)* unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes.

Subsequent events

Post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the reporting date and reported amounts of assets, liabilities, revenues, expenses and contingent assets and liabilities during the reporting period. Actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Oil and gas reserves

Oil and gas reserves are a material factor in the computation of depreciation, depletion and amortization expenses in oil segment. The Group estimates its oil and gas reserves in accordance with the methodology of the Society of Petroleum Engineers ("SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Oil and gas reserves (continued)

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for Depreciation Depletion & Amortization ("DD&A") in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

Mining reserves

Mining reserves are a critical component of the projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortisation expense in mining segment. Group entities usually estimate reserves based on results of detailed mine exploration, which is evaluated and approved by State Reserves Commission (SRC) of Kazakhstan Geology Committee. Normally upon stripping during production actual reserves of each area are greater or lesser than geological reserves approved by SRC.

Reserves JORC

In 2019 and 2018 the Group engaged SRK Consulting (UK) Limited (hereinafter SRK) to assess the Group's reserves and resources in accordance with the Australasian Code for reporting on geological exploration works, mineral resources and ore reserves (2012) (hereinafter JORC Code). Reserves and resources valuation was carried out as of December 31, 2019 and December 31, 2018, respectively. SRK has reviewed all of the key information upon which the most recent reported mineral resource and ore reserve statements for the mining assets of NAC KAP are based.

Recoverability of long-term assets

The Group assesses assets or cash generating unit ("CGU") for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered to be impaired and is written down to its recoverable amount.

In assessing recoverable amount the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

Under IAS 36, one of the possible impairment indicators is the presence of significant changes that had negative consequences for the Group that occurred during the year or are expected in the near future in the technological, market, economic or legal environment in which the Group operates or in the market for which the asset is used.

Goodwill

Pavlodar oil chemistry refinery LLP ("PNHZ")

As of December 31, 2019 and 2018 the Group has material goodwill related to acquisitions of PNHZ of 88,553 million tenge.

The Group performed annual impairment test of the goodwill related to acquisition of PNHZ in December 2019 and 2018. The Group considers the forecast for oil tolling volumes, oil tolling tariffs, capital expenditures, among other factors, when reviewing for indicators of impairment.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Goodwill (continued)

Pavlodar oil chemistry refinery LLP ("PNHZ") (continued)

PNHZ calculates recoverable amount using a discounted cash flow model. The discount rate of 9.7% for 2019 (2018: 9.7%) was calculated on the weighted average cost of capital before taxes. The weighted average cost of capital takes into account both borrowed funds and own equity. The cost of equity is derived from the expected return on investment. The cost of debt capital is based on interest-bearing loans. The inherent risk was included by applying an individual beta factor. The beta factor was estimated based on the publicly available market data. Forecasted cash flows till 2028 were based on five-years business plan of PNHZ 2020-2024, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2024 was forecasted by applying expected inflation rate of 5.49% for 2019 (2018: 3.53%), excluding capital costs, which are based on the best estimate of management as of valuation date.

As at December 31, 2019 and 2018 the recoverable amount of goodwill, which was determined based on value in use, exceeded its book value, as such no impairment of PNHZ goodwill was recognised.

Results of the assessment of recoverable amount of goodwill from acquisition of PNHZ are sensitive to changes in key assumptions, in particular, assumptions related to changes in discount rate and target EBITDA in terminal period. Increase in discount rates by 1.0% from 9.7% to 10.7% and decrease of target EBITDA in terminal period by 1% from 35% to 36% would not result in decrease of the recoverable amount of PNHZ.

DP Ortalyk LLP, JV Akbastau JSC and Karatau LLP

As of December 31, 2019 the Group has material goodwill related to three generating units: 5,166 million tenge related to subsurface use operations of DP Ortalyk LLP at the Central Mynkuduk mine, 24,808 million tenge related to Karatau LLP and 18,520 million tenge related to Akbastau JSC, which independently perform subsurface use operations at the Budenovskoye mine.

The recoverable amount was determined on a value in use basis from forecast cash flows over the term of subsurface use contracts. Forecast cash flows are based on the approved volume of proven reserves, estimated volumes of production and sales over a life of mine plan approved by management, using a discount rate of 11.97% for 2019 (2018: 12.33%). Production volumes are consistent with those agreed with the competent authority and SRK report and are based on the production capacity of the cash-generating units.

Key assumptions used in calculations include forecast prices, period direct costs and capital expenditures. Sales prices used in developing forecast cash flows were determined using an independent official source Ux Consulting LLC published in the fourth quarter of 2019. Direct costs are based on approved budgets for 2020-2024 and growth of 3-4% which approximates long-term average growth rates. The estimated values in use significantly exceed the carrying amounts of the cash-generating units and therefore even reasonably possible changes in key assumptions would not lead to impairment losses being recognised.

Khan Tengri Holding B.V., Kcell JSC and IP TV

As of December 31, 2019 the Group has material goodwill related to three generating units: 100,398 million tenge related to Khan Tengri Holding B.V., 55,580 million tenge related to Kcell JSC (2018: 55,580 million tenge) and 2,706 million tenge related to IP TV (2018: 2,706 million tenge).

The Group performed its annual impairment test in December 2019 and 2018.

The recoverable amount of the Khan Tengri Holding B.V. and Kcell JSC CGUs has been determined based on the calculation of fair value less costs of disposal as it was deemed to produce a more reliable result. The pre-tax discount rate applied to projected cash flows of Khan Tengri Holding B.V. was 16.96% (2018: 12%), and cash flows beyond the five-year period were extrapolated taking into account a growth rate of 1.5% (2018: 1.5%). The pre-tax discount rate applied to projected cash flows of Kcell JSC was 16.71%, and cash flows beyond the five-year period were extrapolated taking into account a growth rate of 1.5%.

The recoverable amount of IP TV CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 15.14% (2018: 13.10%), and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate (2018: 0%).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Goodwill (continued)

Khan Tengri Holding B.V., Kcell JSC and IP TV (continued)

Key assumptions used in calculations include the customer base over the forecast period and average revenue per customer with direct impact on revenue growth rates, the level of capital investments included in the financial plan, EBITDA margin included in the financial plan, growth rate for cash flow extrapolation beyond the forecast period and discount rate.

As a result of this analysis, the Group has not identified an impairment of goodwill related to these CGUs as at December 31, 2019.

Sensitivity to changes in assumptions – Khan Tengri Holding B.V.:

Although the management expects that the market share owned by the Group would not grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 9.54%, would result in a loss from impairment in Khan Tengri Holding B.V. CGU for 4,531 million tenge.

Increase in capital investments by more than 72.39% would result in loss from impairment in Khan Tengri Holding B.V. CGU for 4,514 million tenge.

Decrease in EBITDA margin by more than 12.23% would result in loss from impairment in Khan Tengri Holding B.V. CGU for 4,467 million tenge.

Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. A reduction to more than 21.39% per annum in the long-term growth rate in Khan Tengri Holding B.V CGU would result in impairment loss for 4,503 million tenge.

An increase in pre-tax discount rate to 28.59% would result in impairment loss in Khan Tengri Holding B.V. CGU for 4,538 million tenge.

Sensitivity to changes in assumptions – Kcell JSC and IP TV:

The estimated values in use exceed the carrying amounts of the cash-generating units and therefore even reasonably possible changes in key assumptions would not lead to material impairment losses being recognised.

Recoverability of oil and gas assets, downstream, refining and other assets

As at December 31, 2019 and 2018 the Group performed its annual impairment tests of downstream, refining and other assets due to existence of impairment indicators. The Group considered forecasted refinery margins and production volumes, among other factors, when reviewing for indicators of impairment. As a result of the impairment analysis of the recoverable amount of downstream, refining and other assets an impairment charges were recognized in the consolidated financial statements for the year ended December 31, 2019 and 2018 *(Note 30)*.

Energy generating assets

Based on the analysis as at the end of 2019, management identified impairment indicators of property, plant and equipment of its subsidiaries: Ekibastuz GRES-1 named after Bulat Nurzhanov LLP ("EGRES-1") and Stantsiya Ekibastuzskaya GRES-2 JSC ("EGRES-2").

The Group engaged independent experts to conduct the impairment test of EGRES-1 and EGRES-2, in accordance with IAS 36 *Impairment of Assets*.

The recoverable amount of property, plant and equipment and intangible assets was determined using the estimate of expected future cash inflows and outflows from use of the assets, discount rate and other factors.

The Group's management considers all property, plant and equipment and intangible assets of each subsidiary as a single cash generating unit since it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows of other assets and it is the lowest level at which the Group monitors recovery of the assets' cost. Management estimated the recoverable amount of property, plant and equipment based on value in use determined as estimated discounted future cash flows that the Group expects to obtain from their use.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

Impairment test of property, plant and equipment and intangible assets of EGRES-1

In 2018-2019, the Ministry of Energy of the Republic of Kazakhstan issued several orders aimed at amending the approved cap tariffs for electricity and maintenance of electric power, as well as rules for approving cap tariffs for electricity, cap tariffs for balancing electricity and cap tariffs for the service on maintaining of electric power. In this regard, the Group revised its assumptions and tested its property, plant and equipment, and intangible assets for impairment taking into account the amendments introduced.

The impairment test was conducted using the relevant evaluation techniques, based on the following key assumptions for calculating the discounted cash flows for 2020-2025:

- Forecasted tariffs;
- Forecasted volumes;
- Forecast of capital and induced expenditures;
- Forecast of macroeconomic indicators;
- Discount rate (weighted average cost of capital (WACC) method.

The forecast period for economic impairment test is six years since the Group plans to complete works on restoration of Power Unit 1 at the end of 2023. Power Unit 1 will reach the scheduled level in 2024-2025. The Group believes that the performance of Power Unit 1 is essential for the calculation of discounted cash flows. As of December 31, 2019 the restoration of Power Unit 1 was partially completed.

In accordance with the Law of the Republic of Kazakhstan *On Electric Power Industry*, energy producers may independently establish a selling price for electric power not exceeding the cap tariff for electricity of the relevant group of power producers which sell electric power, and tariffs are adjusted where necessary. The cap tariff is approved by the Ministry of Energy of the Republic of Kazakhstan for a particular group of energy-producing entities, which is determined based on the type of power plants, established capacity, type of fuel, and distance from fuel location.

According to Order of the Minister of Energy of the Republic of Kazakhstan No. 475 *On Approval of the Group of Energy Producing Entities Selling Electric Power* dated December 5, 2018, the Company is attributed to the group 1 of energy producing entities. Based on Order of the Minister of Energy of the Republic of Kazakhstan No.514 dated December 14, 2018, as amended on September 23, 2019 No. 313, the cap tariff of tenge 5.76 per kWh was established for group 1, effective from October 1, 2019 valid for the period of seven years with a breakdown by years.

If the effective cap tariff for electricity does not cover related production costs, in accordance with the Rules for approval of cap on electricity tariff and tariff for maintenance of electric power as approved by Order of the Ministry of Energy of the Republic of Kazakhstan No. 147 dated February 27, 2015 (as amended at October 18, 2019), power producers may report to the competent authority until September 1 on the forecasted increase in main costs of energy production and attach supporting documents, financial statements for the prior year, and calculations based on the anticipated inflation rate provided for in the medium-term plans for economic and social development of the Republic of Kazakhstan.

Due to the anticipated growth of production costs at the CPI level, dead load growth, as well as the planned increase in the costs for purchase of power from renewable sources, in accordance with the Law On Support of the Use of Renewable Energy Sources, the estimated cap tariff for electricity from 2021 is forecasted to be higher than the approved tariffs for 2020-2025.

Accordingly, the cap electricity tariff of tenge 5.76 per 1 kWh in 2020 was forecasted based on the tariff approved by Order of the Minister of Energy of the Republic of Kazakhstan No. 313 dated September 23, 2019.

Beginning from 2021 the forecast tariff was calculated using the rules for approval of the cap electricity tariff and calculation method of fixed profit approved by Order of the Ministry of Energy of the Republic of Kazakhstan No. 413 dated November 28, 2017, as amended on December 14, 2019, based on the forecast expenses according to the Development Plan for 2020-2024 and correction factor for calculation of fixed profit at 6% for 2021, 10% for 2022, and 12% for 2023-2025. Initially, the Methodology for determining fixed profit assumed the possibility of applying profitability of up to 12%. However, subsequently a zero rate of return was determined. In 2019, Pavlodarenergo JSC won the case on recognition of establishing of zero fixed profit as illegal. In this regard, the Kazakhstan Electric Energy Association has begun to develop a methodological justification for the presence and amount of fixed profit (profitability) in the cap tariffs for electric energy of energy producing organizations. For this purpose, two international consulting firms were involved to develop 2 alternative options for the above methodological justification.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

Impairment test of property, plant and equipment and intangible assets of EGRES-1 (continued)

The Group expects to receive an individual tariff for services to maintain of electric power capacity from 2024 due to the scheduled completion of the investment project "Restoration of Power Unit 1 with the installation of new electrostatic precipitators" using borrowed funds. In accordance with the Rules of the Ministry of Energy "Admission for consideration, consideration and selection of investment programs of modernization, expansion, reconstruction and (or) renewal, the conclusion of investment agreements for modernization, expansion, reconstruction and (or) renewal, the corresponding conclusion of contracts on the purchase of service on maintaining the readiness of electric capacity and establishment of individual tariffs for these contracts for the service on maintaining the readiness of electric capacity, volumes and terms of purchase of service on maintaining the availability of electric capacity", on January 30, 2020 an application for the Market Council was submitted.

Also, in connection with the conclusion of a preliminary agreement between the Company and KEGOC JSC regarding the connection of EGRES-1 to the automatic regulation of the frequency and capacity of the Unified Electric Power Network of Kazakhstan, a tariff increase is expected from mid-2021 up to the level of tenge 800/kWh. Forecasted volumes and tariffs for the sale of electricity and services for maintaining the availability of electric capacity.

Tariffs	Unit	2020	2021	2022	2023	2024	2025
Cap electricity tariff – Kazakhstan	Tenge/kWh	5.76	6.51	6.78	7.06	7.62	7.79
Export tariff – Uzbekistan	Tenge/kWh	9.93	10.22	10.47	–	–	–
Tariff for maintenance of electric power capacity	Mln tenge / (MW*month)	0.59	0.62	0.65	0.67	0.70	0.72
Tariff for maintenance of electric power capacity – individual	Mln tenge / (MW*month)	–	–	–	–	0.939	0.939
Tariff for regulation of electric power capacity	Thous. tenge / kWh	0.69	0.72	0.76	0.79	0.82	0.84
Tariff for regulation of electric power capacity (KEGOC)	Thous. tenge / kWh	0.69	0.80	0.84	0.87	0.90	0.93

A forecast of the sales volume was calculated based on information from previous years and management expectations in accordance with the Company's Development Plan for 2020-2024. It was assumed that in 2020-2022 the electricity sales volume of EGRES-1 will grow by an average of 5-7%, and there will be a further growth by 0-3% in 2023-2025.

The capacity sales volume in 2020 was adopted based on the results of centralized tenders held in December 2019. Starting from 2021, EGRES-1 expects a uniform distribution of capacity sales at tenders between the main market participants at an average market tariff. The management believes that EGRES-1 will be able to sell forecast capacity volumes starting from 2021, since the capacity is in demand, and the current load of the station and the sales volume indicate this.

Volume of sales	Unit	2020	2021	2022	2023	2024	2025
Sale of electricity – Kazakhstan	Mln kWh	17,527	18,935	20,261	21,404	22,117	22,616
Sale of electricity – Uzbekistan	Mln kWh	1,500	1,500	1,174	–	–	–
Sale of electric power capacity	MW/month	1,562	2,150	2,187	2,256	2,338	2,397
including the scope of services to maintain the availability of electric power capacity at an individual tariff		–	–	–	–	500	500
Regulation of electric power capacity	MW/year	1,654	2,154	2,754	2,754	2,754	2,754

Based on the impairment test, the recoverable amount of assets at November 30, 2019 is 482,568 million tenge, which is 30,459 million tenge higher than their carrying amount. Accordingly, the Group did not recognise impairment losses in 2019.

The management of the Group believes that the fair value of property, plant and equipment and intangible assets as at December 31, 2019 and December 31, 2018 is close to their carrying amount.

If the cap electricity tariff remains 5.76 tenge/kWh for 2019-2025, the recoverable amount of the company's assets will be 263,045 million tenge less than their carrying amount.

If the cap electricity tariff remains at a level at which the Company will not incur losses and profit (breakeven), the recoverable amount will be 109,241 million tenge less than their carrying amount.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

Impairment test of property, plant and equipment and intangible assets of EGRES-1 (continued)

If the cap electricity tariff decreases by 10%, the recoverable amount of the company's assets will be 112,714 million tenge less than their carrying amount.

In the case of 1% increase in the discount rate, the recoverable amount of the company's assets will be 15,573 million tenge less than their carrying amount.

The long-term inflation rate used to calculate the terminal value is 2.31% per annum. The discount rate was calculated taking into account the current market assessment of risks specific to the industry and was measured on the basis of the weighted average cost of capital of each company in the amount of 10.62%.

Impairment test of property, plant and equipment and intangible assets of EGRES-2

Management of EGRES-2 reviewed the indicators of impairment, including dynamics of electricity tariffs and market demand. Uncertainties associated with both completion of power unit No. 3 and sale of electricity generated by power unit No. 3 indicates a potential impairment of EGRES-2 property, plant and equipment.

As result, management tested property, plant and equipment of EGRES-2 for impairment as at November 30, 2019 within a single cash-generating unit.

Management of the Group considers all property, plant and equipment and intangible assets as a single cash-generating unit, as it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets, and it is the lowest level at which EGRES-2 monitors the recovery of the assets' cost.

Recoverable amount was calculated on the basis of value in use. These calculations were made taking into account cash flow forecasts, based on the updated financial budgets approved by management for a 5-year period from 2020 to 2024. So, calculated recoverable amount of property, plant and equipment exceeded their carrying amount, based on the impairment test as at November 30, 2019. Key assumptions on recoverable amount of non-financial assets used are presented below:

Tariffs

For the purpose of calculating the recoverable amount of assets, the Group's management used the following electricity tariffs:

- Weighted average tariff for 2019 was tenge 7.42 per 1 kWh, which represents the actual tariff applicable to electricity sale by EGRES-2 in 2019 and does not exceed the cap tariff of tenge 7.73 per 1 kWh established and approved by the Ministry of Energy for 2019-2025.
- Projected weighted average tariffs for subsequent periods are as follows:

EGRES-2		2020	2021	2022	2023	2024	2025	2026	2027	2028
Electricity tariff	Tenge/kWh	7.73	7.73	7.73	7.73	7.73	7.73	7.96	8.18	8.39
Tariff for power capacity	Mln. tenge per 1 MW month	0.59	0.62	0.65	0.67	0.70	7.30	7.30	6.73	6.29

The forecast of tariff was based on management's expectations for resumption of the project on construction of power unit No. 3 in 2020. A significant increase in the tariff for power capacity in 2025 is due to the expected commissioning of power unit No. 3 and changes in the tariff structure, which is related to introduction of power capacity market in the Republic of Kazakhstan. According to the Law of the Republic of Kazakhstan *On Electric Power Industry,* the Group is able to obtain an individual tariff for the power capacity. Establishing an individual tariff is possible provided the completion of power unit No. 3 with the capacity of 630 MW and conclusion of an investment agreement with the competent authority. Calculation of individual tariffs, in addition to operating expenses of the Group, takes into account the necessary amount to cover the costs which are associated with the investment component and incurred for the completion of Power Unit 3.

The Company projects an individual tariff for the power of Power Unit 3 from 2025-2034 inclusive, which corresponds to the planned period of repayment of borrowed funds raised to complete the project. A decrease in the tariffs for electricity and power capacity within the acceptable range by 10% will result in additional loss on impairment of not more than 33,105 million tenge and 36,947 million tenge, respectively.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

Impairment test of property, plant and equipment and intangible assets of EGRES-2 (continued)

Forecasted volumes of production and sales

For calculation of the recoverable amount of assets, management considered forecasted volumes of production/sales of electricity by power unit No. 3 and relevant investments needed to complete construction. Management used the following estimated volumes of electricity sales for calculation of the recoverable amount of assets:

		2020	2021	2022	2023	2024	2025	2026	2027	2028
Sales of electricity	Mln. kWh	4,252	5,248	5,462	5,686	5,924	5,924	5,924	5,924	5,924
Sales of electrical power capacity per month	MW	761	731	744	767	795	1,408	1,433	1,459	1,486

Management expects that volumes of production and sales during the forecast period prior to commissioning of Power Unit 3 will be stable. After the launch of power unit No. 3, EGRES-2 does not predict any significant increase in electricity volumes, however the electricity production volume will be distributed among the three power units of the company. While management expects the electricity sales or tariff to grow during the forecast period, a decrease in the sales of electricity and electrical power capacity within the reasonable range of 10% will result in an impairment loss of not more than 33,105 million tenge and 36,947 million tenge, respectively.

Discount rate

The discount rate of 12.67%, was estimated taking into consideration the current market assessment of EGRES-2 inherent risks and evaluated on the basis of the weighted average cost of capital for the industry. In the future, to reflect changing risks inherent in the industry and changes in the weighted average cost of capital, it may require further changes in the discount rate. 1% increase in the discount rate would result in an impairment loss of 23,480 million tenge.

Railway assets

The assessment of whether there is an indication of assets impairment is based on a number of factors, such as a change in growth expectations in the railway industry, future cash flow estimates, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances.

If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount. If the carrying amount exceeds the recoverable amount, impairment is recorded. The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (adjusted WACC) that management believes reflects the current market assessment of the time value of money and the risks specific to the assets. The change in the estimated recoverable amount may result in an additional impairment or a reversal of the impairment and thus an impairment reversal being recognised in future periods.

Due to existing impairment indicators, the Group performed an impairment test for property, plant and equipment and intangible assets as at December 31, 2019.

A number of subjective factors, both operational and financial, using the best evidence available, had been used to estimate cash flows.

The operational assumptions used in the test reflect expected volumes of transportation services, including transit volumes, based on projected demand and historical growth dynamic of transit freight transportations volumes.

Financial assumptions include significant estimates associated with tariff forecasts and growth rates, discounts, and projected tenge to Swiss Franc exchange rates. The discount rate (WACC) used in calculating the value in use of property, plant and equipment and intangible assets of the Group amounted to 10.5%.

As at December 31, 2019, no impairment has been identified based on the estimated value in use of the Group's property, plant and equipment and intangible assets.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Railway assets (continued)

However, the value in use estimate is sensitive particularly to the following assumptions:

- Transit freight transportation volumes;
- Revenue rate, including the tariffs growth, types of freight, distance of freight transportation; and
- The discount rate (WACC).

The Group performed a sensitivity analysis and concluded that when using the following justifiably possible changes in the key assumptions on an individual basis, while keeping other parameters constant, no impairment will occur:

- Transit freight transportation volumes – a decrease of the volumes by 10% compared to budget;
- Domestic, export and import freight transportation tariffs – a decrease of the annual budgeted freight transportation tariffs growth to the historic average tariffs growth level for the past years of 6.3%;
- Discount rate (WACC) – an increase of the discount rate from 10.5% to 11.5%.

However, with more significant changes in each of the above key assumptions or simultaneous adverse impact of several factors, the carrying value of the Group's non-current assets may become higher than their recoverable amount, which may result in the need to recognise impairment in the future.

Assets related to uranium production

Assets related to uranium mines include property, plant and equipment, mine development assets, mineral rights, exploration and evaluation assets, investments in associates, investments in joint ventures, and other investments.

For the purpose of impairment testing assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (termed as 'cash-generating units'). The Group has identified each mine (contract territory) as a separate cash-generating unit unless several mines are technologically connected with single processing plant in which case the Group considers such mines as one cash-generating unit.

As at December 31, 2019, management conducted an analysis and did not find any impairment indicators of assets (generating units) associated with the production of uranium products.

Assets retirement obligations

Oil and gas production facilities

Under the terms of certain subsoil use contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsoil use contract terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each subsoil use contract period. If the asset retirement obligations were to be settled at the end of the economic life of oil and gas field, the recorded obligation would increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective subsoil use contracts and current legislation.

Where neither subsoil use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsoil use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market.

At each reporting date the Group reviews site restoration provisions, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Assets retirement obligations (continued)

Oil and gas production facilities (continued)

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at December 31, 2019 were in the range from 2.01% to 5.49% and from 4.43% to 8.95%, respectively, (2018: from 2.02% to 5.96% and from 5.5% to 10.00%, respectively). As at December 31, 2019 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of oil and gas facilities were 114,205 million tenge (December 31, 2018: 67,485 million tenge) *(Note 23)*.

Major oil and gas pipelines

According to the Law of the Republic of Kazakhstan *On Major Pipelines* which was made effective on July 4, 2012 mainly the Group's two subsidiaries, JSC KazTransOil and Intergas Central Asia JSC, the subsidiary of KazTransGaz JSC, have legal obligation to decommission its major oil pipelines at the end of their operating life and to restore the land to its original condition. Asset retirement obligation is calculated based on estimate of the work to decommission and rehabilitate. As at December 31, 2019, the carrying values of the Group's asset retirement obligations relating to decommissioning of pipelines and land were 100,229 million tenge (December 31, 2018: 79,948 million tenge) *(Note 23)*.

Assets related to uranium production

In accordance with environmental legislation and the subsurface use contracts, the Group has a legal obligation to remediate damage caused to the environment from its operations and to decommission its mining assets and waste polygons and restore landfill sites after closure of mining activities. Provision is made based upon the net present values of estimated site restoration and retirement costs as soon as the obligation arises from past mining activities.

The provision for asset retirement obligations is estimated based upon the Group's interpretation of current environmental legislation in the Republic of Kazakhstan and the Group's related programme for liquidation of subsurface use consequences on the contracted territory and other operations supported by the feasibility study and engineering research in accordance with the applicable restoration and retirement standards and techniques.

Provisions for asset retirement obligations are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation. Provisions for mining assets and waste polygons retirement obligations are recognised when there is a certainty of incurring of such liabilities and when it is possible to measure the amounts reliably.

Significant judgments used in such estimations include the estimate of discount rate and the amount and timing of future cash flows. The discount rate is applied to the nominal costs that management expects to spend on mining site restoration in the future. Management's estimates based on current prices are inflated using the expected long-term inflation rate of 5.30% in 2019 (2018: 5.30%), and subsequently discounted using rate that reflects the current market estimates of the time value of money and those risks specific to the liability not reflected in the best estimate of the costs.

The discount rate is based on a risk-free rate determined as interest rates on government bonds with the same maturity as the subsoil use contracts of the Group. The discount rate used by the Group's companies for calculation of the provision as at 31 December 2019 is 7.13% (2018: 7.45%).

At December 31, 2019 the carrying value of the site restoration provision was 36,505 million tenge (2018: 29,607 million tenge) *(Note 23)*. Management estimates that reasonably possible changes in key assumptions would not lead to significant changes in the recorded site restoration provision.

Provision for environmental remediation

The Group management also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Provision for environmental remediation (continued)

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Further uncertainties related to environmental remediation obligations are detailed in *Note 38*. Movements in the provision for environmental remediation obligations are disclosed in *Note 23*.

Provision for taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of the Group's international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable profits and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

In assessing tax risks, management considers to be probable obligations the known areas of non-compliance with tax legislation, which the Group would not appeal or does not believe it could successfully appeal, if additional taxes are charged. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsurface use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for taxes disclosed in *Note 23* relates mainly to the Group's application of Kazakhstan transfer pricing legislation. Further uncertainties related to taxation are disclosed in *Note 38*.

Provision for construction of social objects

The Government assigns various sponsorship and financing obligations to the Group. Management of the Group believes that such Government's assignments represent constructive obligations of the Group and require recognition on the basis of respective resolution of the Government of the Republic of Kazakhstan. Furthermore, as the Government is the ultimate controlling party of the Group, the expenditures on these assignments are recognized as "other distributions to the Shareholder" directly in the equity.

Useful lives of items of property, plant and equipment

The Group assesses remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Deferred tax assets

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of recognized deferred tax assets as at December 31, 2019 was equal to 91,229 million tenge (December 31, 2018: 131,192 million tenge). Further details are contained in *Note 34*.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Fair value of financial instruments (continued)

The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments reported in the consolidated financial statements. Further details are disclosed in *Note 37*.

Employee benefit liability

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit liability and related current service cost *(Note 24)*. This involves use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future annual financial assistance, future annual minimum salary and future average railway ticket price). Further details on judgements are disclosed in *Note 24*.

Estimation of expected credit losses

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's credit grading model, which assigns PDs to the individual grades;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as oil price with one year lag, and the effect on PDs, EADs and LGDs.

Swap transactions

The Group sells part of its uranium products under swap transactions with separate agreements with the same counterparty simultaneously, being for delivery and purchase of the same volume of uranium for the same price at different delivery points. Effectively, this results in the exchange of own uranium (produced or purchased from the Group's entities) with purchased uranium. Normally, under a swap transaction, the Group delivers physical uranium to one destination point, and purchases the same volume of uranium at a third party converter for sale to end customers. Swap transactions are entered into primarily to reduce transportation costs for uranium delivery from Kazakhstan to end customers.

Despite the fact that swap agreements are not formally related to each other, management concluded that these transactions are in substance linked and would not have occurred on an isolated basis, driven by the existing market demand and supply forces. In management's view, supply of the same volume of homogeneous product (uranium) for the same price represents an exchange of products, which should be presented on a net basis in the consolidated financial statements, reflecting the economic substance of the transaction. Interpretation of terms and approach to the accounting for swap transactions requires judgement.

In 2019, the Group did not recognise sales revenue from swap transactions of 41,741 million tenge and cost of sales of 43,091 million tenge. In 2018, the Group did not recognise sales revenue from swap transactions of 65,052 million tenge, cost of sales of 68,112 million tenge and adjusted inventory balance by 1,585 million tenge.

5. BUSINESS COMBINATIONS

Khan Tengri Holding B.V.

On February 29, 2016 the Group acquired 51% share capital and 49.48% of voting shares in Khan Tengri Holding B.V., the company rendering GSM and LTE mobile telecommunication services in the Republic of Kazakhstan. Khan Tengri Holding B.V. is a private entity and not listed on the stock exchange. Khan Tengri Holding B.V. was an equity accounted associate for the Group till June 28, 2019.

According to the agreement between the Group and Tele2, the Group had an unconditional right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. at any time, after three years after the closing date of the transaction on February 29, 2016 (call option). Tele2 had a similar unconditional right to require the Group to acquire a 49% interest in Khan Tengri Holding B.V. (put option).

In connection with the closure of the transaction on the acqisition by the Group of 75% of shares in Kcell JSC in the end of December 2018, on December 28, 2018 the Group received notice on exercising of put option from Tele2 A.B.

On March 1, 2019 the Group's call option in relation to right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. became exercisable. As of March 1, 2019 neither call or put option provided the Group ability to direct relevant activities of Khan Tengri Holding B.V. as the Group is obliged to transfer shares of Khan Tengri Holding B.V. to a trust management company within 12 months after closing of transaction for acquiring 49% from Tele2 which is also subject to the approval of the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan. As at March 1, 2019 the Group did not obtain control over Khan Tengri Holding B.V.

On May 23, 2019 the Group concluded an agreement with Tele2 for the purchase of remaining 49% share of Khan Tengri Holding B.V. and 50.52% of the voting rights of all outstanding shares, and completed the acquisition on June 28, 2019. The consideration transferred for 49% interest acquired by the Group was 181,535 million tenge, including cash paid in the amount of 101,119 million tenge and loan provided to Mobile Telecom Service LLP in the amount of 80,416 million tenge for the purpose of consideration payment to the seller, Tele2.

In June 2019 the Group received approval from the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan of the terms of the trust management agreement that indicate that the Group has control over Khan Tengri Holding B.V.

On February 25, 2016 the Group provided a guarantee to associate organization Khan Tengri Holding B.V. under the credit facility from Development Bank of Kazakhstan JSC with a credit limit of up to 10,009 million tenge for the period until December 19, 2024. Guarantee issued in the amount of 937 million tenge was included into the consideration of business combination due to the acquisition of residual shares in associate of Khan Tengri Holding B.V.

The Group's interest in Khan Tengri Holding B.V. was recorded in the consolidated financial statements using the equity method till the date of control acquisition.

5. BUSINESS COMBINATIONS (continued)

Khan Tengri Holding B.V. (continued)

Provisional fair value of the identified assets and liabilities of Khan Tengri Holding B.V. as at the date of acquisition were:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	126,230
Intangible assets	112,272
Other non-current financial assets	78
Other non-current assets	2,060
Current assets	
Inventories	909
VAT receivable	1,160
Income tax prepaid	614
Trade accounts receivable	15,801
Other current assets	3,312
Cash and cash equivalents	5,392
Total assets	**267,828**
Liabilities	
Non-current liabilities	
Borrowings	7,551
Lease liabilities	21,530
Provisions	4,527
Deferred tax liabilities	9,058
Current liabilities	
Borrowings	2,705
Lease liabilities	5,383
Provisions	299
Trade and other payables	26,747
Other current liabilities	10,617
Total liabilities	**88,417**
Net assets	**179,411**
Consideration transferred for 49% interest	181,535
Acquisition-date fair value of initial 51% interest	99,211
	280,746
Acquisition-date fair values of identifiable net assets acquired	(179,411)
Guarantee issued to Mobile Telecom Service LLP	(937)
Goodwill	**100,398**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	5,392
Consideration transferred	(181,535)
Net cash outflow	**(176,143)**

5. BUSINESS COMBINATIONS (continued)

Khan Tengri Holding B.V. (continued)

Net assets recognized in the consolidated financial statements as at December 31, 2019 are based on a preliminary assessment of their fair value, while the Group makes an independent assessment of assets owned by Khan Tengri Holding B.V. This estimate has not been completed at the time of issuing the consolidated financial statements for the year ended December 31, 2019.

The main components of intangible assets are licenses, trademarks, software and subscriber base.

At the date of the acquisition it is expected that the full contractual amounts of trade receivables can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

The deferred tax liability is mainly due to the tax effect of accelerated depreciation of fixed assets and intangible assets for tax purposes.

The amount of goodwill equal to 100,398 million tenge includes the cost of the expected synergetic effect from the acquisition. The entire amount of goodwill is allocated to the mobile telecommunications segment. It is expected that recognized goodwill will not be deductible for the purposes of the taxation either in full or in part.

During 2019, the Group recognized income from re-measurement of previously held interest in the equity-accounted associate in the amount of 17,310 million tenge as a result of remeasuring its existing interest in the equity-accounted associate amount of 81,901 million tenge at the date of obtaining control to its acquisition-date fair value of 99,211 million tenge.

From the date of acquisition, the contribution of Khan Tengri Holding B.V. to the Group's revenue amounted to 75,553 million tenge, and to the Group's net profit before tax in the amount of 13,212 million tenge. If the combination had taken place at the beginning of 2019, the Group's revenues would have been 468,651 million tenge, and the profit before tax would have been 80,653 million tenge.

JV Khorasan-U LLP

The Group has gained control over JV Khorasan-U LLP on February 20, 2019. The Group assessed the fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed in the acquisition of the entity under IFRS 3 *Business Combinations*. The valuation was performed by an independent appraiser.

The Group assessed the fair value:

In millions of tenge	
Cash consideration paid	–
Net liabilities from pre-existing relationship	(1,948)
Total consideration transferred	**(1,948)**
Fair value of investment associate prior to the acquisition	85,804
Total purchase consideration and value of previously held interest in the acquiree	**83,856**

Liabilities from pre-existing relationship represent receivables of JV Khorasan-U LLP from the Group, mainly for delivery of uranium.

5. BUSINESS COMBINATIONS (continued)

JV Khorasan-U LLP (continued)

The following table is the fair value of the assets acquired and liabilities as at the acquisition date:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	22,808
Intangible assets	178,856
Other non-current financial assets	3,409
Other non-current assets	882
Current assets	
Inventories	8,873
VAT receivable	1,736
Trade accounts receivable	10,038
Other current assets	62
Cash and cash equivalents	5,563
Total assets	**232,227**
Liabilities	
Non-current liabilities	
Provisions	712
Deferred tax liabilities	36,873
Other non-current liabilities	528
Current liabilities	
Borrowings	17,441
Trade and other payables	4,526
Other current liabilities	539
Total liabilities	**60,619**
Carrying value of of identifiable net assets (before elimination of intra-group balances)	171,608
Less: elimination of intra-group balances	(1,948)
Carrying value of identifiable net assets acquired	**169,660**
Less:	
Non-controlling interest	(85,804)
Total purchase consideration and value of previously held interest in the acquiree	**83,856**

Net result of business combinations recognised during the year 2019 comprises bargain purchase gain of 2,150 million tenge and excess of fair value of investment in the associate over its carrying value of 52,500 million tenge at the acquisition date:

In millions of tenge	
Fair value of the investment in associate at date of acquisition	85,804
Less: carrying value of the investments at date of acquisition	(31,154)
Net gain from business combination – JV Khorasan-U LLP	**54,650**

5. BUSINESS COMBINATIONS (continued)

EGRES-2

On December 13, 2019 the Group acquired 50% share in EGRES-2 JSC from Inter RAO P JSC in accordance with purchase sale agreement dated December 27, 2018. The sale price equaled 25,000 thousand US dollars (equivalent to 9,616 million tenge as at the acquisition date).

The Group's interest of 50% in EGRES-2 was recorded in the consolidated financial statements using the equity method till the date of control acquisition.

Provisional fair value of the identified assets and liabilities of EGRES-2 as at the date of acquisition were:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	85,632
Intangible assets	23
Other non-current assets	41,300
Current assets	
Inventories	2,650
Income tax prepaid	1,744
Trade accounts receivable	2,602
Other current assets	1,007
Cash and cash equivalents	1,579
Total assets	**136,537**
Liabilities	
Non-current liabilities	
Borrowings	93,224
Employee benefit liabilities	452
Provisions	478
Deferred tax liabilities	1,362
Current liabilities	
Borrowings	864
Provisions	584
Trade and other payables	1,567
Other current liabilities	2,420
Total liabilities	**100,951**
Net assets	**35,586**
Less:	
Consideration transferred for 50% interest	(9,616)
Acquisition-date fair value of initial 50% interest	(17,787)
Gain on business combination	**8,183**

Net assets recognized in the consolidated financial statements as at December 31, 2019 are based on a preliminary assessment of their fair value, while the Group makes an independent assessment of assets owned by EGRES-2. This estimate has not been completed at the time of issuing the consolidated financial statements for the year ended December 31, 2019.

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE

Disposals

KMG Retail LLP

On February 8, 2019 the Company completed the sale of 100% interest in KMG Retail LLP, which was classified as a disposal group held for sale, for 60,512 million tenge.

At the date of loss of control net assets of KMG Retail LLP were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	34,266
Intangible assets	42
Other non-current assets	6,556
Other current assets	138
Cash and cash equivalents	2,288
Total assets	**43,290**
Trade and other payables	203
Other current liabilities	56
Total liabilities	**259**
Net assets	**43,031**

The resulting gain on disposal of KMG Retail LLP amounted to 17,481 million tenge.

Kazakhstan-British University JSC (KBTU)

In January 2019, a sale agreement on 100% shares in KBTU between the National Company "KazMunayGas" JSC ("NC KMG"), a subsidiary of the Fund, and the Public Foundation "Nursultan Nazarbayev Education Fund" came into force. According to the terms of the agreement, the transfer of shares and payment of 11,370 million tenge for them are made in three tranches within two years. On February 6, 2019 KMG lost control over KBTU.

At the date of loss of control net assets of KBTU were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	6,367
Intangible assets	1,964
Amounts due from credit institutions	2,091
Deferred tax assets	98
Other non-current assets	37
Inventories	120
VAT receivable	77
Income tax prepaid	103
Trade accounts receivable	504
Other current assets	158
Cash and cash equivalents	4,732
Total assets	**16,251**
Trade and other payables	267
Other current and non-current liabilities	5,082
Total liabilities	**5,349**
Net assets	**10,902**

The resulting gain on disposal of KBTU net of loss of 143 million tenge incurred by KBTU for the period from January 1, 2019 till the date of sale amounted to 6 million tenge.

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Disposals (continued)

Management Company of Special Economic Zone Taraz assets of Chemical Park ("Chemical Park")

In April 2019 in accordance with the Resolution of the Government of Republic of Kazakhstan dated March 26, 2019 the Fund transferred 90% shares of Chemical Park with the net assets of 7,906 million tenge to the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan.

At the date of loss of control net assets of Chemical Park were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	4,283
Intangible assets	5
Other non-current assets	1,878
Inventories	25
VAT receivable	265
Trade accounts receivable	19
Other current assets	12
Cash and cash equivalents	1,980
Total assets	**8,467**
Trade and other payables	132
Other current liabilities	429
Total liabilities	**561**
Net assets	**7,906**

MAEK-Kazatomprom LLP

On December 4, 2019 in accordance with the Resolution of the Government of the Republic of Kazakhstan dated November 14, 2019 the Group transferred controlling shares of MAEK-Kazatomprom LLP to the State property and privatization committee of the Ministry of Finance of the Republic of Kazakhstan with net assets of 21,626 million tenge.

At the date of loss of control net assets of MAEK-Kazatomprom LLP were as follows:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	25,048
Intangible assets	26
Other non-current assets	543
Inventories	2,630
Income tax prepaid	386
Trade accounts receivable	8,255
Other current assets	257
Cash and cash equivalents	1,218
Total assets	**38,363**
Borrowings	5,209
Lease liabilities	110
Deffered tax liabilities	1,247
Employee benefit liabilities	337
Provisions	20
Other non-current liabilities	27
Trade and other payables	6,117
Other current liabilities	3,670
Total liabilities	**16,737**
Net assets	**21,626**

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Disposals (continued)

International Airport Aktobe JSC, Airport Pavlodar JSC and International Airport Atyrau JSC

On September 10, 2019 in accordance with a decree of the Government of the Republic of Kazakhstan dated July 31, 2019, the Fund transferred controlling stakes of three airports, International Airport Aktobe JSC, Airport Pavlodar JSC and International Airport Atyrau JSC to the Akimat of Aktobe, Pavlodar and Atyrau regions. The net assets of the airports amounted to 9,810 million tenge.

At the date of loss of control net assets of airports were as follows:

	Net assets at the date of disposal		
In millions of tenge	**International Airport Aktobe JSC**	**Airport Pavlodar JSC**	**International Airport Atyrau JSC**
Property, plant and equipment	4,895	1,091	3,550
Intangible assets	18	–	4
Inventories	301	26	221
VAT receivable	–	3	4
Income tax prepaid	–	3	2
Trade accounts receivable	90	15	26
Other non-current and current assets	36	6	19
Cash and cash equivalents	271	42	225
Total assets	**5,611**	**1,186**	**4,051**
Borrowings	–	–	81
Deferred tax liabilities	–	30	557
Trade and other payables	18	22	30
Other current and non-current liabilities	81	39	180
Total liabilities	**99**	**91**	**848**
Net assets	**5,512**	**1,095**	**3,203**

Assets classified as held for sale

Assets classified as held for sale comprised the following:

In millions of tenge	**Segment**	**December 31, 2019**	December 31, 2018 (restated)
Transtelecom JSC	Transportation	**106,247**	96,283
KMG Retail	Oil and gas	**–**	43,632
Kazakh-British Technical University JSC	Oil and gas	**–**	15,704
Uranium Enrichment Center (TsOU) JSC	Mining	**18,671**	–
Other		**5,569**	10,660
		130,487	166,279

Liabilities associated with assets classified as held for sale comprised the following:

In millions of tenge	**Segment**	**December 31, 2019**	December 31, 2018 (restated)
Transtelecom JSC	Transportation	**85,656**	81,992
KMG Retail	Oil and gas	**–**	375
Kazakh-British Technical University JSC	Oil and gas	**–**	4,659
Uranium Enrichment Center (TsOU) JSC	Mining	**–**	–
Other		**130**	6,031
		85,786	93,057

The Group has entered a conditional contract to sell its 50% interest minus 1 (one) share in Uranium Enrichment Center JSC (TsOU) to its partner in this joint venture – TVEL JSC (TVEL). The Group plans to reserve 1 share of TsOU, which will retain the Group's right to access uranium enrichment services in accordance with the conditions previously agreed with TVEL. As a result, in these consolidated financial statements, the Group has classified the investment in the joint venture TsOU as an asset held for sale.

7. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Net book value at January 1, 2018 (restated)	3,860,494	1,770,380	1,020,028	992,446	2,639,909	55,470	78,116	1,086,570	11,503,413
Foreign currency translation	528,808	82,403	11,986	(34)	22,961	–	2,009	3,445	651,578
Changes in estimates	(13,144)	7,678	(107)	–	(107)	4,847	–	(519)	(1,352)
Additions	58,489	27,434	36,172	56	105,036	25,936	10,161	839,359	1,102,643
Acquisition through business combinations	–	–	32,828	319	121,375	63,324	4,271	22,283	244,400
Disposals	(17,128)	(5,351)	(16,897)	(976)	(30,061)	(146)	(7,710)	(3,650)	(81,919)
Depreciation charge	(219,379)	(127,089)	(48,406)	(34,662)	(231,948)	(19,252)	(13,342)	–	(694,078)
Depreciation and impairment on disposals	12,603	4,914	4,859	666	26,062	–	4,766	1,455	55,325
Impairment, net of reversal of impairment	(3,650)	(3)	(13,169)	14	(17,647)	3,768	(899)	(3,586)	(35,172)
Utilization of reserve	–	–	–	–	–	–	–	(1,251)	(1,251)
Discontinued operations/transfer from/(to) assets classified as held for sale	(9,847)	(356)	(29,659)	–	(6,970)	193	(2,517)	(1,691)	(50,847)
Transfers from/(to) intangible assets, net	254	–	–	–	(20)	–	1	(5,947)	(5,712)
Transfers from/(to) exploration and evaluation assets, investment property, net	9,487	–	(23,928)	–	–	–	–	7,278	(7,163)
Transfer from/(to) inventories, net	45	4,044	320	(3,580)	2,571	4,742	388	4,069	12,599
Other transfers and reclassifications	92,355	574,963	19,254	144,671	245,161	212	8,154	(1,084,770)	–
Net book value at December 31, 2018 (restated)	4,299,387	2,339,017	993,281	1,098,920	2,876,322	139,094	83,398	863,045	12,692,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Net book value at January 1, 2019 (restated)	4,299,387	2,339,017	993,281	1,098,920	2,876,322	139,094	83,398	863,045	12,692,464
Effect of adoption of IFRS 16 *(Note 3)*	**47,124**	**5,559**	**45,024**	**–**	**112,983**	**–**	**11,684**	**–**	**222,374**
Foreign currency translation	**(16,199)**	**(1,306)**	**(433)**	**85**	**(595)**	**–**	**205**	**(4)**	**(18,247)**
Changes in estimates	**40,047**	**12,156**	**184**	**–**	**(643)**	**2,059**	**2,079**	**–**	**55,882**
Additions	**89,852**	**7,164**	**38,947**	**172**	**108,378**	**27,343**	**11,729**	**667,310**	**950,895**
Additions through lease agreements	**3,468**	**90**	**4,245**	**–**	**114,763**	**–**	**2,771**	**–**	**125,337**
Acquisition through business combinations *(Note 5)*	**–**	**–**	**32,040**	**–**	**92,204**	**22,627**	**24,259**	**61,290**	**232,420**
Disposals	**(24,598)**	**(6,261)**	**(23,331)**	**(804)**	**(68,729)**	**(1,529)**	**(8,857)**	**(40,607)**	**(174,716)**
Depreciation charge	**(224,885)**	**(150,601)**	**(59,724)**	**(35,828)**	**(299,658)**	**(30,875)**	**(20,109)**	**–**	**(821,680)**
Depreciation and impairment on disposals	**14,198**	**5,833**	**13,821**	**335**	**39,757**	**–**	**7,940**	**25,194**	**107,078**
Impairment, net of reversal of impairment	**(4,910)**	**(86,719)**	**(29,081)**	**(189)**	**(83,043)**	**(2,099)**	**(1,181)**	**27,002**	**(180,220)**
Discontinued operations/transfer from/(to) assets classified as held for sale	**17**	**(81)**	**(24,002)**	**–**	**(37,927)**	**1,619**	**(1,452)**	**(7,657)**	**(69,483)**
Transfers from/(to) intangible assets	**(342)**	**(64)**	**–**	**–**	**(15)**	**–**	**89**	**(9,944)**	**(10,276)**
Transfers from/(to) exploration and evaluation assets, investment property	**1,958**	**–**	**14,678**	**–**	**144**	**2,458**	**2,356**	**985**	**22,579**
Transfer from/(to) inventories, net	**36**	**4,400**	**7**	**(3,911)**	**769**	**3,869**	**(1,078)**	**2,507**	**6,599**
Other transfers and reclassifications	**7,827**	**57,119**	**101,077**	**75,846**	**367,931**	**271**	**78,259**	**(688,330)**	**–**
Net book value at December 31, 2019	**4,232,980**	**2,186,306**	**1,106,733**	**1,134,626**	**3,222,641**	**164,837**	**192,092**	**900,791**	**13,141,006**
Historical cost	**5,615,863**	**3,437,819**	**1,620,347**	**1,390,130**	**5,413,649**	**320,677**	**346,537**	**995,098**	**19,140,120**
Accumulated depreciation and impairment	**(1,382,883)**	**(1,251,513)**	**(513,614)**	**(255,504)**	**(2,191,008)**	**(155,840)**	**(154,445)**	**(94,307)**	**(5,999,114)**
Net book value at December 31, 2019	**4,232,980**	**2,186,306**	**1,106,733**	**1,134,626**	**3,222,641**	**164,837**	**192,092**	**900,791**	**13,141,006**
Historical cost	5,633,741	3,367,096	1,442,640	1,321,816	4,685,438	203,821	192,088	1,016,339	17,862,979
Accumulated depreciation and impairment	(1,334,354)	(1,028,079)	(449,359)	(222,896)	(1,809,116)	(64,727)	(108,690)	(153,294)	(5,170,515)
Net book value at December 31, 2018 (restated)	4,299,387	2,339,017	993,281	1,098,920	2,876,322	139,094	83,398	863,045	12,692,464

7. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Including right-of-use assets under lease agreements:									
Net book value at January 1, 2019	–	–	–	–	128,242	–	194	–	128,436
Effect of adoption of IFRS 16 *(Note 3)*	**47,124**	**5,559**	**45,024**	**–**	**112,983**	**–**	**11,684**	**–**	**222,374**
Foreign currency translation	**(230)**	**(19)**	**(105)**	**–**	**(547)**	**–**	**10**	**–**	**(891)**
Changes in estimates	**–**	**524**	**–**	**–**	**(819)**	**–**	**2,060**	**–**	**1,765**
Additions through lease agreements	**3,468**	**90**	**4,245**	**–**	**114,763**	**–**	**2,771**	**–**	**125,337**
Acquisition through business combinations *(Note 5)*	**–**	**–**	**2,926**	**–**	**–**	**–**	**20,740**	**–**	**23,666**
Disposals	**–**	**–**	**(99)**	**–**	**(29,541)**	**–**	**–**	**–**	**(29,640)**
Depreciation charge	**(6,251)**	**(436)**	**(9,835)**	**–**	**(41,971)**	**–**	**(4,038)**	**–**	**(62,531)**
Depreciation and impairment on disposals	**–**	**–**	**–**	**–**	**6,444**	**–**	**–**	**–**	**6,444**
Other transfers and reclassifications	**(297)**	**(4,790)**	**(11,462)**	**–**	**4,803**	**–**	**11,746**	**–**	**–**
Net book value at December 31, 2019	**43,814**	**928**	**30,694**	**–**	**294,357**	**–**	**45,167**	**–**	**414,960**
Historical cost of right-of-use assets under lease agreements	**50,061**	**1,364**	**40,979**	**–**	**420,362**	**–**	**49,384**	**–**	**562,150**
Accumulated depreciation and impairment of right-of-use assets under lease agreements	**(6,247)**	**(436)**	**(10,285)**	**–**	**(126,005)**	**–**	**(4,217)**	**–**	**(147,190)**
Net book value at December 31, 2019	**43,814**	**928**	**30,694**	**–**	**294,357**	**–**	**45,167**	**–**	**414,960**

As at December 31, 2019 property, plant and equipment with net book value of 1,101,686 million tenge was pledged as collateral for some of the Group's borrowings (December 31, 2018: 1,260,296 million tenge).

As at December 31, 2019 the cost of fully amortised property, plant and equipment of the Group was equal to 1,088,767 million tenge (December 31, 2018: 826,144 million tenge).

In 2019 the Group capitalized borrowing costs at an average interest rate of 7.1% in the amount of 24,913 million tenge (2018: at an average interest rate of 5.8% in the amount of 42,007 million tenge).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INTANGIBLE ASSETS

In millions of tenge	Licenses	Subsur-face use rights	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value at January 1, 2018	480,010	233,883	106,570	48,714	55,595	68,813	993,585
Foreign currency translation	70,602	27,308	1,356	5,509	669	2,092	107,536
Additions	3,374	–	–	–	5,372	3,209	11,955
Acquisition through business combinations	100,182	463,047	98,968	–	2,881	7,609	672,687
Disposals	(4,143)	–	–	–	(3,822)	(1,655)	(9,620)
Discontinued operations/transfer from/(to) assets classified as held for sale	(96)	6	–	350	(152)	(536)	(428)
Amortization charge	(28,294)	(20,731)	–	1,659	(13,468)	(5,716)	(66,550)
Accumulated amortization on disposals	4,128	–	–	–	3,774	1,593	9,495
(Impairment)/reversal of impairment, net	(1,174)	–	(58)	(22,506)	(55)	(70)	(23,863)
Transfers to other non-current assets	–	–	–	–	(12,274)	–	(12,274)
Transfers from/(to) property, plant and equipment, net	316	(352)	–	–	5,922	(174)	5,712
Other transfers	762	–	–	(362)	1,086	(1,486)	–
Net book value at December 31, 2018 (restated)*	625,667	703,161	206,836	33,364	45,528	73,679	1,688,235
Foreign currency translation	**(2,107)**	**(833)**	**(1,493)**	**2,237**	**(60)**	**(491)**	**(2,747)**
Additions	**6,517**	**3,845**	**–**	**–**	**12,359**	**3,244**	**25,965**
Acquisition through business combinations *(Note 5)*	**108,506**	**178,856**	**100,398**	**–**	**1,913**	**1,876**	**391,549**
Disposals	**(2,781)**	**(39)**	**–**	**–**	**(5,746)**	**(1,597)**	**(10,163)**
Amortization charge	**(38,164)**	**(35,507)**	**–**	**–**	**(16,826)**	**(7,259)**	**(97,756)**
Accumulated amortization on disposals	**1,966**	**–**	**–**	**–**	**5,485**	**248**	**7,699**
(Impairment)/reversal of impairment, net	**(52)**	**(5,794)**	**–**	**(6,641)**	**(645)**	**448**	**(12,684)**
Discontinued operations / transfer from/(to) assets classified as held for sale	**(3)**	**4**	**–**	**–**	**(1,788)**	**(18)**	**(1,805)**
Transfers from/(to) property, plant and equipment, net	**(125)**	**197**	**–**	**–**	**9,995**	**209**	**10,276**
Transfers from/(to) exploration and evaluation assets, investment property	**–**	**1,800**	**–**	**–**	**–**	**–**	**1,800**
Transfer from/(to) inventories, net	**–**	**–**	**–**	**–**	**43**	**5**	**48**
Other transfers	**947**	**–**	**–**	**–**	**1,380**	**(2,327)**	**–**
Net book value at December 31, 2019	**700,371**	**845,690**	**305,741**	**28,960**	**51,638**	**68,017**	**2,000,417**
Historical cost	**806,886**	**912,221**	**422,649**	**57,921**	**161,183**	**131,846**	**2,492,706**
Accumulated amortization and impairment	**(106,515)**	**(66,531)**	**(116,908)**	**(28,961)**	**(109,545)**	**(63,829)**	**(492,289)**
Net book value at December 31, 2019	**700,371**	**845,690**	**305,741**	**28,960**	**51,638**	**68,017**	**2,000,417**
Historical cost	695,592	731,414	282,439	58,164	143,393	122,203	2,033,205
Accumulated amortization and impairment	(69,925)	(28,253)	(75,603)	(24,800)	(97,865)	(48,524)	(344,970)
Net book value at December 31, 2018 (restated)	625,667	703,161	206,836	33,364	45,528	73,679	1,688,235

9. EXPLORATION AND EVALUATION ASSETS

In millions of tenge	**Tangible**	**Intangible**	**Total**
Net book value at January 1, 2018	406,329	45,453	451,782
Foreign currency translation	30,415	700	31,115
Change in estimate	25	–	25
Additions	48,767	1,249	50,016
Acquisition through business combinations	13,131	2,357	15,488
Disposals	(1,314)	(1,975)	(3,289)
Impairment	(96,180)	(11,566)	(107,746)
Impairment on disposals	957	5	962
Discontinued operations/transfer to assets classified as held for sale	(143)	(2,296)	(2,439)
Transfers from/(to) property, plant and equipment, net	(3,600)	(200)	(3,800)
Transfer from/(to) inventories, net	(258)	(8)	(266)
Net book value at December 31, 2018	398,129	33,719	431,848
Foreign currency translation	**(870)**	**–**	**(870)**
Change in estimate	**9**	**–**	**9**
Additions	**56,052**	**3,144**	**59,196**
Disposals	**(37,742)**	**(2,004)**	**(39,746)**
Impairment	**(99,267)**	**(5,522)**	**(104,789)**
Impairment on disposals	**33,159**	**507**	**33,666**
Transfers from/(to) property, plant and equipment, net	**(2,767)**	**(2,458)**	**(5,225)**
Transfers from/(to) intangible assets, net	**–**	**(1,800)**	**(1,800)**
Transfer from/(to) inventories, net	**(389)**	**(6)**	**(395)**
Other transfers and reclassifications	**(5,449)**	**5,449**	**–**
Net book value at December 31, 2019	**340,865**	**31,029**	**371,894**
Historical cost	**446,630**	**49,673**	**496,303**
Accumulated impairment	**(105,765)**	**(18,644)**	**(124,409)**
Net book value at December 31, 2019	**340,865**	**31,029**	**371,894**
Historical cost	505,851	56,251	562,102
Accumulated impairment	(107,722)	(22,532)	(130,254)
Net book value at December 31, 2018	398,129	33,719	431,848

As at December 31, 2019 and 2018 the exploration and evaluation assets are represented by the following projects:

In millions of tenge	**2019**	2018
Kashagan	**169,069**	215,138
Zhambyl	**58,293**	50,178
Embamunaigas	**41,337**	22,022
Urikhtau	**35,265**	30,469
KTG projects	**13,206**	11,840
Pearls	**–**	36,486
Other	**54,724**	65,715
	371,894	431,848

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

As at December 31 investments in joint ventures and associates comprised the following:

			2019		2018 (restated)	
In millions of tenge	**Main activity**	**Place of business**	**Carrying amount**	**Percentage ownership**	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**2,377,207**	**20.00%**	1,970,533	20.00%
Asia Gas Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	**168,086**	**50.00%**	–	50.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	**158,867**	**50.00%**	138,549	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	**101,766**	**50.00%**	34,411	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	**79,849**	**50.00%**	65,116	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**47,662**	**50.00%**	70,874	50.00%
Forum Muider B.V.	Coal production	Kazakhstan	**33,938**	**50.00%**	37,008	50.00%
AstanaGas KMG JSC	Gas pipeline construction	Kazakhstan	**33,813**	**50.00%**	43,883	50.00%
Other			**171,949**		208,277	
Total joint ventures			**3,173,137**		2,568,651	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	**459,091**	**29.82%**	483,723	29.82%
Caspian Pipeline Consortium JSC	Transportation of crude oil	Kazakhstan/ Russia	**359,173**	**20.75%**	289,586	20.75%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	**95,320**	**33.00%**	116,577	33.00%
JV KATCO LLP	Exploration, production, processing and export of uranium	Kazakhstan	**61,642**	**49.00%**	49,704	49.00%
Khan Tengri Holding B.V.	Telecommunication	Kazakhstan	**–**	**–**	76,071	51.00%
Other			**94,508**		117,139	
Total associates			**1,069,734**		1,132,800	
			4,242,871		3,701,451	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2019, reflecting equity method accounting adjustments:

In millions of tenge	Tengizchevroil LLP	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP	Ural Group Limited BVI	Forum Muider B.V.	AstanaGas KMG JSC
Joint ventures								
Non-current assets	16,276,184	1,395,615	433,949	482,553	10,176	218,689	96,927	286,803
Current assets, including	975,247	578,072	114,571	171,411	195,666	729	26,631	32,398
Cash and cash equivalents	45,128	136,318	16,091	11,918	83,674	714	5,241	32,394
Non-current liabilities, including	4,137,239	1,225,064	148,898	354,711	148	123,902	29,726	209,129
Non-current financial liabilities	2,563,353	1,050,532	49,553	342,836	–	94,532	26,253	202,864
Current liabilities, including	1,228,155	412,450	80,494	145,277	45,997	192	25,956	30,589
Current financial liabilities	44,762	379,633	400	119,557	–	–	3,204	–
Equity	11,886,037	336,173	319,128	153,976	159,697	95,324	67,876	79,483
Share of ownership	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Impairment	–	–	–	–	–	–	–	(9,474)
Consolidation adjustments	–	–	(697)	24,778	–	–	–	3,545
Carrying amount of investment as at December 31, 2019	2,377,207	168,086	158,867	101,766	79,849	47,662	33,938	33,813
Revenue	6,231,720	785,250	836,474	172,894	306,259	–	105,278	–
Depreciation, depletion and amortization	(874,694)	(74,734)	(70,250)	(16,028)	(280)	(13)	(6,885)	(10)
Finance income	9,428	9,674	159	–	2,384	–	372	106
Finance costs	(39,896)	(90,669)	(8,772)	(26,563)	–	(27,471)	(404)	(508)
Income tax expenses	(889,194)	(113,177)	(51,818)	–	(8,625)	(1,688)	(7,769)	–
Profit/(loss) for the year from continuing operations	2,074,701	428,204	165,766	112,387	30,311	(37,790)	24,620	(1,193)
Profit for the year from discontinued operations, net of income tax	–	–	–	–	–	–	–	–
Other comprehensive income/(loss)	(41,327)	–	485	–	(846)	(627)	(134)	–
Total comprehensive income/(loss)	2,033,374	428,204	166,251	112,387	29,465	(38,417)	24,486	(1,193)
Change in unrecognized share of losses	–	46,016	–	–	–	–	–	–
Dividends received	–	–	61,872	–	–	–	15,312	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2018, reflecting equity method accounting adjustments:

In millions of tenge	Tengizchevroil LLP	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP	Ural Group Limited BVI	Forum Muider B.V.	AstanaGas KMG JSC
Joint ventures								
Non-current assets	12,922,782	1,460,389	407,889	441,703	11,563	239,907	76,505	119,108
Current assets, including	1,057,016	548,679	72,748	198,892	141,406	216	26,797	48,776
Cash and cash equivalents	203,864	14,907	15,318	139,385	19,910	183	6,393	48,767
Non-current liabilities, including	2,780,571	1,710,805	125,106	496,648	133	98,145	12,978	85,425
Non-current financial liabilities	1,536,800	1,642,324	49,946	487,373	–	73,500	10,782	85,425
Current liabilities, including	1,346,564	390,294	77,576	104,498	22,604	230	16,309	1,783
Current financial liabilities	36,671	363,250	451	93,024	–	–	3,480	1,752
Equity	9,852,663	(92,031)	277,955	39,449	130,232	141,748	74,015	80,676
Share of ownership	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Accumulated unrecognized share of losses	–	46,016	–	–	–	–	–	–
Consolidation adjustments	–	–	(428)	14,686	–	–	–	3,545
Carrying amount of investment as at December 31, 2018	1,970,533	–	138,549	34,411	65,116	70,874	37,008	43,883
Revenue	5,941,474	766,661	839,356	150,793	244,346	1	122,984	–
Depreciation, depletion and amortization	(685,434)	(83,523)	(60,373)	(15,540)	(134)	(14)	(3,522)	–
Finance income	19,426	7,480	857	303	1,255	–	563	–
Finance costs	(136,761)	(100,922)	(8,006)	(28,277)	(377)	(9,031)	(717)	–
Income tax expenses	(941,034)	–	(56,904)	–	(13,163)	(1,788)	(7,565)	–
Profit/(loss) for the year from continuing operations	2,195,746	211,332	193,707	33,420	10,509	(37,645)	26,519	223
Profit for the year from discontinued operations, net of income tax	–	–	–	–	–	–	–	–
Other comprehensive income/(loss)	1,270,679	–	(319)	–	17,231	22,023	(194)	–
Total comprehensive income/(loss)	3,466,425	211,332	193,388	33,420	27,740	(15,622)	26,325	223
Change in unrecognized share of losses	–	105,666	–	–	–	–	–	–
Dividends received	64,671	–	–	–	14,181	–	8,086	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on IFRS financial statements of these entities for 2019, reflecting equity method accounting adjustments:

In millions of tenge	Kazzinc LLP	Caspian Pipeline Consortium JSC	PetroKazakhstan Inc. ("PKI")	JV KATCO LLP	Khan Tengri Holding B.V.
Associates					
Non-current assets	1,513,171	1,992,522	330,021	63,374	–
Current assets	422,595	99,635	55,086	96,384	–
Non-current liabilities	286,301	38,825	69,474	11,253	–
Current liabilities	110,028	499,392	26,785	7,961	–
Equity	1,539,437	1,553,940	288,848	140,544	–
Share of ownership	29.82%	20.75%	33.00%	49.00%	51.00%
Goodwill	–	36,730	–	68	–
Unrecognized gain on transactions with associates	–	–	–	(7,293)	–
Carrying amount of investment as at December 31, 2019	459,091	359,173	95,320	61,642	–
Revenue	1,099,241	867,450	131,688	78,298	67,183
Profit/(loss) for the year from continuing operations	172,955	341,538	(55,286)	33,638	11,310
Other comprehensive income/(loss)	–	(6,181)	(1,473)	–	–
Total comprehensive income/(loss)	172,955	335,357	(56,759)	33,638	11,310
Other	–	–	–	(4,545)	–
Dividends received	73,669	–	15,004	–	–

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on IFRS financial statements of these entities for 2018, reflecting equity method accounting adjustments:

In millions of tenge	Kazzinc LLP	Caspian Pipeline Consortium JSC	PetroKazakhstan Inc. ("PKI")	JV KATCO LLP	Khan Tengri Holding B.V.
Associates					
Non-current assets	1,656,829	2,147,362	410,710	62,657	155,087
Current assets	373,229	105,910	91,815	60,478	23,059
Non-current liabilities	310,018	350,304	45,218	9,778	104,124
Current liabilities	98,007	685,130	104,043	6,450	38,289
Equity	1,622,033	1,217,838	353,264	106,907	35,733
Share of ownership	29.82%	20.75%	33.00%	49.00%	51.00%
Goodwill	–	36,885	–	68	57,847
Unrecognized gain on transactions with associates	–	–	–	(2,749)	–
Carrying amount of investment as at December 31, 2018	483,723	289,586	116,577	49,704	76,071
Revenue	1,081,320	757,734	163,263	71,441	120,803
Profit/(loss) for the year from continuing operations	156,385	279,347	44,214	28,092	15,183
Other comprehensive income/(loss)	–	176,034	40,885	–	–
Total comprehensive income/(loss)	156,385	455,381	85,099	28,092	15,183
Other	–	–	–	2,565	–
Dividends received	67,312	–	24,914	–	–

All of the above joint ventures and associates are strategic for the Group's business.

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate aggregate financial information of individually insignificant joint ventures (the Group's proportional interest):

In millions of tenge	**2019**	2018 (restated)
Carrying amount of investments as at December 31	**171,949**	208,277
Net profit for the year from continuing operations	**121,528**	(171,048)
Profit for the year from discontinued operations, net of income tax	**–**	–
Other comprehensive income/(loss)	**(324)**	4,817
Total comprehensive income	**121,204**	(166,231)

The following tables illustrate aggregate financial information of individually insignificant associates (the Group's proportional interest):

In millions of tenge	**2019**	2018 (restated)
Carrying amount of investments as at December 31	**94,508**	117,139
Net profit for the year from continuing operations	**(20,041)**	17,296
Other comprehensive income	**–**	(152)
Total comprehensive income	**(20,041)**	17,144

In 2019 dividends received from individually insignificant joint ventures and associates were equal to 70,126 million tenge (2018: 71,335 million tenge).

The following table summarizes the movements in equity investments in joint ventures and associates in 2019 and 2018:

In millions of tenge	**2019**	2018 (restated)
Balance as at January 1	**3,701,451**	2,856,767
Effect on adoption of IFRS 9	**–**	(3,615)
Share in profit of joint ventures and associates, net *(Note 33)*	**914,757**	754,901
Dividends received	**(235,983)**	(250,499)
Change in dividends receivable	**11,028**	9,732
Adjustment of unrealized income*	**(7,043)**	17,071
Additional contributions without change in ownership	**9,765**	46,716
Refund of contributions without change in ownership	**–**	(93,239)
Acquisitions	**4,305**	20,392
Disposals	**(130,904)**	(80,092)
Transfers to/from assets classified as held for sale	**(18,671)**	23,076
Foreign currency translation	**(12,905)**	385,982
Other comprehensive income, other than foreign currency translation	**316**	3,843
(Impairment)/reversal of impairment *(Note 30)*	**(413)**	6,488
Discount on loans issued	**(4,003)**	653
Fair value of guarantees given	**–**	3,545
Other changes in equity of joint ventures and associates	**11,171**	(270)
Balance as at December 31	**4,242,871**	3,701,451

* *Equity method eliminations and adjustments of unrealized income from sale of inventory from a JV to a subsidiary and capitalized borrowing costs of the loans provided by the Company and subsidiaries to JVs.*

As at December 31, 2019, the Group's share in unrecognized losses of joint ventures and associates was equal to 34,359 million tenge (December 31, 2018: 96,994 million tenge).

11. LOANS ISSUED AND FINANCE LEASE RECEIVABLES

As at December 31, loans issued and finance lease receivables comprised the following:

In millions of tenge	**2019**	2018
Loans issued at amortized cost	**244,802**	324,463
Loans issued at FVPL	**214,396**	287,046
Finance lease receivables	**75,119**	45,244
Total loans and finance lease receivables	**534,317**	656,753
Less: allowance for expected credit losses	**(13,488)**	(23,821)
Loans issued and finance lease receivables, net	**520,829**	632,932
Less: current portion	**(150,273)**	(201,656)
Non-current portion	**370,556**	431,276

Movements in the loan allowance for expected credit losses for the years ended December 31 were as follows:

In millions of tenge	**2019**	2018
Allowance at January 1	**23,821**	16,368
Effect of adoption of IFRS 9	**–**	14,289
Change in estimates	**–**	14
Charged, net *(Note 30)*	**(8,924)**	(7,563)
Disposal of subsidiary	**–**	609
Write-off, net	**(1,402)**	(633)
Foreign exchange difference, net	**(7)**	737
Allowance at December 31	**13,488**	23,821

As at December 31 the components of finance lease receivables are as follows:

In millions of tenge	**2019**	2018
Within one year	**12,662**	7,048
Later than one year, but not later than five years	**47,585**	27,956
After five years	**57,567**	42,523
Lease payments	**117,814**	77,527
Less: unearned finance income	**(42,695)**	(32,283)
Net investment in finance leases	**75,119**	45,244

In millions of tenge	**2019**	2018
Loans issued and finance lease receivables in tenge	**294,237**	326,115
Loans issued in US dollars	**223,168**	304,081
Loans issued in other foreign currencies	**3,424**	2,736
	520,829	632,932

12. AMOUNTS DUE FROM CREDIT INSTITUTIONS

As at December 31 amounts due from credit institutions comprised the following:

In millions of tenge	**2019**	2018
Bank deposits	**643,857**	655,787
Loans to credit institutions	**127,393**	150,785
Less: allowance for expected credit losses	**(7,484)**	(6,600)
Amounts due from credit institutions, net	**763,766**	799,972
Less: current portion	**(593,974)**	(623,612)
Non-current portion	**169,792**	176,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

In millions of tenge	**2019**	2018
Rating from A+(A1) to A-(A3)	**207,078**	444,431
Rating from BBB-(Baa3) to BB-(Ba3)	**420,760**	211,250
Rating from B+(B1) to B-(B3)	**135,928**	144,291
	763,766	799,972

In millions of tenge	**2019**	**Weighted average interest rate**	2018	Weighted average interest rate
Amounts due from credit institutions, denominated in US dollars	**546,639**	**1.06%**	541,913	2.44%
Amounts due from credit institutions, denominated in tenge	**217,117**	**5.86%**	255,151	4.85%
Amounts due from credit institutions, denominated in other currencies	**10**	**4%**	2,908	0.33%
	763,766		799,972	

As at December 31, 2019 amounts due from credit institutions included funds of 15,062 million tenge pledged as collateral for certain Group's borrowings (December 31, 2018: 13,806 million tenge).

13. OTHER FINANCIAL ASSETS

As at December 31 other financial assets comprised the following:

In millions of tenge	**2019**	2018
Financial assets at FVOCI, including	**52,984**	14,532
Bonds of Kazakhstani financial institutions	**35,268**	1,370
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**11,475**	11,905
Treasury notes of foreign governments	**4,965**	–
Corporate bonds	**1,214**	1,201
Equity securities	**62**	56
Financial assets at amortized cost, including	**310,326**	281,693
Bonds of Kazakhstani financial institutions	**210,161**	197,179
Corporate bonds	**101,885**	93,186
Notes of the National Bank of the Republic of Kazakhstan	**7,460**	–
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1,676**	–
Less: allowance for expected credit losses	**(10,856)**	(8,672)
Financial assets at FVPL, including	**47,604**	52,406
Equity securities	**27,754**	23,451
Note receivable from shareholder of joint venture	**13,627**	16,599
Corporate bonds	**4,006**	6,812
Forward and futures contracts	**952**	3,129
Bonds of Kazakhstani financial institutions	**722**	694
Options	**543**	1,721
Total financial assets	**410,914**	348,631
Less: current portion	**(74,669)**	(57,257)
Non-current portion	**336,245**	291,374

13. OTHER FINANCIAL ASSETS (continued)

As at December 31 other financial assets by currency, except for derivatives, comprised:

In millions of tenge	**2019**	2018
Financial assets, denominated in tenge	**341,777**	327,122
Financial assets, denominated in US dollars	**67,642**	16,659
	409,419	343,781

14. OTHER NON-CURRENT ASSETS

As at December 31 other non-current assets comprised the following:

In millions of tenge	**2019**	2018 (restated)
Advances paid for non-current assets	**434,486**	278,365
Long-term VAT receivable	**235,573**	192,077
Restricted cash	**98,188**	105,747
Long-term inventories	**24,024**	15,574
Prepaid expenses	**14,507**	16,404
Long-term receivables	**14,497**	38,171
Other	**40,067**	49,963
Less: impairment allowance	**(92,669)**	(67,762)
	768,673	628,539

15. INVENTORIES

As at December 31 inventories comprised the following:

In millions of tenge	**2019**	2018 (restated)
Uranium products	**169,367**	128,874
Goods for resale	**70,604**	48,450
Production materials and supplies	**61,707**	56,371
Crude oil	**61,100**	43,293
Oil refined products for sale	**53,943**	98,059
Gas processed products	**52,566**	57,762
Work in progress	**44,913**	39,400
Oil and gas industry materials and supplies	**35,744**	33,691
Railway industry materials and supplies	**21,485**	20,881
Fuel	**17,523**	16,377
Aircraft spare parts	**11,504**	10,827
Electric transmission equipment spare parts	**2,803**	1,917
Telecommunication equipment spare parts	**2,100**	2,344
Uranium industry materials and supplies	**1,137**	1,456
Other materials and supplies	**47,956**	52,161
	654,452	611,863

16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As at December 31 trade accounts receivable comprised the following:

In millions of tenge	**2019**	2018
Trade accounts receivable	**666,464**	804,834
Less: allowance for expected credit losses	**(46,076)**	(56,961)
	620,388	747,873

16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)

As at December 31 other current assets comprised the following:

In millions of tenge	**2019**	2018
Advances paid and deferred expenses	**195,205**	152,970
Other accounts receivable	**109,307**	149,407
Other prepaid taxes	**97,818**	70,802
Restricted cash	**53,262**	77,270
Dividends receivable	**12,708**	24,986
Amounts due from employees	**4,928**	5,105
Non-financial assets for distribution to the Shareholder	**–**	14,505
Other non-financial current assets	**20,136**	13,247
Other financial current assets	**9,907**	8,416
Less: impairment allowance	**(107,105)**	(103,611)
	396,166	413,097

At December 31, 2019 the Group's receivables of 71,401 million tenge were pledged under certain Group borrowings (December 31, 2018: 61,325 million tenge).

Movements in the allowance for expected credit losses for trade accounts receivable for the years ended December 31 were as follows:

In millions of tenge	**2019**	2018
Allowance at January 1	**56,961**	70,751
Effect of adoption of IFRS 9	**–**	(2,611)
Charged, net	**11,571**	4,376
Foreign exchange difference, net	**(918)**	4,687
Change in estimate	**(188)**	17
Transfers to assets classified as held for sale	**(643)**	1,496
Write-off, net	**(20,707)**	(21,755)
Allowance at December 31	**46,076**	56,961

Movements in the impairment allowance for other current assets for the years ended December 31 were as follows:

In millions of tenge	**2019**	2018
Allowance at January 1	**103,611**	125,937
Effect of adoption of IFRS 9	**–**	2,425
Charged, net	**17,361**	13,182
Foreign exchange difference, net	**(224)**	6,448
Change in estimate	**(5,153)**	(155)
Transfers to assets classified as held for sale	**4,335**	(1,123)
Write-off, net	**(12,825)**	(43,103)
Allowance at December 31	**107,105**	103,611

At December 31, 2019 313 million tenge of the Group's receivables were interest bearing (December 31, 2018: 9,814 million tenge). As December 31, 2019 the weighted average interest rate was 11.16% (December 31, 2018: 11.72%).

As at December 31 the ageing analysis of trade accounts receivable is as follows:

		Neither past due nor	**Past due but not impaired**				
In millions of tenge	**Total**	**impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
2019	**620,388**	**552,830**	**33,258**	**9,892**	**4,324**	**6,823**	**13,261**
2018	747,873	646,689	60,069	9,413	8,782	5,932	16,988

17. CASH AND CASH EQUIVALENTS

As at December 31 cash and cash equivalents comprised the following:

In millions of tenge	**2019**	2018 (restated)
Current accounts with banks – US dollars	**1,116,492**	998,733
Current accounts with banks – tenge	**215,008**	240,424
Current accounts with banks – other currency	**33,392**	21,232
Bank deposits – US dollars	**199,949**	853,482
Bank deposits – tenge	**379,212**	301,234
Bank deposits – other currency	**6,450**	3,779
Cash in transit	**23,555**	12,934
Cash on hand	**9,821**	10,431
Reverse repurchase agreements with other banks with contractual maturity of three months or less	**10,735**	46,011
Less: allowance for expected credit losses	**(652)**	(707)
	1,993,962	2,487,553

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at December 31, 2019 the weighted average interest rates for short-term bank deposits and current accounts were 6.02% and 0.87%, respectively (December 31, 2018: 4.0% and 0.6%, respectively).

18. EQUITY

18.1 Share capital

During 2019 and 2018 the Fund issued common shares, which were paid as follows:

Payment for shares	**Number of shares authorized and issued**	**Par value per share, in tenge**	**Share capital in millions of tenge**
As of December 31, 2017	3,481,938,318		5,133,476
Property contributions	1,000	290,037	290
As of December 31, 2018	3,481,939,318		5,133,766
Cash contributions	**3,500**	**10,000,000; 70,196,400**	**95,196**
Property contributions	**14,951**	**10,000**	**150**
As of December 31, 2019	**3,481,957,769**		**5,229,112**

As at December 31, 2019 3,481,957,769 shares of the Fund were fully paid.

Cash contributions

In 2019 the Shareholder made cash contributions to the Fund's share capital of 95,196 million tenge. These amounts were aimed to finance subsidiaries of the Group.

Property contributions

On June 28, 2019 the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan contributed property of 150 million tenge to the Fund's share capital. This property was transferred to the charter capital of subsidiary National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh").

On December 29, 2018 the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan contributed property of 290 million tenge to the Fund's share capital.

18.2 Dividends

Dividends attributable to equity holder of the Parent

In 2019 the Fund declared and paid dividends to the Shareholder of 63,750 million tenge based on financial results for 2018 according to the Resolution of the Government dated December 24, 2019.

18. EQUITY (continued)

18.2 Dividends (continued)

Dividends attributable to non-controlling interest

During 2019 the Group declared dividends of 53,212 million tenge to the holders of non-controlling interest in National Company "KazMunayGas" JSC ("NC KMG") group, Kazakhtelecom JSC ("KTC"), NAC KAP and Kazakhstan Electricity Grid Operating Company JSC ("KEGOC").

18.3 Other transactions with the Shareholder

As part of the contract of sale of bonds of Baiterek National Managing Holding JSC, on January 17, 2019 the next tranche was issued in the amount of 5,751 million tenge. The maturity of bonds is up to 2026 with a coupon rate of 0.15%. Since the funds were provided for the purposes of housing construction and completion of construction of problem housing facilities of Nur-Sultan city within the framework of "Nurly Zher" state program, approved by the Resolution of the Government of the Republic of Kazakhstan on June 22, 2018, the difference between the nominal value and the fair value of 2,501 million tenge was recognized as Other transactions with the Shareholder in the consolidated statement of changes in equity.

18.4 Other distributions to the Shareholder

Social projects financing

In 2019, in accordance with the Shareholder's resolutions, the Fund recognized liabilities for financing of various social projects for total amount of 36,263 million tenge. These liabilities were recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

Financing construction of social facilities

In 2019, in accordance with the Shareholder's resolution, the Group recognized liabilities for future financing of the construction of Kazakh drama theatre in Nur-Sultan city of 26,289 million tenge. This financing was recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

In 2019, the Group recognized liabilities for financing of restoration of damaged social facilities in Arys city of 7,000 million tenge. This financing was recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

In 2019 the Group recognized liabilities for financing the construction of social facilities located in the Turkestan city as part of the socio-economic development of the Turkestan region in the amount of 1,773 million tenge. This financing was recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

18.5 Transfer of assets to the Shareholder

Transfer of shares of Chemical Park

In April 2019 in accordance with the Resolution of the Government of Republic of Kazakhstan dated March 26, 2019 the Group transferred 90% shares of Chemical Park with the net assets of 7,906 million tenge to the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan. This transaction was recognized as distribution to the Shareholder in consolidated statement of changes in equity *(Note 6)*.

Transfer of shares of MAEK-Kazatomprom LLP to the Shareholder

On December 4, 2019 in accordance with the Resolution of the Government of Republic of Kazakhstan dated November 14, 2019 the Fund transferred controlling shares of MAEK-Kazatomprom LLP to the State property and privatization committee of the Ministry of Finance of the Republic of Kazakhstan with net assets of 21,626 million tenge *(Note 6)*.

Transfer of shares of "Aktobe International Airport" JSC, "Pavlodar Airport" JSC and "Atyrau International Airport" JSC to the Shareholder

On September 10, 2019 in accordance with the Resolution of the Government of Republic of Kazakhstan dated July 31, 2019 the Fund transferred controlling shares of three airports, Aktobe International Airport JSC, Pavlodar Airport JSC and Atyrau International Airport JSC, to the Akimat of Aktobe, Pavlodar and Atyrau regions with net assets of 9,810 million tenge *(Note 6)*.

18. EQUITY (continued)

18.6 Discount on loans from the Government

In 2019 the Group made partial early repayment of bonds in the amount of 53,662 million tenge purchased by the National Bank using the funds of the National Fund. Due to the early redemption of obligations due to the National Bank of the Republic of Kazakhstan, the Group recognized the decrease in discount on loans from the Government of 21,064 million tenge in consolidated statement of changes in equity.

In addition in 2019 the Group recognized dicount on loans received at interest rates below market rate in the amount of 26,171 million tenge in consolidated statement of changes in equity.

18.7 Change in ownership interests of subsidiaries – sale of non-controlling interest

National Atomic Company "Kazatomprom" JSC

As part of the Comprehensive Privatization Plan for 2016-2020, on September 26, 2019 the Fund additionally placed 3.8% shares of NAC KAP on international stock exchanges of Nur-Sultan (AIX) and London (LSE) by accelerated collection of bids. The offer price was determined at 13 US dollars per GDR.

As a result of share issue, the Group received proceeds of 49,700 million tenge, net of transaction costs of 812 million tenge, non-controlling interest increased by 35,078 million tenge, and the difference of 13,810 million tenge was recognized as an increase in retained earnings.

18.8 Non-controlling interest

The following tables illustrate information of subsidiaries in which there is significant non-controlling interests:

	Non-controlling interest			
	2019		2018	
	Share	**Carrying amount**	Share	Carrying amount
NC KazMunayGas JSC	**9.58%**	**819,830**	9.57%	756,369
NAC Kazatomprom JSC	**18.80%**	**439,870**	15.00%	299,472
Kazakhtelecom JSC	**47.97%**	**240,512**	47.97%	216,595
KEGOC JSC	**10.00% – 1**	**23,989**	10.00% – 1	21,484
Air Astana JSC	**49.00%**	**19,343**	49.00%	16,689
Other		**90,503**		96,543
		1,634,047		1,407,152

All significant subsidiaries with non-controlling interest are registered in Kazakhstan.

18. EQUITY (continued)

18.8 Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries, in which there are significant non-controlling interests as at December 31, 2019 and for the year then ended:

In millions of tenge	NC KazMunay-Gas JSC	Kazakhtelecom JSC	Kazatomprom NAC JSC	KEGOC JSC	Air Astana JSC
Summarized statement of financial position					
Non-current assets	11,442,004	930,514	1,176,113	356,741	249,039
Current assets	2,639,911	148,536	498,020	97,812	130,718
Non-current liabilities	4,446,817	467,709	246,885	170,330	217,903
Current liabilities	1,438,442	148,475	185,094	44,341	122,378
Total equity	8,196,656	462,866	1,242,154	239,882	39,476
Attributable to:					
Equity holder of the Parent	7,376,826	222,354	802,284	215,893	20,133
Non-controlling interest	819,830	240,512	439,870	23,989	19,343
Summarized statement of comprehensive income					
Profit for the year from continuing operations	1,158,451	60,345	213,749	56,647	11,495
Profit for the year from discontinued operations	6	–	–	–	–
Other comprehensive (loss)/income	(37,622)	(1,145)	1,573	–	3,306
Total comprehensive income for the year, net of tax	1,120,835	59,200	215,322	56,647	14,801
Attributable to:					
Equity holder of the Parent	1,159,447	55,941	191,580	56,647	14,801
Non-controlling interest	(38,612)	3,259	23,742	–	–
Dividends declared to non-controlling interest	(7,681)	(5,658)	(35,935)	(3,164)	–
Summarised cash flow information					
Operating activity	123,801	141,122	159,529	69,698	49,382
Investing activity	(319,562)	(252,293)	(28,271)	(25,305)	4,328
Financing activity	(270,371)	138,557	(159,103)	(42,210)	(36,851)
Net increase/(decrease) in cash and cash equivalents	(466,132)	27,386	(27,845)	2,183	16,859

18. EQUITY (continued)

18.8 Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries, in which there are significant non-controlling interests as at December 31, 2018 and for the year then ended:

In millions of tenge	NC KazMunay-Gas JSC	Kazakhtelecom JSC	Kazatomprom NAC JSC	KEGOC JSC	Air Astana JSC
Summarized statement of financial position					
Non-current assets	10,748,329	662,364	1,019,146	375,775	113,347
Current assets	3,266,951	129,604	462,965	57,769	109,708
Non-current liabilities	5,064,056	216,353	154,276	172,506	116,744
Current liabilities	1,808,156	160,834	283,375	46,198	72,251
Total equity	7,143,068	414,781	1,044,460	214,840	34,060
Attributable to:					
Equity holder of the Parent	6,386,699	198,186	744,988	193,356	17,371
Non-controlling interest	756,369	216,595	299,472	21,484	16,689
Summarized statement of comprehensive income					
(Loss)/profit for the year from continuing operations	694,699	42,883	423,584	48,842	1,845
Profit for the year from discontinued operations	–	–	1,104	–	–
Other comprehensive (loss)/income	474,817	(2,521)	(6,688)	–	7,387
Total comprehensive income for the year, net of tax	1,169,516	40,362	418,000	48,842	9,232
Attributable to:					
Equity holder of the Parent	1,162,195	40,546	411,065	48,842	9,232
Non-controlling interest	7,321	(184)	6,935	–	–
Dividends paid to non-controlling interest	(9,796)	(8,612)	(635)	(3,137)	(1,884)
Summarised cash flow information					
Operating activity	453,990	66,351	58,327	64,314	23,662
Investing activity	1,151,140	(120,277)	(40,279)	(52,390)	(6,548)
Financing activity	(1,505,257)	77,277	(139,272)	(40,586)	(21,254)
Net increase/(decrease) in cash and cash equivalents	99,873	23,351	(121,224)	(28,662)	(4,140)

18. EQUITY (continued)

18.9 Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in the consolidated financial statements. In 2019 foreign translation difference amounted to 51,501 million tenge.

Certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in the foreign operations. As at December 31, 2019 unrealized foreign currency gain of 17,245 million tenge resulting from translation of these borrowings were transferred to currency translation reserve recognized in other comprehensive income.

18.10 Hedge reserve

NC KTZh

Hedge reserve includes the effect of cash flow hedge accounting to record any fair value gains or losses on the instruments in a hedge reserve in respect of foreign currency revenue proceeds. These gains or losses are subsequently recycled to the profit and loss as transactions are settled.

As at December 31, 2019 the hedge accounting, where the hedging instrument was Eurobonds payable on June 20, 2019 was discontinued due to receipt revenue from freight transportation in international (transit) routes, which was the cash flow hedging item, and accordingly, the cumulative loss attributable to this hedging instrument has been reclassified from other comprehensive loss to freight transportation revenue in the amount of 19,005 million tenge.

In 2015 NC KTZh entered into a cash flow hedge with Eurobonds denominated in Swiss francs ("CHF") and maturing in 2019 and 2022, to reduce the risk of changes in sales revenue from transit, expressed in CHF. As at December 31, 2019 hedge loss attributable to equity holders of the Parent is 26 million tenge.

Air Astana JSC

In 2015 Air Astana entered into a cash flow hedge with finance lease obligations denominated in US dollars, to reduce the risk of changes in sales revenue expressed in US dollars. In connection with the transition of the functional currency to US dollar, this hedge ceased to be economically effective from December 31, 2017.

As a result of the change, the hedge relationship has been discontinued so that starting from January 1, 2018 no further foreign currency translation gains or losses are transferred from profit or loss to hedge reserve, and the hedge reserve recognized in equity as at December 31, 2019 shall remain in equity until the forecasted revenue cash flows are received.

During 2019 amount reclassified from the hedging reserve to foreign exchange loss from inception of the hedge was 4,270 million tenge before tax of 753 million tenge. Hedge income attributable to non-controlling interest comprised 2,092 million tenge.

18.11 Other capital reserves

Other capital reserves include mainly remuneration of employees for the services rendered in the form of share-based payments with equity instruments of a subsidiary in which they are employed. The cost of equity-settled remunerations is recognized, together with a corresponding increase in other capital reserves, over the period in which performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

18. EQUITY (continued)

18.12 Book value per share

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

In millions of tenge	**2019**	2018 (restated)
Total assets	**26,405,096**	25,744,925
Less: intangible assets	**(2,000,417)**	(1,688,235)
Less: total liabilities	**(12,067,620)**	(12,791,650)
Net assets for common shares	**12,337,059**	11,265,040
Number of common shares as at December 31	**3,481,957,769**	3,481,939,318
Book value per common share, tenge	**3,543**	3,235
Earnings per share		
Weighted average number of common shares for basic and diluted earnings per share	**3,481,948,779**	3,481,938,345
Basic and diluted share in net profit for the period	**357.00**	342.43
Basic and diluted share in net profit/(loss) from continuing operations	**357.00**	343.45

19. BORROWINGS

As at December 31 borrowings, including interest payable, comprised the following:

In millions of tenge	**2019**	2018
Fixed interest rate borrowings	**5,519,465**	5,053,961
Floating interest rate borrowings	**1,321,928**	1,798,814
	6,841,393	6,852,775
Less: amounts due for settlement within 12 months	**(737,950)**	(817,319)
Amounts due for settlement after 12 months	**6,103,443**	6,035,456

In millions of tenge	**2019**	2018
US dollar-denominated borrowings	**4,694,855**	5,369,190
Tenge-denominated borrowings	**1,758,863**	1,116,301
Other currency-denominated borrowings	**387,675**	367,284
	6,841,393	6,852,775

Under the terms of some loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. The Group reviews compliance with all the Group loan covenants at each reporting date.

As of December 31, 2019 the Group complied with all financial and non-financial covenants under other loan agreements.

19. BORROWINGS (continued)

Changes in borrowings are as follows:

In millions of tenge	**2019***	2018
January 1, 2019	**6,852,775**	7,054,267
Received by cash	**1,391,993**	1,843,437
Interest accrued	**353,805**	379,168
Discount	**(42,355)**	(5,727)
Purchase of property plant and equipment financed by borrowings	**50,648**	34,271
Interest capitalized	**24,679**	43,100
Interest paid	**(426,079)**	(430,708)
Discontinued operations/transfer to assets classified as held for sale	**–**	(22,758)
Repayment of principal	**(1,471,115)**	(3,010,630)
Amortization of discount	**33,822**	37,132
Write-off of borrowings (*Note 32*)	**(111,476)**	(53,714)
Business combination	**119,464**	107,506
Finance costs for the early redemption of bonds *(Note 31)*	**45,236**	89,612
Foreign currency translation	**(15,408)**	799,007
Other	**35,404**	(11,188)
December 31, 2019	**6,841,393**	6,852,775

* *Cash proceeds and repayments of certain borrowings obtained by the Fund's Corporate Center are included within cash flows from operating activities because these borrowings are part of the Fund's main activity of assets management. These borrowings were not included within changes in financial liabilities.*

Bonds issuance and repayment

In April, 2019, the Group made early redemption of Eurobonds with maturity date of 2044 for 31 million US dollars (equivalent to 11,909 million tenge at the date of payment), including premium, coupon payments and consent fee.

During the year ended December 31, 2019 the Group made redemption of the bonds held by DBK (Bonds KASE 2009 with a number of 16 million bonds) for 43,868 million tenge, including accrued interest.

On May 31, 2019 the Group issued bonds on the Swiss Stock Exchange in the amount of 80,000,000 Swiss francs with a coupon rate of 3.25% per annum and maturity date on December 5, 2023 in order to redeem 2014 Eurobonds amounted to 100,000,000 Swiss francs with maturity on June 20, 2019.

On September 12, 2019 the Group issued bonds on the Kazakhstan Stock Exchange (KASE) of 40,000 million tenge with a coupon rate of 11.5% per annum and maturity date on September 12, 2034.

On October 3, 2019 the Group issued bonds on the Kazakhstan Stock Exchange (KASE) of 300,000 million tenge with a coupon rate of 11.5% per annum and maturity date on October 3, 2034.

In November 2019, the Group performed early redemption of the 2017 bonds of 780,000 thousand US dollars. Total amount of payments amounted to 897,310 thousand US dollars (equivalent to 347,360 million tenge), including accrued interest of 428 thousand US dollars (equivalent to 165 million tenge), premium for early repayment of 116,240 thousand US dollars (equivalent to 44,988 million tenge) and early repayment commission of 642 thousand US dollars (equivalent to 248 million tenge). The Group recognized the premium and early repayment commission as a financial expense *(Note 31*).

Other borrowings

In December 2019, the Group received a long-term loan from DBK of 32,938 million tenge with a 7.99% nominal interest rate and maturity of 7 years to finance the oil processing plant modernisation.

During the year ended December 31, 2019 the Group made an additional redemption of borrowings from DBK for 77,182 million tenge.

In 2019, the Group derecognized a loan from partners of the Pearl project for the total amount of 110,930 million tenge, including an interest of 3,543 million tenge, since the partners of the Pearls project decided not to submit the Development plan, and agreed to voluntarily relinquish the contract area under the Pearls PSA *(Note 32)*.

19. BORROWINGS (continued)

Other borrowings (continued)

As at December 31 the carrying amount of borrowings of the Fund and the Group subsidiaries is presented below:

In millions of tenge	**2019**	2018
NC KMG and its subsidiaries	**3,777,706**	4,149,123
NC KTZh and its subsidiaries	**1,362,486**	1,272,129
The Fund	**536,088**	535,712
UCC and its subsidiaries	**277,685**	183,156
Kazakhtelecom and its subsidiaries	**263,782**	91,991
Samruk-Energy and its subsidiaries	**205,063**	248,069
NAC KAP and its subsidiaries	**159,964**	199,690
KEGOC and its subsidiaries	**150,326**	162,059
EGRES-2	**94,088**	–
Other subsidiaries of the Fund	**14,205**	10,846
Total borrowings	**6,841,393**	6,852,775

20. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

As at December 31 loans from the Government of the Republic of Kazakhstan comprised the following:

In millions of tenge	**2019**	2018
Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund	**578,001**	588,226
Loans from the Government of the Republic of Kazakhstan	**49,559**	65,180
	627,560	653,406
Less: amounts due for settlement within 12 months	**(5,238)**	(22,973)
Amounts due for settlement after 12 months	**622,322**	630,433

Bonds, purchased by the National Bank of the Republic of Kazakhstan

In accordance with the Rules on proceeds to the National Fund of the Republic of Kazakhstan from transfer of assets of national managing holdings, national holdings, national companies and their subsidiaries, affiliates and other legal entities affiliated with them to the competitive environment approved by the Resolution of the Government of the Republic of Kazakhstan No. 323 dated June 4, 2018, funds received from sale of national assets can be used for redemption of Fund's liabilities due to the National Fund.

In this regard, in 2019, in accordance with the adopted corporate decisions of the Fund, a partial early repayment of bonds at par value in the amount of 53,662 million tenge was carried out within the eleventh issue of the Fund's bonds purchased by the National Bank of the Republic of Kazakhstan. In this regard, the Fund recognized depreciation of the discount on loans from the Government in the amount of 21,064 million tenge in a consolidated statement of changes in equity.

21. PREPAYMENT ON OIL SUPPLY AGREEMENT

NC KMG

In 2016, the Group entered into long-term crude oil and liquefied petroleum gas ("LPG") supply agreement, which involves a prepayment. These prepayments for oil represent contract liability and were accounted for in accordance with IFRS 15. The agreement stipulated pricing calculation with reference to market quotes and prepayments were settled through physical deliveries of crude oil and LPG. The total minimum delivery volume approximates 38.4 million tons of crude oil and 1.25 million ton of LPG in the period from the date of the contract to June and August 2021.

The Group accrued interest for 19,541 million tenge (2018: 35,868 million tenge) *(Note 31)*.

The Group fully settled the prepayment via oil delivery on November 29, 2019.

21. PREPAYMENT ON OIL SUPPLY AGREEMENT (continued)

KMG Kashagan B.V.

In 2018, KMG Kashagan B.V. signed the second supplementary agreement to the crude oil supply agreement entered into in 2016. Under the terms of the supplementary agreement, the term of oil supplies were extended until December 2025, accordingly the minimum volume of oil from the Kashagan field increased to 16.6 million tons.

The Agreement stipulates price determination on the basis of current market quotations and prepayment is reimbursed by means of physical supply of crude oil.

In accordance with the terms of the agreement, supply of oil started from January 2017. The KMG Kashagan B.V. considers this agreement as a contract, which was signed for the purpose of delivery of non-financial items in accordance with the Company's expectations and sale requirements.

During 2019, KMG Kashagan B.V. delivered crude oil for total amount of 1,104 million US dollars of 2,336,746 tons according to the delivery schedule.

The total amount of accrued remuneration for the 12 months of 2019 was 33,103 million tenge (2018: 31,666 million tenge) *(Note 31)*. Payment of remuneration shall be made in kind with crude oil.

As at December 31, 2019, the current portion of the advance payment under the crude oil supply agreement amounted to 158,162 million tenge (December 31, 2018: 527,402 million tenge). The non-current portion of the advance payment under the crude oil supply agreement was 357,902 million tenge (December 31, 2018: 1,153,761 million tenge).

In accordance with the terms of agreement, KMG Kashagan B.V. must ensure the supplied volume of crude oil is unencumbered.

Prepayment on oil supply agreement is recognized as a contract liability to customers in accordance with IFRS 15.

22. LEASE LIABILITIES

The Group has leases for various items of property, plant and equipment, mainly aircraft.

During 2012-2014 Air Astana JSC ("Air Astana"), subsidiary of the Group, acquired 10 (ten) aircraft under fixed interest lease agreements. The lease term for each aircraft is 12 (twelve) years. Air Astana has the option to purchase each aircraft for a nominal amount at the end of the lease.

Loans provided by financial institutions to the lessor in respect of 6 (six) new Airbus were guaranteed by European Export Credit Agencies, 3 (three) Boeing 767 aircraft were guaranteed by US Export Import Bank and 2 (two) Embraer aircrafts were guaranteed by Brazilian Development Bank. Air Astana pledged the leased assets with carrying amount of 210,209 million tenge to secure lease liabilities (December 31, 2018: 76,354 million tenge).

The Group's leases are subject to certain covenants. These covenants impose restrictions in respect of certain transactions, including, but not limited to restrictions in respect of indebtedness. These requirements have been met during 2019 and 2018.

As at December 31, 2019 interest calculation was based on effective interest rates ranging from 4.7% to 14.0% (December 31, 2018: from 2.0% to 14.6%).

As at December 31 future minimum lease payments under leases together with the present value of the net minimum lease payments comprised the following:

	Minimum lease payments		Present value of minimum lease payments	
In millions of tenge	**2019**	2018	**2019**	2018
Within one year	**101,784**	31,666	**84,138**	25,853
Two to five years inclusive	**293,864**	102,955	**236,087**	90,430
After five years	**146,158**	52,591	**103,942**	40,210
	541,806	187,212	**424,167**	156,493
Less: amounts representing finance costs	**(117,639)**	(30,719)	**–**	–
Present value of minimum lease payments	**424,167**	156,493	**424,167**	156,493
Less: amounts due for settlement within 12 months			**(84,138)**	(25,853)
Amounts due for settlement after 12 months			**340,029**	130,640

22. LEASE LIABILITIES (continued)

The Air Astana lease obligations are denominated in US dollars.

Changes in lease liabilities are as follows:

In millions of tenge	**2019**	2018
January 1, 2019	**156,493**	139,846
Effect of adoption of IFRS 16 *(Note 3)*	**237,122**	–
Interest paid	**(18,931)**	(5,623)
Transfer to assets classified as held for sale	**(110)**	(492)
Repayment of principal	**(102,165)**	(19,335)
Interest accrued	**27,760**	6,135
Business combination	**23,879**	–
Foreign currency translation	**(1,655)**	16,267
Additions of leases	**107,046**	17,050
Other	**(5,272)**	2,645
December 31, 2019	**424,167**	156,493

23. PROVISIONS

As at December 31 provisions comprised the following:

In millions of tenge	**Asset retirement obligations**	**Provision for environ-mental remediation**	**Provision for taxes**	**Provision for construction of social objects**	**Other**	**Total**
Provision at January 1, 2018	158,811	60,761	28,156	38,044	77,480	363,252
Foreign currency translation	6,474	5,492	10	–	7,643	19,619
Additions through business combinations	4,820	–	–	–	–	4,820
Transfer to liabilities associated with assets classified as held for sale	(333)	–	(474)	–	(175)	(982)
Change in estimate	(1,619)	697	(1,861)	–	5,516	2,733
Unwinding of discount	13,626	2,483	–	–	192	16,301
Provision for the year	773	–	18,445	–	56,919	76,137
Use of provision	(745)	(3,319)	(25,802)	(4,374)	(20,996)	(55,236)
Reversal of unused amounts	(354)	(46)	–	–	(5,328)	(5,728)
Provision at December 31, 2018	181,453	66,068	18,474	33,670	121,251	420,916
Effect of adoption of IFRS 16 *(Note 3)*	**–**	**–**	**–**	**–**	**348**	**348**
Foreign currency translation	**(236)**	**(168)**	**(13)**	**–**	**(216)**	**(633)**
Additions through business combinations	**5,239**	**478**	**–**	**–**	**584**	**6,301**
Transfer to liabilities associated with assets classified as held for sale	**(42)**	**–**	**–**	**–**	**–**	**(42)**
Change in estimate	**56,731**	**264**	**2,342**	**–**	**(4,602)**	**54,735**
Unwinding of discount	**15,091**	**3,872**	**–**	**–**	**171**	**19,134**
Provision for the year	**6,432**	**2,888**	**4,393**	**1,727**	**52,678**	**68,118**
Use of provision	**(3,812)**	**(4,571)**	**(1,147)**	**(30,493)**	**(28,005)**	**(68,028)**
Reversal of unused amounts	**(208)**	**(4,490)**	**(5,865)**	**–**	**(20,056)**	**(30,619)**
Provision at December 31, 2019	**260,648**	**64,341**	**18,184**	**4,904**	**122,153**	**470,230**

23. PROVISIONS (continued)

Current portion and non-current portion of provisions are presented as follows:

In millions of tenge	Asset retirement obligations	Provision for environ-mental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Current portion	2,220	6,199	18,474	33,670	91,230	151,793
Non-current portion	179,233	59,869	–	–	30,021	269,123
Provision at December 31, 2018	181,453	66,068	18,474	33,670	121,251	420,916
Current portion	**1,931**	**7,825**	**18,184**	**4,904**	**86,523**	**119,367**
Non-current portion	**258,717**	**56,516**	**–**	**–**	**35,630**	**350,863**
Provision at December 31, 2019	**260,648**	**64,341**	**18,184**	**4,904**	**122,153**	**470,230**

Other provisions as at December 31, 2019 included provisions for aircraft maintenance for the amount of 34,916 million tenge (December 31, 2018: 33,516 million tenge), gas transportation provision of 27,965 million tenge (December 31, 2018: 28,083 million tenge), provision of 4,585 million tenge *(Note 38*) by results of an environmental audit of Embamunaigas JSC (December 31, 2018: 26,070 million tenge) and provision of 34,132 million tenge by results of litigations with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP (2018: nil) *(Note 38*).

24. EMPLOYEE BENEFIT LIABILITY

State contribution scheme

The Group pays social tax according to the current statutory requirements in the Republic of Kazakhstan. Social tax and payroll are expensed as incurred.

In addition to that, the Group also withholds and contributes up to 10% limit on pension contributions, from salaries of its employees as the employee contribution to their cumulative pension funds. These amounts are expensed in the period they are incurred.

Defined benefit plan

Employee benefit liabilities under various plans are payable in accordance with collective agreements concluded between certain subsidiaries of the Group (NC KMG, NC KTZh, Kazakhtelecom JSC, Samruk-Energy JSC, NAC KAP and Kazpost JSC) and employees of those subsidiaries represented by their labor unions.

As at December 31 total liability under the Group's defined benefit plan comprised the following:

In millions of tenge	2019	2018 (restated)
Present value of defined benefit obligation	**124,823**	101,521
Liability falling due within one year	**(12,983)**	(7,278)
Liability falling due after one year	**111,840**	94,243

A reconciliation of the present value of the defined benefit plan liability with specified payments for the years ended December 31 is as follows:

In millions of tenge	2019	2018 (restated)
Total liability at the beginning of the year	**101,521**	88,055
Actuarial loss recognized during the period in other comprehensive income	**7,667**	7,577
Interest cost	**8,019**	7,405
Current service cost	**4,900**	4,407
Past service cost	**8,760**	2,470
Transfer to assets held for sale	**(337)**	(27)
Foreign currency translation	**–**	7
Benefits paid during the year	**(8,757)**	(8,381)
Unrecorded past service cost	**3,383**	(72)
Acquisition through business combination	**452**	–
Actuarial (gain)/loss recognized during the period in profit and loss	**(785)**	80
Total liability at the end of the year	**124,823**	101,521

24. EMPLOYEE BENEFIT LIABILITY (continued)

Defined benefit plan (continued)

Total service cost, including current service cost, interest cost, past service cost, unrecorded past service cost and actuarial loss, of 31,944 million tenge was recognized in the consolidated statement of comprehensive income within respective line items in 2019 (2018: 21,868 million tenge).

Estimates of the Group's liabilities were made on the basis of published statistical data regarding mortality and actual Group's data on number, age, gender and years of employee service. Other principal assumptions at the reporting date, calculated as weighed average for all plans, were as follows:

	2019	2018
Discount rate	**7.92%**	8.26%
Expected rate of increase of future annual financial assistance	**4.12%**	7.54%
Expected rate of increase of future annual minimum salary	**5.00%**	5.71%
Expected rate of increase of future annual railway ticket price	**2.47%**	4.60%

25. TRADE AND OTHER PAYABLES, AND OTHER CURRENT LIABILITIES

In millions of tenge	**2019**	2018
Trade accounts payable	**910,226**	831,895
Accounts payable for the supply of property, plant and equipment	**112,150**	135,248
Other accounts payable	**23,671**	28,179
	1,046,047	995,322

As at December 31, trade accounts payable were expressed in the following currencies:

In millions of tenge	**2019**	2018
Tenge-denominated trade accounts payable	**507,937**	414,162
US dollar-denominated trade accounts payable	**326,279**	332,477
Other currency-denominated trade accounts payable	**76,010**	85,256
	910,226	831,895

As at December 31 other current liabilities comprised the following:

In millions of tenge	**2019**	2018 (restated)
Contract liabilities to customers	**299,467**	208,178
Other taxes payable	**137,789**	147,804
Due to employees	**118,657**	111,930
Amounts due to customers	**34,768**	27,688
Other estimated liabilities	**19,975**	5,936
Pension and social contributions liabilities	**15,805**	14,668
Obligations to the Shareholder on the financing of social projects	**12,100**	50,072
Advances received and deferred income	**11,802**	28,117
Obligations under guarantee agreements	**7,355**	7,404
Dividends payable	**6,727**	4,030
Government grant liability	**–**	11,784
Other financial liabilities	**41,225**	94,517
Other non-financial liabilities	**33,969**	48,476
	739,639	760,604

26. REVENUE

Revenue comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Sales of crude oil	**3,529,421**	3,757,436
Sales of oil refined products	**2,589,921**	2,603,428
Railway cargo transportation	**970,096**	857,847
Sales of gas products	**875,150**	783,070
Sales of uranium products	**467,777**	399,998
Sales of refined gold	**435,835**	257,475
Telecommunication services	**432,329**	213,588
Oil and gas transportation fee	**389,464**	315,205
Air transportation	**331,340**	291,631
Electricity complex	**240,491**	277,865
Electricity transmission services	**222,229**	144,543
Oil processing fees	**195,272**	175,112
Railway passenger transportation	**86,012**	85,453
Postal services	**46,303**	42,537
Interest income	**38,823**	46,167
Less: Crude oil Quality Bank	**(14,956)**	(18,118)
Less: indirect taxes and commercial discounts	**(586,663)**	(499,910)
Other revenue	**400,069**	383,100
	10,648,913	10,116,427

In millions of tenge	**2019**	2018
Geographical markets		
Kazakhstan	**3,733,260**	3,129,284
Other countries	**6,915,653**	6,987,143
	10,648,913	10,116,427

27. COST OF SALES

Cost of sales comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Materials and supplies	**4,597,447**	4,844,175
Personnel costs, including social taxes and withdrawals	**895,307**	786,597
Depreciation, depletion and amortization	**848,881**	698,317
Fuel and energy	**400,468**	343,189
Production services rendered	**301,679**	227,029
Repair and maintenance	**244,487**	190,570
Mineral extraction tax	**142,825**	158,867
Taxes other than social taxes and withdrawals	**93,694**	76,049
Rent	**83,059**	75,531
Interest expense	**69,004**	84,051
Transportation expenses	**49,629**	38,268
Other	**262,204**	275,932
	7,988,684	7,798,575

28. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Personnel costs, including social taxes and withdrawals	**209,941**	192,020
Consulting services	**39,100**	38,117
Depreciation and amortization	**36,317**	30,911
Taxes other than social taxes and withdrawals	**34,983**	47,031
Provision under Consortium case *(Note 38)*	**34,132**	–
Allowance for expected credit losses for trade receivable and other assets	**17,475**	12,407
Business trips	**8,520**	7,820
Sponsorship and charitable donations	**7,977**	7,298
Repair and maintenance	**7,211**	6,049
Other services by third parties	**6,246**	7,300
Rent	**5,251**	10,987
Utilities expenses and maintenance of buildings	**4,641**	4,070
Transportation services	**3,717**	4,292
Professional education and advanced trainings	**3,196**	3,719
Bank services	**2,053**	2,448
Fines and penalties	**(22,846)**	33,448
Other	**71,943**	80,716
	469,857	488,633

29. TRANSPORTATION AND SELLING EXPENSES

Transportation and selling expenses comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Transportation	**426,399**	361,092
Rent tax	**133,144**	145,523
Custom duties	**132,395**	132,063
Commission fees to agents and advertising	**21,710**	13,627
Personnel costs, including social taxes and withdrawals	**17,902**	19,961
Depreciation and amortization	**13,877**	12,112
Other	**34,380**	37,204
	779,807	721,582

30. IMPAIRMENT LOSS

Impairment loss comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018 (restated)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets	**297,693**	166,723
Impairment of VAT receivable	**19,143**	6,357
Expected credit losses on other financial assets	**13,336**	14,000
Impairment of assets held for sale	**10,208**	19,477
Accrual/(reversal) of expected credit losses on amounts in credit institutions	**4,381**	(10,216)
Expected credit losses on cash and cash equivalents	**436**	410
Impairment of investments in joint ventures and associates *(Note 10)*	**413**	(6,488)
Reversal of expected credit losses on loans issued *(Note 11)*	**(8,924)**	(7,563)
Other	**19,007**	14,706
	355,693	197,406

30. IMPAIRMENT LOSS (continued)

For the following non-current assets impairment losses were recognised for years ended:

In millions of tenge	**2019**	2018
CGUs of KMG International (KMGI)	**93,587**	43,702
Kalamkas-sea project	**45,562**	–
Pearls project	**38,180**	–
KLPE	**25,278**	–
Drilling jackup rig "Satti" (Satti rig)	**24,505**	–
Write-off of brownfields of KMG EP	**18,888**	–
CGU Batumi Oil Terminal (BNT)	**12,583**	4,136
Self-propelled barges "Sunkar" and "Berkut" (Barges)	**11,837**	2,659
N project	**–**	67,897
Satpayev project	**–**	34,539
Others	**27,273**	13,790
	297,693	166,723

CGUs of KMGI

As of December 31, 2019 and 2018 KMGI performed impairment tests of its CGUs, Petrochemical, Bulgaria, Refining and Other. The Group considered forecast refinery margins and production volumes, among other factors, when reviewing for indicators of impairment.

In 2018 and 2019, the recoverable amount of the CGUs were determined based on fair value less costs of disposal (FVLC), which is the present value of the free cash flows adjusted by the present value of the residual value. The key assumptions used in the fair value less costs to sell calculations for the above-mentioned CGUs were operating profit, discount rates and growth rate used to extrapolate cash flows beyond the budget period.

The discount rate applied to cash flow projections for Refining and Petrochemical CGUs was 9.6% (2018: 9.7%) and cash flows beyond the 5-year period were extrapolated using a 1.9% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values was 7.7% (2018: 7.8%).

Bulgarian CGU, the discount rate applied to cash flow projections was 9.6% (2018: 9.8 %) and cash flows beyond the 5-year period were extrapolated using growth rate of a 1.9% that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values was 7.6% (2018: 7.9%).

In 2018, the recoverable values of the CGUs Refining, Petrochemical, Bulgaria and Other were below their book values. As at December 31, 2018 based on the results of analysis performed, KMGI recognized impairment loss of property, plant and equipment and intangible assets of 21,195 million tenge and 22,507 million tenge, respectively.

In 2019, the recoverable values of the CGUs exceeded their respective carrying values, except for Refining the CGU. For the purposes of the impairment test, KMGI updated its projected cash flows to reflect the decrease in forecast refinery margins and change in post-tax discount rate. As at December 31, 2019 based on the results of the test performed, KMGI recognized an impairment loss of property, plant and equipment and intangible assets of 86,946 million tenge and 6,641 million tenge, respectively.

Sensitivity to changes in assumptions:

With regard to the assessment of the FVLC for the CGUs, the Group believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materiality exceed its recoverable amount, other than for the CGU Refinery, for which the breakeven point for the current model is achieved under a decrease of 3.3% of operating profit.

Kalamkas-sea project

On September 27, 2019 the Group decided not to extend the development of the Kalamkas-sea field. As a result, exploration and evaluation assets of the Kalamkas-sea field in the amount of 119,000 thousand US dollars were written off (equivalent to 45,562 million tenge).

30. IMPAIRMENT LOSS (continued)

Pearls project

Exploration stage of Pearls project expired on December 14, 2019. To proceed to the next stage, the Development plan was due to be submitted by the partners of the project. However, the partners of the Pearls project decided not to proceed with the Development plan, and agreed to relinquish the contract area under the Pearls PSA to the Government voluntarily, as a result, as at December 31, 2019 the Group recognized impairment loss for 38,180 million tenge. As of December 31, 2019 the Group did not write-off the project's assets due to the fact that the contract area has not been returned to the Government yet.

KLPE

In 2019 KLPE performed impairment test of capitalized expenditures related to development of the feasibility report for the construction of the first integrated gas-chemical complex in Atyrau region. As a result of impairment test the Group impaired and wrote-off capitalized expenditures of 24,813 million tenge and recognized additional impairment for KLPE of 465 million tenge. The Group concluded that these capitalized expenses will not bring economic benefits to the Group and will not be used for development of the new feasibility report.

Satti rig

The recoverable amount of *Satti rig* was determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the rig. The forecasted cash flows were based on financial budget approved by the Group management for the period of 2020-2024, and on estimated forecasts for the period of the useful life of the rig till 2041. As a result of the impairment test, the Group recognised an impairment loss of 24,505 million tenge as at December 31, 2019.

Write-off of the brownfields of KMG EP

For year ended December 31, 2019, the Group wrote-off exploration and evaluation assets of 18,888 million tenge related to several KMG EP subsoil use contracts that were terminated with relinquishment of contract territories to the Government.

CGU BNT

As at December 31, 2019, the Group recognized an impairment loss of 12,583 million tenge attributable to CGU BNT.

Barges

The recoverable amount of the Barges were determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the barges until the end of the barges contract in 2021 at the discount rate of 10.05%. Due to the fact that the prolongation of the contracts is remote, the Group recognized an impairment loss of 11,837 million tenge as at December 31, 2019.

Satpayev and N projects

As at December 31, 2018, the Group recognized impairment loss for exploration and evaluation assets related to the Satpayev and N projects for 34,539 million tenge and 67,897 million tenge, respectively. These impairments occurred due to the withdrawal from the projects and decisions to relinquish the contract territories to the Government by the Group and the partners of the projects'. The Group did not write-off the projects' assets due to the fact that the contract areas had not been returned to the Government as of December 31, 2018.

On April 24, 2019, the Group received a *Satpayev* subsoil use contract termination notice from the Government, accordingly the Group relinquished the contract area fully and wrote-off exploration and evaluation assets related to the project.

31. FINANCE COSTS

Finance costs comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Interest on loans and debt securities issued	**414,554**	380,343
Interest on oil supply agreement *(Note 21)*	**52,644**	67,534
Finance costs for the early redemption of bonds	**45,236**	89,612
Interest on lease liabilities	**29,638**	6,135
Discount on provisions and other payables	**20,447**	17,876
Financial guarantees	**18,880**	8,775
Discount on assets at rates below market	**2,845**	2,397
Other	**55,119**	60,483
	639,363	633,155

32. FINANCE INCOME

Finance income comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Write-off of loan *(Note 19)*	**111,476**	53,714
Interest income on amounts due from credit institutions and cash and cash equivalents	**76,799**	90,895
Interest income from loans and financial assets	**40,997**	34,797
Income from financial guarantees	**26,924**	7,448
Unwinding of discount on long-term receivables	**5,109**	2,143
Other	**19,644**	17,523
	280,949	206,520

33. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

Share in profit/(loss) of joint ventures and associates comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018 (restated)
Tengizchevroil LLP	**414,940**	439,149
Asia Gas Pipeline LLP	**168,086**	–
Mangistau Investments B.V.	**81,991**	95,510
Caspian Pipeline Consortium JSC	**70,869**	57,965
Beineu Shymkent Gas Pipeline LLP	**56,194**	16,710
Kazzinc LLP	**51,579**	46,637
KazRosGas LLP	**18,091**	5,254
JV Kazgermunai LLP	**17,561**	27,915
Forum Muider B.V.	**12,243**	13,259
JV KATCO LLP	**11,938**	11,200
Sekerbank TAS	**(10,229)**	(5,090)
Petro Kazakhstan Ink	**(18,244)**	14,591
Ural Group Limited BVI	**(18,895)**	(18,822)
Other	**58,633**	50,623
	914,757	754,901

34. INCOME TAX EXPENSES

Income tax expenses comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018
Current income tax expenses		
Corporate income tax ("CIT")	**228,749**	223,995
Withholding tax on dividends and interest income	**19,653**	31,900
Excess profit tax	**11,291**	(1,127)
Deferred income tax expense/(benefit)		
Corporate income tax ("CIT")	**65,351**	64,281
Withholding tax on dividends and interest income	**62,242**	92,617
Excess profit tax	**(4,904)**	(7,850)
Income tax expenses	**382,382**	403,816

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2019 and 2018) to income tax expenses was as follows for the years ended December 31:

In millions of tenge	**2019**	2018
Accounting profit before income tax from continuing operations	**1,797,988**	1,700,926
Accounting profit before income tax from discontinued operations	**–**	(2,968)
Income tax expenses on accounting profit	**359,598**	339,592
Tax effect of other items, which are not deductible or assessable for taxation purposes	**87,302**	200,396
Change in unrecognized deferred tax assets	**14,169**	95,702
Effect of different corporate income tax rates	**21,047**	24,757
Excess profit tax	**6,388**	(8,978)
Share in non-taxable profit of joint ventures and associates	**(123,559)**	(90,051)
Other differences	**17,437**	(157,028)
Total corporate income tax expenses	**382,382**	404,390
Add: income tax benefit attributable to discontinued operations	**–**	(574)
Income tax expense from continuing operations	**382,382**	403,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. INCOME TAX EXPENSES (continued)

Deferred tax balances, calculated by applying the statutory tax rates effective at the respective reporting dates to the temporary differences between tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, are comprised of the following at December 31:

	2019				2018			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Deferred tax assets								
Property, plant and equipment	**48,619**	**–**	**–**	**48,619**	38,348	(1,916)	–	36,432
Tax loss carryforward	**804,080**	**–**	**–**	**804,080**	784,066	–	–	784,066
Employee related accruals	**16,560**	**82**	**–**	**16,642**	13,417	–	–	13,417
Allowance for expected credit losses of financial assets	**24,007**	**–**	**–**	**24,007**	9,204	–	–	9,204
Provision for environmental remediation	**39,186**	**256**	**–**	**39,442**	25,555	–	–	25,555
Other accruals	**114,811**	**–**	**–**	**114,811**	7,974	–	–	7,974
Other	**68,609**	**3,893**	**–**	**72,502**	71,125	–	–	71,125
Less: unrecognized deferred tax assets	**(570,458)**	**–**	**–**	**(570,458)**	(556,289)	–	–	(556,289)
Less: deferred tax assets offset with deferred tax liabilities	**(457,658)**	**(758)**	**–**	**(458,416)**	(260,292)	–	–	(260,292)
Deferred tax assets	**87,756**	**3,473**	**–**	**91,229**	133,108	(1,916)	–	131,192
Deferred tax liabilities								
Property, plant and equipment	**1,062,035**	**7,608**	**–**	**1,069,643**	868,366	6,365	–	874,731
Undistributed earnings of joint ventures and associates	**–**	**–**	**356,581**	**356,581**	–	–	295,580	295,580
Other	**96,320**	**–**	**–**	**96,320**	27,100	–	–	27,100
Less: deferred tax assets offset with deferred tax liabilities	**(457,658)**	**(758)**	**–**	**(458,416)**	(260,292)	–	–	(260,292)
Deferred tax liabilities	**700,697**	**6,850**	**356,581**	**1,064,128**	635,174	6,365	295,580	937,119
Net deferred tax liabilities	**(612,941)**	**(3,377)**	**(356,581)**	**(972,899)**	(502,066)	(8,281)	(295,580)	(805,927)

34. INCOME TAX EXPENSES (continued)

The movements in the net deferred tax liabilities were as follows for the years ended December 31:

	2019				2018			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Balance at January 1 (restated)	**502,066**	**8,281**	**295,580**	**805,927**	319,134	16,129	202,904	538,167
Foreign currency translation	**(1,861)**	**–**	**–**	**(1,861)**	2,112	2	59	2,173
Charged to other comprehensive income	**2,739**	**–**	**(1,241)**	**1,498**	(5,165)	–	–	(5,165)
Acquisition of subsidiaries	**46,564**	**–**	**–**	**46,564**	119,118	–	–	119,118
Discontinued operations	**(1,918)**	**–**	**–**	**(1,918)**	2,586	–	–	2,586
(Credited)/charged to profit and loss	**65,351**	**(4,904)**	**62,242**	**122,689**	64,281	(7,850)	92,617	149,048
Balance at December 31	**612,941**	**3,377**	**356,581**	**972,899**	502,066	8,281	295,580	805,927

34. INCOME TAX EXPENSES (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax asset arising mainly from tax losses carry forward were equal to 570,458 million tenge as at December 31, 2019 (December 31, 2018: 556,289 million tenge).

Tax losses carryforwards as at December 31, 2019 in the Republic of Kazakhstan expire for tax purposes 10 (ten) years from the date they are incurred.

35. CONSOLIDATION

Subsidiaries included in the consolidated financial statements are presented as follows:

		Ownership percentage	
		2019	2018
1	National Company "KazMunayGas" JSC ("NC KMG") and subsidiaries	**90.42%**	90.42%
2	KMG Kashagan B.V.	**100.00%**	100.00%
3	National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh") and subsidiaries	**100.00%**	100.00%
4	National Atomic Company "Kazatomprom" JSC ("NAC KAP") and subsidiaries	**81.28%**	85.00%
5	Samruk-Energy JSC ("Samruk-Energy") and subsidiaries	**100.00%**	100.00%
6	Kazakhstan Electricity Grid Operating Company JSC ("KEGOC") and subsidiaries	**90.00%+1**	90.00%+1
7	Kazpost JSC and subsidiaries	**100.00%**	100.00%
8	Kazakhtelecom JSC ("KTC") and subsidiaries	**52.03%**	52.03%
9	Air Astana JSC ("Air Astana") and subsidiaries	**51.00%**	51.00%
10	Samruk-Kazyna Construction JSC and subsidiaries	**100.00%**	100.00%
11	National Mining Company "Tau-Ken Samruk" and subsidiaries	**100.00%**	100.00%
12	United Chemical Company LLP ("UCC") and subsidiaries	**100.00%**	100.00%
13	Samruk-Kazyna Invest LLP and subsidiaries	**100.00%**	100.00%
14	Samruk-Kazyna Contract LLP	**100.00%**	100.00%
15	KOREM JSC	**100.00%**	100.00%
16	SK Business Service LLP and subsidiaries	**100.00%**	100.00%
17	Qazaq Air JSC	**100.00%**	100.00%
18	Kazakhstan nuclear electric plants JSC	**100.00%**	100.00%
19	Stantsiya Ekibastuzskaya GRES-2 JSC ("EGRES-2")	**100.00%**	0.00%
20	International Airport Atyrau JSC	**0.00%**	100.00%
21	International Airport Aktobe JSC	**0.00%**	100.00%
22	Airport Pavlodar JSC	**0.00%**	100.00%
23	MAEK-Kazatomprom LLP	**0.00%**	100.00%

36. RELATED PARTY DISCLOSURES

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

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel and other entities controlled by the Government. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

36. RELATED PARTY DISCLOSURES (continued)

The following table provides the total amount of transactions, which have been entered into with related parties as at December 31:

In millions of tenge		Associates	Joint ventures	Other state-controlled entities
Due from related parties	**2019**	**4,225**	**40,165**	**25,921**
	2018	20,592	36,243	22,794
Due to related parties	**2019**	**34,212**	**186,746**	**14,946**
	2018	40,171	133,759	11,822
Sale of goods and services	**2019**	**115,182**	**370,651**	**506,918**
	2018	63,550	324,313	319,208
Purchase of goods and services	**2019**	**194,076**	**1,547,959**	**20,833**
	2018	171,577	1,515,461	17,162
Other (loss)/income	**2019**	**(2,531)**	**(1,748)**	**2,342**
	2018	16,343	47,590	(50,629)
Cash and cash equivalents, and amounts due from credit institutions (assets)	**2019**	**–**	**248**	**308,250**
	2018	–	–	178,664
Loans issued	**2019**	**66,394**	**365,017**	**5,184**
	2018	139,749	400,254	5,203
Borrowings	**2019**	**17,460**	**5**	**1,114,707**
	2018	1,521	5	1,276,181
Other assets	**2019**	**13,171**	**116,244**	**120,270**
	2018	46,305	77,489	113,246
Other liabilities	**2019**	**15,132**	**61,270**	**31,483**
	2018	14,990	45,231	65,463
Interest accrued due from related parties	**2019**	**11,049**	**43,425**	**10,901**
	2018	10,428	27,264	19,919
Interest accrued due to related parties	**2019**	**1,676**	**11,362**	**88,097**
	2018	(1,280)	3,258	106,181

As at December 31, 2019 some of the Group's borrowings of 51,062 million tenge were guaranteed by the Government of the Republic of Kazakhstan (December 31, 2018: 65,423 million tenge).

Total compensation to key management personnel included in general and administrative expenses in the consolidated statement of comprehensive income was equal to 8,870 million tenge for the year ended December 31, 2019 (December 31, 2018: 6,145 million tenge). Compensation to key management personnel mainly consists of contractual salary and other payments based on achievement of operating results.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of borrowings, loans from the Government of the Republic of Kazakhstan, finance lease liabilities as at December 31, 2018 and lease liabilities as at December 31, 2019, amounts due to the customers, derivatives, cash and cash equivalents, loans issued, amounts due from credit institutions, other financials assets, as well as accounts receivable and accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group also monitors the liquidity risk arising from all financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

The Group's exposure to interest risk relates primarily to the Group's long-term and short-term borrowings with variable interest rates *(Note 19)*.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity of the Group's profit before income tax (through the impact on variable rate borrowings) to a reasonably possible change in variable LIBOR interest rates, with all other variables held constant.

In millions of tenge	Increase/ (decrease) in basis points*	Effect on profit before income tax
2019		
US dollar	**35/(35)**	**(2,859)/2,859**
2018		
US dollar	50/(15)	(7,238)/2,171

* *1 basis point = 0.01%.*

Currency risk

As a result of significant borrowings, finance lease liabilities in 2018 and lease liabilities in 2019, and trade accounts payable, cash and cash equivalents, amounts due from credit institutions and accounts receivable denominated in the US dollars, the Group's consolidated financial position can be affected significantly by movement in the US dollar / tenge exchange rates.

The following table demonstrates the sensitivity of the Group's profit before income tax to a reasonably possible change in the US dollar and euro, with all the variables held constant.

In millions of tenge	Increase/(decrease) in exchange rate	Effect on profit before income tax
2019		
US dollar	**12.00%/(9.00%)**	**(368,433)/276,518**
Euro	**12.00%/(9.00%)**	**(9,692)/7,196**
2018		
US dollar	14.00%/(10.00%)	(389,284)/278,060
Euro	14.00%/(10.00%)	(12,288)/8,742

Credit risk

Credit risk arising from the inability of a party to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group to that party. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by carrying amount of each financial asset.

The Group considers that its maximum exposure is reflected by the amount of loans issued *(Note 11)*, amount due from credit institutions *(Note 12)*, trade accounts receivable and other current assets *(Note 16)*, other financial assets *(Note 13)*, and cash and cash equivalents *(Note 17)*, net of allowances for expected credit losses recognized at the reporting date.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The Group has a policy that ensures enforcement of constant control procedures for sales to only be made to buyers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimised by the fact that the Group operates on a prepayment basis with the majority of its buyers.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at price close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table shown below summarizes the maturity profile of the Group's financial liabilities at December 31 based on contractual undiscounted payments.

In millions of tenge	On demand	Due later than 1 month but not later than 3 months	Due later than 3 months but not later than 1 year	Due later than 1 year but not later than 5 years	Due after 5 years	Total
At December 31, 2019						
Loans from the Government of the Republic of Kazakhstan	**331**	**377**	**23,166**	**136,666**	**2,118,816**	**2,279,356**
Borrowings	**172,546**	**187,028**	**671,439**	**3,466,395**	**7,033,406**	**11,530,814**
Lease liabilities	**5,230**	**20,200**	**69,599**	**257,676**	**110,251**	**462,956**
Due to customers	**34,762**	**–**	**7**	**86**	**–**	**34,855**
Financial guarantees	**22,839**	**23,980**	**76,603**	**414,912**	**110,477**	**648,811**
Trade and other payables	**432,641**	**496,024**	**112,264**	**11,135**	**–**	**1,052,064**
	668,349	**727,609**	**953,078**	**4,286,870**	**9,372,950**	**16,008,856**
At December 31, 2018						
Loans from the Government of the Republic of Kazakhstan	13	24	24,295	171,370	2,298,494	2,494,196
Borrowings	177,910	133,163	826,506	3,281,022	6,867,754	11,286,355
Finance lease liabilities	1,338	7,926	23,826	114,923	95,864	243,877
Due to customers	27,682	–	5	79	–	27,766
Financial guarantees	27,032	21,193	40,676	414,018	311,325	814,244
Trade and other payables	463,087	482,877	48,825	13,764	956	1,009,509
	697,062	645,183	964,133	3,995,176	9,574,393	15,875,947

Capital management

The Group manages its capital primarily through capital management of its subsidiaries while conducting its oversight function. Major objective of the capital management is to ensure that subsidiaries of the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary.

The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary. Key performance indicators ("KPI") used by the Group to manage capital of its subsidiaries are ratios of: Debt to Earnings before Interest, Taxes, Depreciation and Amortization, and Interest ("D/EBITDA") from continuing and discontinued operations; and Debt to Equity ("D/E"). Debt is considered to be equal to all borrowings, debt securities, guarantee and finance lease liabilities of relevant subsidiaries reduced by value of cash and cash equivalents. Equity is considered to be equal to the entire equity of the subsidiary attributable to majority shareholders.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Allowed maximum for the indicator is approved for each subsidiary based on the needs and specifics of its business and varies within following ranges (consolidated KPI's for the Group have been presented for reference purposes as the Group does not monitor KPI's on the consolidated level):

KPI	2019	2018
D/EBITDA	**2.51**	3.00
D/E	**0.57**	0.61

In billions of tenge	2019	2018
Borrowings *(Note 19)*	**6,841**	6,853
Loans from the Government of the Republic of Kazakhstan *(Note 20)*	**628**	653
Lease liabilities *(Note 22)*	**424**	156
Derivative instruments	**2**	3
Guaranteed principal amount of liabilities of entities outside the Group	**321**	182
Total debt	**8,216**	7,847
Less: cash and cash equivalents	**(1,994)**	(2,488)
Net debt	**6,222**	5,359
EBITDA	**3,279**	2,619
Total equity	**14,337**	12,953

Fair values of financial instruments and investment proprety

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2019 and 2018 the carrying amount of the following Group's financial instruments is a reasonable estimate of their fair value:

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2019
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	**–**	**–**	**214,396**	**214,396**
Financial assets measured at fair value through OCI	**42,577**	**10,344**	**63**	**52,984**
Financial assets at fair value through profit and loss	**3,900**	**17,125**	**25,084**	**46,109**
Derivative financial assets	**–**	**952**	**543**	**1,495**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments and investment proprety (continued)

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2018
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	–	263,427	23,619	287,046
Financial assets measured at fair value through OCI	3,626	10,851	55	14,532
Financial assets at fair value through profit and loss	–	24,165	23,391	47,556
Derivative financial assets	–	3,129	1,721	4,850

	December 31, 2019				
			Fair value by level of assessment		
In millions of tenge	**Carrying amount**	**Fair value**	**Quotations in an active market (Level 1)**	**From the observed market (Level 2)**	**Based on the significant amount of unobserved (Level 3)**
Financial assets					
Loans issued at amortized cost and finance lease receivables	**306,433**	**314,192**	**–**	**26,674**	**287,518**
Amounts due from credit institutions	**763,766**	**776,646**	**474,248**	**302,381**	**17**
Investment property	**24,888**	**32,774**	**–**	**9,541**	**23,233**
Financial liabilities					
Borrowings	**6,841,393**	**7,324,768**	**4,943,524**	**1,948,352**	**432,892**
Loans from the Government of the Republic of Kazakhstan	**627,560**	**548,717**	**–**	**548,717**	**–**
Guarantee obligations	**48,957**	**46,414**	**–**	**25,992**	**20,422**

	December 31, 2018				
			Fair value by level of assessment		
In millions of tenge	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Loans issued at amortized cost and finance lease receivables	345,886	347,061	–	259,399	87,662
Amounts due from credit institutions	799,972	791,792	496,248	295,033	511
Investment property	42,388	54,981	–	32,360	22,621
Financial liabilities					
Borrowings	6,852,775	6,878,032	4,302,628	2,268,890	306,514
Loans from the Government of the Republic of Kazakhstan	653,406	533,935	–	533,935	–
Guarantee obligations	47,119	41,529	–	40,059	1,470

The fair value of the above financial instruments has been calculated by discounting the expected future cash flows at prevailing interest rates.

38. COMMITMENTS AND CONTINGENCIES

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries.

Prices may also be affected by government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices.

A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the consolidated financial results and cash flows of operations. The Group does not hedge significantly its exposure to the risk of fluctuations in the price of its products.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle.

The new law on transfer pricing came into effect in Kazakhstan from January 1, 2009. The new law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest at December 31, 2019.

As at December 31, 2019 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Due to uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2019.

As at December 31, 2019, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

"Embamunaigas" JSC environmental audit (Embamunaigas)

Since 2018 Embamunaigas, the Group subsidiary, has been subject to three ecological audits for the periods from November 2017 to December 2018. During 2018 Embamunaigas accrued 34,213 million tenge and paid-off in total 8,143 million tenge. As a result, the provision as of December 31, 2018 amounted to 26,070 million tenge in the consolidated financial statements for 2018.

38. COMMITMENTS AND CONTINGENCIES (continued)

Taxation (continued)

"Embamunaigas" JSC environmental audit (Embamunaigas) (continued)

During 2019 to avoid late payment penalties, Embamunaigas paid-off 6,472 million tenge. In the meantime, in 2019, the court ruled to decrease the amount of fines, and accordingly Embamunaigas reversed 25,433 million tenge, net, and filed tax return to offset earlier recognized provision of 10,420 million tenge as prepayment for other taxes. As a result the provision amounted to 4,585 million tenge as at December 31, 2019.

Legal proceedings

KMG Drilling & Services LLP ("KMG D&S") litigations with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP

KMG DS, the subsidiary of the Group, was involved in arbitration proceedings with the Consortium of Ersai Caspian Contractor LLP and Caspian Offshore & Marine Construction Kazakhstan LLP (further – "Consortium" or "Plaintiff") on the issues arising from the contract for the purchase of integrated works on construction of a jack-up floating drilling rig dated 5 July 2012. The initial claim amounted to 192 million US dollars (equivalent to 73,501 million tenge) and was under arbitration of the London Court of International Arbitration (LCIA). The claim components were as follows:

- Compensation related to the increase in the cost of the contract (deficiencies in the project documentation and changes in the design solution) of 140,118 thousand US dollars (equivalent to 53,833 million tenge);
- A penalty of 1,383 thousand US dollars (equivalent to 531 million tenge);
- The amount of claims for currency adjustment of 50,613 thousand US dollars (equivalent to 19,446 million tenge).

The Plaintiffs indicated a possible change in this amount at the date of payment of the claim.

On April 11, 2018, after negotiations the Consortium reduced the initial claim amount and reduced it to 140 million dollars (equivalent to 54.3 billion tenge). There was uncertainty regarding the result of the resolution, as such, as at December 31, 2018 the Group did not recognize any provision on this case.

On November 8, 2019, the Group sent a notification to LCIA to suspend the proceedings as parties decided to resolve the dispute by peaceful means.

As of December 31, 2019 in accordance with the legal advice and existing international practices, the Group accrued a provision of 90,000 thousand US dollars (equivalent to 34,132 million tenge at the exchange rate as at December 31, 2019) in the general and administrative expenses in the statement of comprehensive income *(Note 28*). As of the date of the issue of the consolidated financial statements the negotiations were under way with the Consortium.

Civil litigation (KMG I)

According to a Decree issued April 22, 2016, Prosecutor's Office of Romania with the General Headquarters of the Department for Fight Against Organized Crime and Terrorism (DIICOT) investigated the case against 26 suspects under charges of organized crime (14 of them were employees of KMG I).

On July 22, 2016 the Company and KMG I submitted to the Romanian authorities the Notice of Investment Dispute based on the Agreement between the Government of Romania and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania and the Energy Charter Treaty. Based on the results of the negotiations, in February 2013, a Memorandum of Understanding was signed between the Government of Romania and KMG I.

On December 5, 2019 Prosecutor's Office of Romania issued another Ordinance according to which the criminal charges were dismissed because the statute of limitations was expired. The same decree lifted all seizures on Rompetrol Rafinare S.A. assets imposed in 2016, with the exception of a number of production facilities at Petromidia Refinery to provide for potential claims of 106.5 million US dollars.

On December 27, 2019 KMG I challenged the Ordinance and requires the case to be dismissed on merits, but statute of limitations expired.

38. COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings (continued)

Civil litigation (KMG I) (continued)

A complaint was filed by 3 plaintiffs on the decision of the Romanian Prosecutor's Office: 1) The Romanian Privatization Agency regarding the improper fulfillment by KMG I of the post-privatization requirements for the obligations of Petromidia Refinery and Vega Refinery in 2013-2014 in the amount of 30 million US dollars; 2) Faber Invest & Trade Inc. the non-controlling shareholder of KMG I subsidiaries, in challenging a number of decisions of KMG I as a shareholder of Rompetrol Rafinare S.A. at that time, in the amount of 55 million US dollars in criminal and civil caes; 3) Mr. Stephenson George Philip, the former director of KMG I, in criminal and civil matters. As of the date of these consolidated financial statements, the Group did not receive any communication from the court.

The proceedings initiated against Mr. Stati and his related parties related to the arrest of shares KMG Kashagan B.V. belonging to the Fund

On September 14, 2017 the pre-judgement attachment in respect of the Fund's rights on management of 50% KMG Kashagan B.V. shares was imposed with regard to the decision of the Amsterdam Court (the "Pre-judgement Attachment").

The named Pre-judgement Attachment was imposed as part of the claim for recognition and enforcement of the arbitral award on the matter of Anatolie Stati, Gabriel Stati, Ascom Group SA and Terra Raf Trans Trading Ltd. against the Republic of Kazakhstan issued in 2013 by the Arbitration Tribunal at the Arbitration Institute of the Stockholm Chamber of Commerce.

In interim proceedings initiated by the Fund on lifting the Pre-judgement Attachment, the Appeal Court in Amsterdam on January 5, 2018 by way of a preliminary judgment ruled that the aforesaid attachment remains effective. This decision of the Appeal Court in Amsterdam does not create any additional restriction the Fund rights in respect of the KMG Kashagan B.V. shares.

On May 7, 2019, the Appeal Court in Amsterdam upheld the decision of the trial court to maintain the Pre-judgement Attachment imposed on the shares of KMG Kashagan B.V., owned by the Fund, worth 5.2 billion US dollars. The restriction is imposed according to the requirements of A. Stati and his related parties on the enforcement of the decision of the Stockholm Arbitration Tribunal issued against Kazakhstan in 2013.

Currently, the Fund makes all necessary arrangements to protect its interest in accordance with the established procedure and will continue to defend its rights

Disputes regarding the calculation of the proportion of profit oil sharing with the Republic (KMG Karachaganak LLP)

According to the Karachaganak Final Production Sharing Agreement (FPSA), the Karachaganak project profit oil sharing is regulated by the Fairness Index. In the second quarter of 2014, the economics of the Karachaganak project reached a level where the trigger on the Fairness Index "worked" and the proportion in the profit oil sharing changed in favour of the Republic of Kazakhstan.

In addition, from August 20, 2014 to the present, the Ministry of Energy of the Republic of Kazakhstan (MinEnergy) quarterly notifies the Contracting Companies, participants of FPSA, (Contracting Companies) of disagreement regarding the presented calculation of the proportion of the profit oil sharing.

On September 29, 2017 the competent authority represented by PSA LLP, filed a request for arbitration in the name of the Contracting Companies (with the exception of KMG Karachaganak LLP) on the improper calculation of the Fairness Index. KMG Karachaganak LLP (KMG Karachaganak) was not involved in the arbitration process due to a conflict of interest.

In September 2019 in Arbitrage (Paris) the hearings took place, and the final decision is expected in 2020.

38. COMMITMENTS AND CONTINGENCIES (continued)

Disputes regarding the calculation of the proportion of profit oil sharing with the Republic (KMG Karachaganak LLP) (continued)

Currently, the Republic of Kazakhstan and the Contracting Companies are negotiating the conclusion of a legally binding Settlement Agreement.

KMG Karachaganak, together with KMG and the competent authority represented by PSA LLP, prepared comments on the draft AOP between the Contracting Companies and the Republic of Kazakhstan, relating to exclusion of KMG Karachaganak from participating in the payment of compensation. In the opinion of the Group's Management, it is highly probable that KMG Karachaganak will be excluded from participation in the payment of compensation. Accordingly, no provisions have been made under the terms of the AOP in these consolidated financial statements.

Cost recovery audits

In accordance with the production sharing agreements not all costs incurred by the contractors can be reimbursed, certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct cost recovery audits. In accordance with the costs recovery audits completed prior to December 31, 2019 certain costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

As of December 31, 2019 the Group's share in the total disputed amounts of costs is 782,206 million tenge (2018: 765,188 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

The Government requires oil companies in the Republic of Kazakhstan to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group's business, prospects, consolidated financial position and results of operations.

In 2019, in accordance with its obligations, the Group delivered 6,223,752 tons of crude oil (2018: 6,224,344 tons), including joint ventures, to the Kazakhstan market.

Oil supply commitments

As of December 31, 2019 the Group had commitments under the oil supply agreements in the total amount of 19.2 million ton (as at December 31, 2018: 30.1 million ton).

Commitments under oilfield and mining field licenses and subsurface use contracts

As at December 31, 2019 the Group had following commitments on fulfillment of minimal work programs with respect to the requirements of their oilfield and mining licenses and related subsurface use contracts with the Government (in millions of tenge):

Year	Capital expenditures	Operational expenditures
2020	**332,574**	170,959
2021	**133,546**	126,562
2022	**153,475**	124,653
2023	**179,538**	84,992
2024-2058	**3,938,084**	1,503,723
Total	**4,737,217**	2,010,889

38. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments

As at December 31, 2019 the Group, including its joint ventures and associates, had capital commitments of approximately 2,979,596 million tenge related to acquisition and construction of property, plant and equipment (as at December 31, 2018: 3,741,748 million tenge).

Commitments on use of anti-crisis funds

As at December 31, 2019 Fund’s commitments included commitments to finance the program “Affordable housing − 2020” in the amount of 4,284 million tenge and commitments to finance investment projects of 80,637 million tenge, including the following:

- Financing the implementation of the investment project “Construction of an integrated gas and chemical complex in Atyrau region. The first phase” in the amount of not greater than 80,436 million tenge.
- Financing of the project “Creation of a special economic zone “Taraz Chemical Park” in the amount of 201 million tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. SEGMENT REPORTING

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for 2019:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	7,244,405	989,086	1,456,010	466,885	432,271	7,410	30,232	22,614	–	10,648,913
Revenues from sales to other segments	57,701	13,973	4,835	4,521	74,971	2,940	242,417	9,509	(410,867)	–
Total revenue	7,302,106	1,003,059	1,460,845	471,406	507,242	10,350	272,649	32,123	(410,867)	10,648,913
Gross profit	1,958,700	199,798	288,256	141,136	130,418	1,398	197,184	13,317	(215,190)	2,715,017
General and administrative expenses	(217,636)	(38,709)	(119,271)	(46,992)	(21,773)	(5,435)	(24,204)	(4,663)	8,826	(469,857)
Transportation and selling expenses	(744,437)	(11,552)	(10,898)	(13,008)	(8,382)	(771)	–	–	9,241	(779,807)
Finance income	244,423	6,609	7,608	6,554	6,557	621	45,973	8,537	(45,933)	280,949
Finance costs	(360,752)	(14,780)	(195,397)	(43,656)	(41,344)	(5,858)	(33,611)	(10,163)	66,198	(639,363)
Share in profits of joint ventures and associates	814,865	85,010	8,013	5,831	11,966	(104)	(10,825)	1	–	914,757
Foreign exchange gain/(loss), net	(6,262)	(127)	(15,671)	(1,256)	1,115	769	5,425	246	(1,053)	(16,814)
Depreciation, depletion and amortization	(506,491)	(64,854)	(160,386)	(98,583)	(69,973)	(3,773)	(2,052)	(1,063)	3,139	(904,036)
Impairment of property, plant and equipment and intangible assets	(253,523)	(14,455)	(2,681)	(1,844)	88	(25,278)	–	–	–	(297,693)
Impairment of other assets	(29,866)	(464)	(18,485)	(1,035)	1,290	(2,013)	(7,042)	(1,254)	869	(58,000)
Income tax expenses	(283,726)	(34,175)	(29,020)	(9,994)	(18,224)	(89)	(3,074)	(2,332)	(1,748)	(382,382)
Net profit/(loss) for the year from continuing operations	1,171,447	251,522	(91,655)	60,203	64,076	(39,236)	170,669	6,746	(178,166)	1,415,606
Net loss for the year from discontinued operations	–	–	–	–	–	–	–	–	–	–
Total net profit/(loss) for the period	1,171,447	251,522	(91,655)	60,203	64,076	(39,236)	170,669	6,746	(178,166)	1,415,606
Other segment information										
Total assets of the segment	16,332,443	2,304,494	3,757,170	1,188,517	1,495,213	574,620	7,579,393	300,603	(7,127,357)	26,405,096
Total liabilities of the segment	6,587,029	460,432	2,562,000	687,057	719,878	379,654	1,563,722	180,027	(1,072,179)	12,067,620
Allowances for expected credit losses for doubtful accounts	1,963	749	13,236	2,282	55	12	(839)	245	(228)	17,475
Investments in joint ventures and associates	3,532,589	582,600	33,553	–	70,559	6,428	49,473	10	(32,341)	4,242,871
Capital expenditures	552,017	64,000	309,134	75,417	54,828	108,255	1,131	3,530	(6,921)	1,161,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. SEGMENT REPORTING (continued)

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for 2018:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	7,353,474	749,778	1,323,061	257,899	376,740	5,093	33,400	16,982	–	10,116,427
Revenues from sales to other segments	77,754	9,044	14,112	5,027	59,839	5,457	336,148	8,183	(515,564)	–
Total revenue	7,431,228	758,822	1,337,173	262,926	436,579	10,550	369,548	25,165	(515,564)	10,116,427
Gross profit	1,818,250	141,313	242,169	72,591	156,808	1,602	247,691	11,569	(342,924)	2,349,069
General and administrative expenses	(245,458)	(39,508)	(118,155)	(30,980)	(29,800)	(5,285)	(25,499)	(3,407)	9,459	(488,633)
Transportation and selling expenses	(696,895)	(11,598)	(9,157)	(4,689)	(14,631)	(437)	–	(7)	15,832	(721,582)
Finance income	161,400	6,365	7,069	5,039	7,297	1,031	131,439	2,547	(115,667)	206,520
Finance costs	(467,078)	(14,078)	(115,922)	(7,857)	(36,326)	(4,007)	(30,008)	(1,649)	43,770	(633,155)
Share in profits of joint ventures and associates, net	663,293	75,150	3,481	7,744	10,175	(51)	(4,902)	11	–	754,901
Foreign exchange gain/(loss), net	(37,274)	9,152	(118,109)	12,337	(14,641)	(18,624)	290,206	(1,479)	2,320	123,888
Depreciation, depletion and amortization	(466,936)	(42,484)	(130,528)	(42,123)	(65,536)	(4,916)	(345)	(634)	3,718	(749,784)
Impairment of property, plant and equipment and intangible assets	(163,985)	1,120	(451)	(1,110)	(2,144)	(153)	–	–	–	(166,723)
Impairment of other assets	(9,034)	830	(16,990)	(3,373)	(4,570)	(58)	(4,338)	(3,576)	10,426	(30,683)
Income tax expenses	(318,623)	(29,547)	(1,977)	(11,383)	(20,927)	(11,583)	(5,722)	(2,574)	(1,480)	(403,816)
Net profit/(loss) for the year from continuing operations	857,955	485,419	(19,006)	43,039	65,611	(41,281)	282,916	5,920	(383,463)	1,297,110
Net loss for the year from discontinued operations	–	–	–	–	–	(3,542)	–	–	–	(3,542)
Total net profit for the period	857,955	485,419	(19,006)	43,039	65,611	(44,823)	282,916	5,920	(383,463)	1,293,568
Other segment information										
Total assets of the segment	16,464,564	2,176,219	3,437,049	873,891	1,456,134	462,137	7,467,849	305,170	(6,898,088)	25,744,925
Total liabilities of the segment	7,786,204	486,308	2,258,520	417,045	731,287	261,837	1,622,831	206,319	(978,701)	12,791,650
Allowances for expected credit losses for doubtful accounts	(609)	1,795	8,261	910	1,457	28	1,815	4	(1,254)	12,407
Investments in joint ventures and associates	2,841,824	631,012	32,359	76,071	89,309	1,279	61,869	69	(32,341)	3,701,451
Capital expenditures	664,188	82,217	220,714	56,791	75,302	47,167	19,439	3,115	(6,532)	1,162,401

40. SUBSEQUENT EVENTS

Disposal of subsidiaries

In January 2020, the Group completed the sale to a third party of 26% – 1 share of the subsidiary Transtelecom JSC. As a result, the Group lost control over the subsidiary and recognised residual interest of 25% as investment in associate.

In March 2020, the Group, represented by the subsidiary KTZ Express JSC, in accordance with the order of the ultimate Shareholder, transferred 100% of the shares of a subsidiary JSC MC SEZ Khorgos – Eastern Gates to the Almaty region municipalities free of charge.

Disposal of share in joint venture

As at March 17, 2020 the sale of 50% interest minus 1 (one) share in TsOU to its partner in this joint venture – TVEL was finalized. The proceeds from sale amounted 6,253 million Russian rubles (equivalent to 38,518 million tenge at exchange rate fixed as at December 31, 2019).

COVID-19 pandemic and impact of lower commodity prices and Tenge exchange rate

Due to the recent rapid development of the coronavirus pandemic (COVID-19), many countries, including the Republic of Kazakhstan, introduced quarantine measures, which have had a significant impact on the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures to minimize its consequences can affect the activities of companies from various industries. The Group regards this pandemic as a non-adjusting subsequent event, the financial effect of which cannot be estimated at the moment with a sufficient degree of confidence.

Since March 2020, there has also been significant volatility in the stock, currency and commodity markets, including a drop in oil prices and a depreciation of tenge against the US dollar and the euro. The scale and duration of these developments remain uncertain but will impact the Group's earnings, cash flow and financial condition. Currently the expected impact is not possible to quantify with a sufficient degree of confidence.

The Fund will continue to monitor the likely impact of lower revenues from sales of oil, gas, rail passenger and rail freight volumes as well as the grounding of the Air Astana fleet of aircraft on potential impairment and loan covenants and liquidity of the Group.

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Consolidated financial statements

For the year ended December 31, 2018
with independent auditor’s report

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Independent Auditor's Report

To the Shareholder and Management of "Sovereign Wealth Fund "Samruk-Kazyna" JSC

Opinion

We have audited the consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries (hereinafter - the Group), which comprise the consolidated balance sheet as at 31 December 2018, 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 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter - IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter - ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report. We are independent of the Group in accordance with *the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (hereinafter - *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.

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Key audit matters	How our audit addressed the key audit matters
Impairment of non-current assets	
We considered this matter to be one of most significance in the audit due to the high level of subjectivity in respect of assumptions underlying impairment analysis of non-current assets and significant judgements and estimates made by the management. In addition, increased cost of debt and uncertainty regarding future economic growth affects the Group's business prospects and triggers potential impairment of the Group's assets. Significant assumptions included discount rates, commodities prices, tariffs forecasts, inflation and exchange rate forecasts. Significant estimates included production forecasts, future capital expenditures and commodity reserves available for development and production. Information on non-current assets and the impairment tests performed is disclosed in *Note* 4 to the consolidated financial statements.	We involved business valuation specialists in the testing of the impairment analysis and calculation of recoverable amounts performed by the management. We analyzed the assumptions underlying management forecast. We compared natural resource and commodity prices used in the calculation of recoverable amounts to available market forecasts. We compared the discount rate and long-term growth rate to general market indicators and other available evidence. We tested the mathematical accuracy of the impairment models and assessed the sensitivity analysis. We analysed the disclosures made in the consolidated financial statements in respect of impairment.
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 funding shortages. In addition, cross default provisions are in place under many of 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 interest-bearing liabilities in the consolidated balance sheet. Information on compliance with covenants is disclosed in *Note* 19 to the consolidated financial statements.	We examined the terms of financing arrangements. We compared data used in the calculations with the financial statements. We assessed arithmetic accuracy of financial covenants calculations. In addition, we analysed non-financial covenants, such as limitations on disposals and acquisitions, retaining control over assets and absence of insolvency proceedings. We analysed communication with creditors in respect of compliance with financial and non-financial covenants as at 31 December 2018. We also assessed the information disclosed in the consolidated financial statements.

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Other information included in the Group's 2018 Annual Report

Other information consists of the information included in the Group's 2018 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2018 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 Audit Committee 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 Audit Committee 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 Audit Committee, 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 Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the Audit Committee, 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

Adil Syzdykov
Auditor

Gulmira Turmagambetova
General Director
Ernst & Young LLP

Auditor qualification certificate
No. МФ-0000172 dated 23 December 2013

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

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

4 April 2019

CONSOLIDATED BALANCE SHEET

As at December 31

In millions of tenge	Note	2018	2017 (restated)*
Assets			
Non-current assets			
Property, plant and equipment	7	**12,669,551**	11,503,317
Intangible assets	8	**1,611,163**	993,585
Exploration and evaluation assets	9	**431,848**	451,782
Investment property		**42,388**	11,601
Investments in joint ventures and associates	10	**3,664,897**	2,856,767
Loans issued and finance lease receivables	11	**431,276**	593,325
Amounts due from credit institutions	12	**176,360**	502,493
Deferred tax assets	34	**131,192**	169,280
Other non-current financial assets	13	**291,374**	95,620
Other non-current assets	14	**627,917**	691,328
		20,077,966	17,869,098
Current assets			
Inventories	15	**611,094**	538,416
VAT receivable		**151,750**	145,954
Income tax prepaid		**68,857**	54,626
Trade accounts receivable	16	**747,873**	641,453
Loans issued and finance lease receivables	11	**201,656**	250,362
Amounts due from credit institutions	12	**623,612**	1,951,384
Other current financial assets	13	**57,257**	30,250
Other current assets	16	**417,362**	381,753
Cash and cash equivalents	17	**2,487,533**	2,263,938
		5,366,994	6,258,136
Assets classified as held for sale	6	**200,396**	199,874
Total assets		**25,645,356**	24,327,108

The accounting policies and explanatory notes on pages 9 through 96 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET (continued)

In millions of tenge	Note	2018	2017 (restated)*
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	18.1	**5,133,766**	5,133,476
Additional paid-in capital	18.2	**17,303**	13,189
Currency translation reserve	18.9	**1,333,529**	919,146
Revaluation reserve of investments at fair value through other comprehensive income		**28,806**	26,177
Hedging reserve	18.10	**(67,163)**	(54,666)
Other capital reserves		**(16,807)**	(16,742)
Retained earnings		**5,078,098**	3,982,070
		11,507,532	10,002,650
Non-controlling interest	18.8	**1,364,353**	1,821,720
Total equity		**12,871,885**	11,824,370
Non-current liabilities			
Borrowings	19	**6,035,456**	5,417,510
Loans from the Government of the Republic of Kazakhstan	20	**630,433**	776,141
Finance lease liabilities	22	**130,640**	120,091
Provisions	23	**269,123**	247,285
Deferred tax liabilities	34	**915,415**	707,447
Employee benefit liabilities	24	**94,243**	81,172
Prepayment on oil supply agreements	21	**1,153,761**	1,109,265
Other non-current liabilities		**118,675**	106,148
		9,347,746	8,565,059
Current liabilities			
Borrowings	19	**817,319**	1,636,757
Loans from the Government of the Republic of Kazakhstan	20	**22,973**	5,907
Finance lease liabilities	22	**25,853**	19,755
Provisions	23	**151,793**	115,967
Employee benefit liabilities	24	**7,267**	6,883
Income taxes payable		**18,699**	16,252
Trade and other payables		**995,322**	849,216
Prepayment on oil supply agreements	21	**527,402**	332,330
Other current liabilities	25	**764,021**	865,963
		3,330,649	3,849,030
Liabilities associated with assets classified as held for sale	6	**95,076**	88,649
Total liabilities		**12,773,471**	12,502,738
Total equity and liabilities		**25,645,356**	24,327,108

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2017 and reflect adjustments made, refer to Note 6.*

Managing Director for Economy and Finance - member of the Management Board

Beibit Karymsakov

САМҰРЫҚ ҚАЗЫНА

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 96 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31

In millions of tenge	Note	2018	2017 (restated)*
Continuing operations			
Revenue	26	**10,116,427**	7,382,061
Government grants		**31,217**	52,443
		10,147,644	7,434,504
Cost of sales	27	**(7,798,575)**	(5,800,840)
Gross profit		**2,349,069**	1,633,664
General and administrative expenses	28	**(488,633)**	(454,740)
Transportation and selling expenses	29	**(721,582)**	(470,356)
Impairment loss	30	**(208,426)**	(94,382)
Gain/(loss) on disposal of subsidiaries		**26,432**	(3,528)
Gain on business combination	5	**313,517**	26,449
Operating profit		**1,270,377**	637,107
Finance costs	31	**(633,155)**	(482,379)
Finance income	32	**206,520**	191,742
Other non-operating loss		**(110,763)**	(41,107)
Other non-operating income		**44,176**	45,317
Share in profit of joint ventures and associates, net	33	**749,531**	531,682
Net foreign exchange gain		**123,888**	23,896
Gain from exercise of put option		**–**	107,714
Profit before income tax		**1,650,574**	1,013,972
Income tax expenses	34	**(403,816)**	(262,237)
Net profit for the year from continuing operations		**1,246,758**	751,735
Discontinued operations			
Loss from discontinued operations, net of income tax	6	**(3,542)**	(9,838)
Net profit for the year		**1,243,216**	741,897
Net profit for the year attributable to:			
Equity holder of the Parent		**1,140,896**	606,729
Non-controlling interest		**102,320**	135,168
		1,243,216	741,897

The accounting policies and explanatory notes on pages 9 through 96 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge	Note	2018	2017 (restated)*
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	18.9	**437,322**	(62,251)
Unrealized loss from revaluation investments at fair value through other comprehensive income		**(260)**	(11,514)
Share of the other comprehensive income/(loss) of associates and joint ventures		**3,998**	(408)
(Loss)/gain on transactions with hedge instruments	18.10	**(10,279)**	260
Reclassification to profit or loss of foreign currency translation reserve on disposal of foreign subsidiaries		**(476)**	–
Tax effect on transactions with hedge instrument	18.10	**(750)**	(271)
Net realized gain on investments at fair value through other comprehensive income		**119**	6,659
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**429,674**	(67,525)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Share of the other comprehensive loss of associates and joint ventures		**(155)**	(371)
Net gain from investments in equity Investments at fair value through other comprehensive income		**14,509**	–
Actuarial loss on defined benefit plans	24	**(7,577)**	(8,046)
Tax effect on comprehensive loss components		**404**	(358)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**7,181**	(8,775)
Other comprehensive income/(loss) for the year, net of tax		**436,855**	(76,300)
Total comprehensive income for the year, net of tax		**1,680,071**	665,597
Total comprehensive income for the year, attributable to:			
Equity holder of the Parent		**1,522,219**	527,891
Non-controlling interest		**157,852**	137,706
		1,680,071	665,597

* *Certain amounts shown here do not correspond to 2017 consolidated financial statements and reflect restatement made, details of which are disclosed in Notes 2 and 6.*

Managing Director for Economy and Finance - member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 96 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31

		Attributable to the equity holder of the Parent									
In millions of tenge	Note	Share capital	Additional paid-in capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at January 1, 2017 (audited) (restated*)		5,058,658	–	31,032	1,005,345	(52,712)	(16,522)	3,480,564	9,506,365	1,640,592	11,146,957
Total comprehensive income for the period		–	–	(4,855)	(87,300)	(1,954)	(18)	622,018	527,891	137,706	665,597
Issue of shares		74,818	–	–	–	–	–	–	74,818	–	74,818
Other contributions of the Shareholder		–	13,189	–	–	–	–	–	13,189	–	13,189
Dividends		–	–	–	–	–	–	(11,899)	(11,899)	(24,328)	(36,227)
Other transactions with the Shareholder		–	–	–	–	–	–	(6,534)	(6,534)	–	(6,534)
Other distributions to the Shareholder		–	–	–	–	–	–	(112,131)	(112,131)	–	(112,131)
Acquisition of subsidiaries		–	–	–	–	–	–	1,036	1,036	56,359	57,395
Disposal of subsidiaries		–	–	–	(108)	–	–	–	(108)	(3,143)	(3,251)
Change in ownership interests of subsidiaries – sale of non-controlling interest		–	–	–	–	–	–	7,547	7,547	16,517	24,064
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	–	–	1,209	–	–	1,547	2,756	(3,082)	(326)
Other equity movements		–	–	–	–	–	(202)	(78)	(280)	1,099	819
Balance as at December 31, 2017 (restated)		5,133,476	13,189	26,177	919,146	(54,666)	(16,742)	3,982,070	10,002,650	1,821,720	11,824,370

* *Certain amounts shown here do not correspond to 2017 consolidated financial statements and reflect restatement made, details of which are disclosed in Notes 2 and 6.*

The accounting policies and explanatory notes on pages 9 through 96 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to the equity holder of the Parent									
In millions of tenge	Note	Share capital	Additional paid-in capital	Revaluation reserve of investments at fair value through other comprehen-sive income	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2017 (restated)		5,133,476	13,189	26,177	919,146	(54,666)	(16,742)	3,982,070	10,002,650	1,821,720	11,824,370
Effect of adoption of new IFRS 9, 15		–	–	2,835	–	–	–	(51,042)	(48,207)	(4,191)	(52,398)
Balance as at January 1, 2018		5,133,476	13,189	29,012	919,146	(54,666)	(16,742)	3,931,028	9,954,443	1,817,529	11,771,972
Total comprehensive income for the period		–	–	(55)	405,068	(12,497)	26	1,129,677	1,522,219	157,852	1,680,071
Issue of shares	18.1	290	–	–	–	–	–	–	290	–	290
Other contributions of the Shareholder	18.2	–	4,114	–	–	–	–	–	4,114	–	4,114
Dividends	18.3	–	–	–	–	–	–	(12,732)	(12,732)	(25,276)	(38,008)
Other transactions with the Shareholder	18.4	–	–	–	–	–	–	(31,340)	(31,340)	–	(31,340)
Other distributions to the Shareholder	18.5	–	–	–	–	–	–	(111,267)	(111,267)	(643)	(111,910)
Discount on loans from the Government	20	–	–	–	–	–	–	(10,477)	(10,477)	–	(10,477)
Acquisition of subsidiaries	5	–	–	–	–	–	–	–	–	147,334	147,334
Change in ownership interests of subsidiaries – sale of non-controlling interest	18.6	–	–	(405)	423	–	–	36,268	36,286	124,137	160,423
Change in ownership interests of subsidiaries – acquisition of non-controlling interest	18.7	–	–	–	5,938	–	–	150,212	156,150	(855,371)	(699,221)
Other equity movements		–	–	254	2,954	–	(91)	(3,271)	(154)	(1,209)	(1,363)
Balance as at December 31, 2018		**5,133,766**	**17,303**	**28,806**	**1,333,529**	**(67,163)**	**(16,807)**	**5,078,098**	**11,507,532**	**1,364,353**	**12,871,885**

Managing Director for Economy and Finance - member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 96 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

In millions of tenge	**Note**	**2018**	2017
Cash flows from operating activities			
Receipts from customers		**11,139,592**	8,540,915
Payments to suppliers		**(6,820,267)**	(5,165,564)
Payments to employees		**(945,284)**	(882,235)
Other taxes and payments		**(1,497,177)**	(1,117,307)
Operations with financial instruments (the Fund and Kazpost)		**(149,711)**	(63,143)
Return of VAT from the budget		**84,096**	124,621
Other payments, net		**(114,872)**	(51,047)
Income taxes paid		**(261,221)**	(169,442)
Interest paid		**(534,690)**	(454,320)
Interest received		**180,128**	168,165
Net cash flows received from operating activities		**1,080,594**	930,643
Cash flows from investing activities			
Acquisition of property, plant and equipment, exploration and evaluation assets		**(854,977)**	(1,087,829)
Dividends received from joint ventures and associates	10	**250,499**	356,098
Acquisition of subsidiaries	5	**(199,946)**	–
Redemption/(placement) of bank deposits, net		**1,468,343**	(312,441)
Loans issued		**(32,809)**	(181,948)
Sale of a put option		**–**	173,719
Proceeds from sale of subsidiaries, net of cash of disposed subsidiaries		**10,122**	24,174
Proceeds of receivables from sale of BTA		**5,000**	51,211
Acquisition of intangible assets		**(15,795)**	(23,161)
Sale/(acquisition) of joint ventures and associates		**(50,510)**	15,745
Repayment of loans issued		**109,420**	7,879
Cash acquired with subsidiaries	5	**38,264**	424
Other receipts, net		**106,413**	17,497
Net cash flows received/(used) in investing activities		**834,024**	(958,632)

The accounting policies and explanatory notes on pages 9 through 96 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In millions of tenge	Note	2018	2017
Cash flows from financing activities			
Proceeds from borrowings		**1,870,800**	2,336,650
Repayment of borrowings		**(2,981,551)**	(1,442,094)
Share buyback by subsidiary	18.7	**(642,524)**	
Repayment of finance lease liabilities		**(19,335)**	(18,401)
Contributions to the share capital	18.1	**–**	74,552
Distributions to the Shareholder		**(57,051)**	(62,166)
Dividends paid to non-controlling interest of subsidiaries		**(24,632)**	(21,379)
Sale of non-controlling interest	18.6	**160,423**	24,068
Repayment of principal for acquisition of additional interest in the indivisible shares of the North-Caspian project	25	**(185,570)**	(177,079)
Dividends paid to the Shareholder	18.3	**(12,732)**	(11,899)
Acquisition of non-controlling interest	18.7	**(56,700)**	–
Other payments, net		**(793)**	(4,932)
Net cash flows (used)/received in financing activities		**(1,949,665)**	697,320
Net (decrease)/increase in cash and cash equivalents		**(35,047)**	669,331
Effects of exchange rate changes on cash and cash equivalents		**244,566**	24,115
Changes in cash and cash equivalents disclosed as part of assets held for sale		**14,942**	22,825
Change in allowance for expected credit losses		**(866)**	(6,368)
Cash and cash equivalents at the beginning of the year*		**2,263,938**	1,554,035
Cash and cash equivalents at the end of the year	17	**2,487,533**	2,263,938

* *Cash and cash equivalents at the beginning of the year 2018 reflect restatement made, details of which are disclosed in Note 6.*

Managing Director for Economy and Finance - member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 96 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. GENERAL INFORMATION

Corporate information

"Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "Fund" or "Samruk-Kazyna") was established on November 3, 2008 in accordance with the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 and the Resolution of the Government of the Republic of Kazakhstan dated October 17, 2008. The formation was enacted by the merger of "Sustainable Development Fund "Kazyna" JSC ("Kazyna") and "Kazakhstan Holding Company for State Assets Management "Samruk" JSC ("Samruk") and the additional transfer to the Fund of interests in certain entities owned by the Government of the Republic of Kazakhstan (the "State" or the "Government"). The Government, represented by the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan, is the sole shareholder of the Fund (the "Shareholder" or the "Parent").

During this process the Government's overall objective was to increase management efficiency and to optimise organisational structures for them to successfully achieve their strategic objectives as set in the respective Government programs and development plans.

The Fund is a holding company combining state-owned enterprises listed in *Note 35* (the "Group"). Prior to February 1, 2012, the Fund's activities were governed by the Law of the Republic of Kazakhstan *On National Welfare Fund* No. 134-4 dated February 13, 2009 and were aimed to assist in provision of stable development of the state economy, modernization and diversification of economy, and improvement of the Group companies' efficiency. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 *On Sovereign Wealth Fund* No. 550-4, the Fund's activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has 8 (eight) reportable operating segments as follows *(Note 39)*:

- Oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil, gas and refined products;
- Transportation segment includes operations related to railway and air transportation of cargo and passengers;
- Communication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also renting out of lines, data transfer services and wireless communication services;
- Energy segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Energy System of Kazakhstan;
- Mining segment includes exploration, mining, processing, sales of mineral resources and geological exploration;
- Industrial segment includes industry enterprises and projects of chemical industry;
- Corporate center segment covers Fund's investing and financing activities, including provision of loans to related and third parties;
- Other segment includes operations related to assisting the Government in increasing housing availability by investing into residential development and other operations.

The address of the Fund's registered office is 17/10 E10 str., Nur-Sultan, the Republic of Kazakhstan.

These consolidated financial statements were authorised for issue by the Managing Director for Economy and Finance and Chief accountant of the Fund on April 4, 2019 and preliminary approved by the Audit Committee of the Board of Directors of the Fund on the same date. These consolidated financial statements should be further approved by the Board of Directors and Sole Shareholder.

Privatization plan

On April 30, 2014 the Government approved the initial Privatization Plan for 2014-2016. On December 30, 2015 the Government approved the new 2016-2020 Complex Privatization Plan (replacing previous 2014-2016 Privatization Plan) ("Privatization Plan") and the list of all state owned assets to be privatized, including certain Fund subsidiaries.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements.

These consolidated financial statements are presented in Kazakhstan tenge ("tenge") and all monetary amounts are rounded to the nearest million tenge except where otherwise indicated.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board ("IASB").

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in *Note 4*.

Restatement affecting comparative information

The Group made reclassification of cost of sales and transportation and selling expenses since the Group believes that this reclassification is more relevant to users consolidated financial statements.

Effect of restatement for the year ended December 31, 2017:

In millions of tenge	For the year ended December 31, 2017 (audited)	NC KMG Group reclassification	KMG International N.V.*	Kazakhstan Engineering JSC*	For the year ended December 31, 2017 (audited) (restated)
Revenue	5,124,158	–	2,334,927	(77,024)	7,382,061
Cost of sales	(4,553,301)	91,632	(1,416,186)	77,015	(5,800,840)
Gross profit	**623,300**	**91,632**	**918,741**	**(9)**	**1,633,664**
Transportation and selling expenses	(319,154)	(91,632)	(60,409)	839	(470,356)
Net profit for the period	**735,975**	**–**	**5,922**	**–**	**741,897**

* *Other items of restatement of the consolidated statement of comprehensive income are disclosed in Note 6.*

Foreign currency translation

Functional and presentation currency

Items included in these consolidated financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in tenge, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Group entities

Gains, losses and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at that reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The following table presents currency exchange rates to tenge:

	December 31, 2018	December 31, 2017	**Weighted average for 2018**	Weighted average for 2017	April 4, 2019
United States dollar ("USD")	**384.20**	332.33	**345.04**	326.08	378.29
Euro ("EUR")	**439.37**	398.23	**406.88**	368.45	424.63
Russian ruble ("RUR")	**5.52**	5.77	**5.50**	5.59	5.78

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards and interpretations effective as of January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2018, but they do not have an impact on the consolidated financial statements of the Group:

- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Considerations*;
- Amendments to IAS 40 *Transfers of Investment Property*;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*;
- Amendments to IAS 28 *Investments in Associates and Joint Ventures – clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*;
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – deletion of short-term exemptions for first-time adopters*.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. The nature and effect of these changes are disclosed below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the retrospective modified method. The effect of transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients.

Adoption of IFRS 15 did not have significant effect on the consolidated financial statements of the Group. As of January 1, 2018, the Group adjusted the balance of retained earnings in the amount of 947 million tenge and the non-controlling interest by 429 million tenge.

(a) Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(b) Rendering of services

The Group fulfills performance obligation on a monthly basis and recognizes revenue from rendering of services, based on the actual volumes of services rendered. Revenue from services is recognized over time given that the buyer simultaneously receives and consumes the benefits provided by the Group. The adoption of IFRS 15 did not have an impact on the Group's revenue and profit or loss from rendering of services.

(c) Contract liabilities to customers

Generally, the Group receives short-term advances from its customers. Prior to the adoption of IFRS 15, the Group presented these advances as advances received in the consolidated balance sheet.

Upon the adoption of IFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018.

The Group did not restate the comparative information for the annual period beginning January 1, 2017 and recognised the adjustment to the opening balance of retained earnings, revaluation reserve for financial assets held at fair value through other comprehensive income (FVOCI) and non-controlling interest as at January 1, 2018.

(a) Classification and measurement

Under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments (continued)

(a) Classification and measurement (continued)

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or FVOCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the criterion of solely payments of principal and interest. This category includes the Group's trade and other receivables, loans due from related parties and bank deposits.
- Debt instruments at FVOCI for financial assets that are held within a business model whose objective is achieved by both holding the financial assets in order to collect contractual cash flows that meet the criterion of solely payments of principal and interest and selling financial assets. This category includes the Group's investments in debt securities included in other financial assets.
- Debt instruments at FVPL: this category includes certain loans due from related parties, which contain embedded derivative financial instruments, and coupon bonds included in other financial assets.

As result of adoption of classification requirements of IFRS 9, the Group recognised the adjustment to the opening balances of revaluation reserve for financial assets at FVOCI as of January 1, 2018 and financial assets at FVOCI for the difference between initial carrying amount and fair value of investments in equity instruments accounted at FVOCI by increasing the revaluation reserve by 2,296 million tenge.

The Group accounts the financial guarantee contracts after initial recognition at the higher of the initially recognized amount and the amount of the estimated allowance for expected credit losses. As a result, the Group has adjusted the balance of retained earnings as of January 1, 2018 and other financial liabilities by 6,191 million tenge.

The assessment of the Group's business models was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognised before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVPL.

ECLs are calculated as a difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors, which are specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans issued and bank deposits), the ECL is calculated for the 12-month period. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments (continued)

(b) Impairment (continued)

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. As a result of this increase, the Group adjusted the balance of retained earnings, non-controlling interest and revaluation reserve for financial assets held at FVOCI as at January 1, 2018 in this consolidated statement of changes in equity for ECL for financial assets at amortized cost and financial assets held at FVOCI.

Impact on the consolidated balance sheet as at January 1, 2018, as follows:

In millions of tenge	**As at December 31, 2017 (restated)**	**Effects of adoption of IFRS 9**	**As at January 1, 2018 (restated)**
Assets			
Non-current assets			
Investments in joint ventures and associates	2,856,767	(3,615)	2,853,152
Loans issued and finance lease receivables at amortized cost	573,023	(178,029)	394,994
Loans issued at FVPL	20,302	169,393	189,695
Amounts due from credit institutions	502,493	(13,887)	488,606
Deferred tax assets	169,280	834	170,114
Other non-current financial assets	95,620	(157)	95,463
Other non-current assets	691,328	(918)	690,410
at cost	*750,028*	*–*	*750,028*
less: allowance for expected credit losses	*(58,700)*	*(918)*	*(59,618)*
Current assets			
Trade accounts receivable	641,453	(5,352)	636,101
at cost	*714,102*	*(7,931)*	*706,171*
less: allowance for expected credit losses	*(72,649)*	*2,579*	*(70,070)*
Loans issued and finance lease receivables	250,362	(97,754)	152,608
Loans issued at FVPL	–	92,101	92,101
Amounts due from credit institutions	1,951,384	(2,947)	1,948,437
Other current financial assets	30,250	(54)	30,196
Other current assets	381,753	(2,393)	379,360
at cost	*505,791*	*–*	*505,791*
less: allowance for expected credit losses	*(124,038)*	*(2,393)*	*(126,431)*
Cash and cash equivalents	2,263,938	(577)	2,263,361
Assets classified as held for sale	199,874	(28)	199,846
Equity and liabilities			
Equity			
Revaluation reserve of investments at FVOCI	26,177	539	26,716
Retained earnings	3,982,070	(39,302)	3,942,768
Non-controlling interest	1,821,720	(4,620)	1,817,100

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments (continued)

(c) Accounting for modifications or exchange of promissory notes that do not lead to termination of recognition

Profit or loss arising from modification of a financial liability measured at amortized cost is recognized in profit or loss. Income or expense is calculated as difference between the initial cash flows and the present value of future cash flows provided for in the agreement, discounted using the original effective interest rate of the financial instrument. As of January 1, 2018, the Group adjusted the opening balance of retained earnings and liabilities in the amount of 4,602 million tenge.

Standards that have been issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The following new standards and amendments are not applicable or have no significant impact for the Group:

- IFRS 17 *Insurance Contracts*;
- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Venture*;
- Amendments to IFRS 3 *Business Combinations*;
- Amendments to IAS 1 and IAS 8 *Definition of Material*;
- Annual improvements 2015-2017 cycle (issued in December 2017):
    - IFRS 3 *Business Combinations*;
    - IFRS 11 *Joint Arrangements*;
    - IAS 12 *Income Taxes*;
    - IAS 23 *Borrowing costs*.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The lease term will correspond to the duration of the contracts signed except in cases where the Group is reasonably certain that it will exercise contractual extension options.

The Group will make a transition to IFRS 16 using the modified retrospective approach. Under this approach, the prior year figures will not be adjusted and both lease liabilities and right-of-use assets will be recognised at the date of transition to IFRS 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards that have been issued but not yet effective (continued)

IFRS 16 Leases (continued)

For leases previously classified as an operating lease applying IAS 17 at the date of transition to IFRS 16 the Group will measure these lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. For leases previously classified as an operating lease, applying IAS 17 the Group at the date of transition to IFRS 16 will assess right-of-use assets at either:

- Its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the Group's applicable incremental borrowing rate at the date of transition to IFRS 16; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet immediately before the date of transition to IFRS 16.

The Group has elected to use the following practical expedients proposed by the standard:

- On initial application initial direct costs will be excluded from the measurement of the right-of-use asset;
- On initial application IFRS 16 will only be applied to contracts that were previously classified as leases;
- For all classes of underlying assets each lease component and any associated non-lease components will be accounted as a single lease component;
- Lease payments for contracts with a duration of 12 months or less for the classes of underlying assets other than land and buildings will continue to be expensed to the statement of comprehensive income on a straight-line basis over the lease term;
- Lease contracts for which the underlying asset is of low value.

Group management expects that the application of IFRS 16 in the future may significantly affect assets and liabilities because it recognised assets as a form of right to use and lease liabilities in relation to agreement in which the Group, except those that meet the criteria of short-term lease or the lease of low-value assets in accordance with IFRS 16.

Preliminary estimated effect of the application of IFRS 16 using the modified retrospective approach as at January 2019 amounted to 210,017 million tenge for assets, 223,854 million tenge for liabilities and 13,837 million tenge for retained earnings.

Basis of consolidation

These consolidated financial statements comprise the financial statements of the Fund and its controlled subsidiaries *(Note 35)*.

Subsidiaries

Subsidiaries are the entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income and consolidated balance sheet from the date the Group gains control until the date the Group ceases to control the subsidiary.

Except for acquisition in transactions between entities under common control, subsidiaries are consolidated from the date when control is obtained by the Group and are de-consolidated from the date when control ceases. At the acquisition of the subsidiary, acquisition cost is distributed between assets and liabilities based on their fair value as at the date of acquisition. Financial statements of the subsidiaries are prepared for the same reporting period as those of the Fund, using consistent accounting policies.

All intra-group balances and transactions, including unrealized gains resulting from intra-group transactions are eliminated in full. Unrealized losses are eliminated in the same manner as unrealized gains, except that they are eliminated to the extent that there is no evidence of impairment.

Non-controlling interest represents a portion of equity in subsidiaries, which is not owned by the Group, and is recorded separately in equity in the consolidated balance sheet separately from the equity attributable to the Parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in its deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes an analysis of the need of separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, equity interest previously held by the Group in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Business combinations (continued)

Goodwill is initially measured at cost being the excess of an aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed by the Group. If this consideration is lower than the fair value of net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, the goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date of an entity by the Group, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operations disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured on the basis of the relative values of the operation disposed off and the portion of the cash-generating unit retained.

Acquisition of subsidiaries from parties under common control

Acquisition of subsidiaries from parties under common control (entities under the Government's control) is accounted for using the pooling of interest method.

Assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the "Predecessor") at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

These consolidated financial statements are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Change in ownership interests in subsidiaries

In transactions where part of the interest in existing subsidiary is either sold or acquired, but control is retained, the differences between the carrying amounts of net assets attributable to interests in subsidiaries acquired or disposed and the consideration given or received for such increases or decreases are charged or credited to retained earnings.

Investment in joint ventures and associates

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. Also, the Group has interests in associates, in which it exercises significant influence over the economic activities of the entities. The Group's investment in its joint ventures and associates are accounted for using the equity method.

Under the equity method, investment in joint venture / associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the joint venture / associate. Goodwill relating to a joint venture / associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the share of the results of operations of the joint venture / associate. Where there has been a change in net assets recognized directly in the equity of the joint venture / associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture / associate are eliminated to the extent of the Group's interest in the joint venture / associate.

The share in profit of joint ventures / associates is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the joint venture / associate and therefore is profit after tax and non-controlling interest in the subsidiaries of the joint ventures / associates.

Financial statements of the joint venture / associate are prepared for the same reporting period as those of the Parent. Where necessary, adjustments are made to bring their accounting policies in line with those of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Investment in joint ventures and associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures / associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture / associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of investment in the joint venture / associate and its carrying amount and recognises impairment loss in the consolidated statement of comprehensive income.

Upon loss of joint control over the joint venture and significant influence over associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the investment in the joint venture / associate upon loss of joint control / significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Share of interest in jointly controlled operations

The Group has undivided interest in jointly controlled operations.

Upon acquisition the Group shall recognize in relation to its interest in joint operations its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly. Subsequently, the Group shall recognize its revenue from the sale of its share of the output arising from the joint operations; its share of the revenue from the sale of the output by the joint operations; and its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in the joint operations in accordance with its accounting policy.

Assets classified as held for sale and discontinued operations

Assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through the continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 (one) year from the date of classification.

In the consolidated statement of comprehensive income for the reporting period, and for the prior year comparable period, incomes and expenses from discontinued operations are reported separately from normal income and expenses, even when the Group retains a non-controlling interest in the subsidiary after sale. The resulting profit or loss (net of tax) is reported separately in the consolidated statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated.

Exploration and development assets on mineral and hydrocarbon resources (oil and gas and mining assets)

Costs incurred before obtaining subsoil use rights (licenses)

Costs incurred before obtaining full subsoil use rights (licenses) are expensed in the period in which they are incurred, except when costs are incurred after signing preliminary agreements with the Government of the Republic of Kazakhstan, in such cases costs incurred after this date are capitalized.

Expenditures for acquisition of subsurface use rights

Expenditures for acquisition of subsurface use rights (exploration and production) comprise signature bonuses, historical costs, obligatory expenditures for ecological and social programs and are capitalized within intangible assets as subsurface use rights at exploration and evaluation phase.

Expenditures for acquisition of subsurface use rights are accounted for on a field-by-field basis. Each field is tested for impairment on an annual basis. If no future activity is planned, the remaining balance of the acquisition costs is written off. Starting from the commercial production on fields subsurface use rights (remaining costs) shall be transferred to the property, plant and equipment and shall be amortized using unit-of-production method on actual production based on total proved reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and development assets on mineral and hydrocarbon resources (oil and gas and mining assets) (continued)

Exploration and evaluation expenditures (construction in progress)

Exploration and evaluation expenditures include geological and geophysical costs; costs directly related to exploration drilling; stripping activities; overhead and other expenses on exploration and evaluation, which could be related to a certain field. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. Except for geological and geophysical costs, exploration and evaluation expenditures are capitalized within exploration and evaluation assets, accounted for by subsurface use contracts and are not amortized. If mineral or hydrocarbon resources are not found, this could be an indication of impairment. All capitalized costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. If mineral or hydrocarbon resources are determined and development is sanctioned, relevant costs are then transferred to oil and gas or mining assets subclasses.

Development and production expenditures (oil and gas and mining assets)

Development and production expenditures comprise previously capitalized (and reclassified in commencement of production) expenditures for acquisition of subsurface use rights and exploration and evaluation costs; drilling of producing wells regardless of the drilling results; construction of landfills; development of surface technological facilities required for production, collection and preparation of hydrocarbons and mineral resources at fields; other costs incurred in the process of organization of commercial production at fields; capitalized discounted costs for wells and mines abandonment and site restoration. Development and production expenditures are capitalized within property, plant and equipment (oil and gas and mining assets), and are accounted for on a field-by-field basis.

Depreciation of oil and gas and mining assets (within property, plant and equipment and intangible assets)

Oil and gas and mining assets are depreciated using a unit-of-production method based on actual production from commencement of commercial production at fields. Certain oil and gas and mining assets (surface facilities and equipment) with useful lives significantly differing from those of the fields are depreciated on a straight-line basis over their useful lives. The cost of acquisition of subsurface use rights including discounted decommissioning costs are depreciated over total proved reserves. The other field development costs are amortized over proved developed reserves.

Property, plant and equipment (other than oil and gas and mining assets)

On initial recognition, property, plant and equipment is measured at cost. Subsequently, property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Property, plant and equipment, other than oil and gas and mining assets, principally comprise the following classes of assets, which are depreciated on a straight-line basis over the expected useful lives:

UPS Power transmission lines	50 years
Refinery assets	4-100 years
Pipelines	2-30 years
Buildings and premises	2-100 years
Railway tracks and infrastructure	10-80 years
Machinery, equipment and vehicles	2-50 years
Other	2-20 years

In cases when items of property, plant and equipment are subject to major inspection, the cost is recognized in the carrying amount of property, plant and equipment as a replacement of component if the recognition criteria set out in IAS 16 are satisfied.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the reporting period the asset is derecognised.

Residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with the finite useful life principally comprise the following classes of assets which are depreciated on a straight-line basis over the expected useful lives:

Licenses	3-20 years
Software	1-14 years
Other	2-15 years

Indefinite-lived intangible assets are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount.

Investment properties

Investment property is initially measured at cost, including transaction costs.

Since the Group adopted cost model, after initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 *Property, Plant and Equipment*, that is, cost less accumulated depreciation and less accumulated impairment losses.

The depreciation is calculated based on straight line method basis over the expected remaining useful average life of 2-100 years.

Investment property is derecognised (eliminated from the consolidated balance sheet) on its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected in the future. The difference between the net inflows arisen from the disposal and carrying amount of the asset is recognised in the consolidated statement of comprehensive income for the period in which it was derecognized.

Impairment of non-financial assets

The Group assesses non-financial assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of its recoverable amount.

An asset Group's recoverable amount is higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and a provision is made to reduce the asset to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment provision may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment provision is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment provision was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment provision been recognized for the asset in prior years. Such reversal is recognized in profits and losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following process is applied in assessing impairment of goodwill:

- The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that its carrying amount may be impaired;
- Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables, loans due from related parties and bank deposits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at FVPL include certain loans due from related parties, which contain embedded derivative financial instruments, and coupon bonds included in other financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated balance sheet at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

Derecognition

A financial asset is primarily derecognised (removed from the consolidated balance sheet) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedge accounting

The Group designates certain hedging instruments in respect of foreign currency risk, as either hedges of net investments in foreign operations or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values of foreign operations or cash flows of the hedged item attributable to the hedged risk.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued:

a) When the Group revokes the hedging relationship;

b) When the hedging instrument expires or is sold, terminated, or exercised; or

c) When it no longer qualifies for hedge accounting.

Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Investments in foreign operations hedge

Foreign currency gain or loss arising on items that are designated as part of the hedge of the Group's net investment in foreign operations are recognized in consolidated statement of comprehensive income within currency translation reserve.

Cash flow hedges

Foreign currency gain or loss arising from financial instruments that are designated and qualify as cash flow hedges is recognized in consolidated statement of comprehensive income within hedge reserve.

Inventories

Inventories are valued at cost or net realisable value, whichever is lower. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to sell. The same cost formula is used for all inventories having a similar nature and use. Inventories of oil and gas and energy operating segments are valued on a first-in first-out ("FIFO") basis. All other inventories are valued on the weighted-average cost basis.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits, short-term and highly liquid investments with original maturity of not more than 3 (three) months readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans borrowings and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at FVPL.

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR).

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 (twelve) months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the financial guarantee contracts after initial recognition at the higher of the initially recognized amount and the amount of the estimated allowance for expected credit losses.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in *Note 37*.

Leases

Determining whether the agreement is a lease or whether it contains evidence of a lease is based on an analysis of the content of the agreement at the date of the commencement of the lease. The agreement is a lease or contains signs of a lease if the implementation of the agreement depends on the use of a particular asset (or assets), and the right to use the asset or assets as a result of this agreement is transferred from one party to the other, even if this asset (or these assets) is not indicated (not specified) in the agreement explicitly.

The Group as lessee

Leases are classified at the commencement date of the rental relationship as financial or operating leases. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financing costs are recognized directly in the statement of comprehensive income.

The leased asset is depreciated over the useful life of the asset. However, if there is no reasonable assurance that the Group will transfer ownership of the asset at the end of the lease term, the asset is depreciated over the shorter of the following periods: the estimated useful life of the asset and the lease term.

An operating lease is defined as a lease other than a financial lease. Operating lease payments are recognized as operating expenses in the statement of comprehensive income on a straight-line basis over the term of the lease.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Provisions

Asset retirement obligation (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment in the amount equivalent to the provision is also recognized. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities in accordance with respective depreciation method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Asset retirement obligation (decommissioning) (continued)

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

a) Changes in the provision are added to, or deducted from, the carrying amount of the related asset in the current period;

b) The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of comprehensive income; and

c) If the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Other provisions

Provisions are recognized in the consolidated financial statements when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Employee benefits

Contributions to pension funds

The Group withholds 10% from the salary of its employees limited to certain annual amounts as the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to further compensate its employees upon their retirement.

Social tax

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan. Social tax is expensed as incurred.

Defined benefit plan

In accordance with the Collective Agreements signed with trade unions and other benefit regulations, some subsidiaries of the Group provide certain benefits to its employees upon their retirement ("Defined Benefit Plan").

The Group recognises actuarial gains and losses arising from the reassessment of the employee benefit liability in the period they are identified in OCI and profits and losses, and recognises benefit costs and obligations based on estimates determined in accordance with IAS 19 *Employee Benefits*.

The obligation and cost of benefits under the defined benefit plan are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing benefits is charged to profit and loss, so as to attribute the total benefit cost over the service lives of employees in accordance with the benefit formula of the defined benefit plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit plan obligation.

The defined benefit plans of Group's subsidiaries are unfunded.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity

Share capital

Common shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess or deficiency of the fair value of consideration received over the par value of shares issued is recognized as an increase or decrease in the retained earnings.

Non-controlling interests

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Parent. Losses of subsidiaries are attributed to the non-controlling interest even if this results in a deficit balance.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed in the consolidated financial statements when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Share based payments

Some employees of the Group receive remuneration in the form of share-based payment transactions, whereby these employees render services as consideration for equity instruments of a subsidiary in which they are employed ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the instruments on the date that they are granted. The fair value is determined using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves, over a period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for such transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Other distributions to the Shareholder

In retained earnings other distributions to the Shareholder are represented by expenses incurred or asset distribution made at the discretion of the Shareholder, including property, plant and equipment, interest in another entities and disposal groups, cash and other in accordance with accounting policy of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured.

Sale of goods

Revenues are recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset, which usually occurs when the title is passed, provided that the contract price is fixed or determinable and collectability of the receivable is reasonably assured. For export sales, title generally passes at the border of the Republic of Kazakhstan. Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts, volume rebates and reimbursable taxes.

Sales of support services are recognized as services are performed provided that the service price can be determined and no significant uncertainties regarding the receipt of revenues exist.

Rendering of services

Revenue from rendering of services is recognized when the services have been performed.

In respect of services related to transportation, revenue is recognized with reference to the stage of completion of the transportation at the reporting date provided that the stage of completion of transportation and the amount of revenue can be measured reliably. Prepayments received from customers relating to transportation services that have not been started yet are recognized upon receipt as "advances received from customers". Deferred income is credited to current revenue, as the service is provided.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as investments held at FVOCI, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Trade receivables

Accounts receivable represent the Group's right to the reimbursement amount, which is unconditional (i.e., only time is required for the redemption period to be paid).

Contract liabilities from contracts with customers

A contract liability is an obligation to transfer goods or services to the buyer for which the Group received a refund (or reimbursement) from the buyer. In the event that a customer pays compensation before the Group transfers a product or service to a customer, the Group recognizes a contract liability at the time the payment is made or at the time the payment becomes payable (whichever comes first). Contract liabilities are recognized as revenue when the Group fulfills its obligations under the contract.

Costs to obtain a contract

The Group pays commission to sales agents for new connected subscribers in the business-to-customer (B2C) segment. The commission to sales agents is capitalized as costs to obtain a contract in the consolidated statements of financial position. Costs to obtain a contract are amortized over the period the service is provided to the customer.

Establishment of tariffs

A number of subsidiaries of the Group are subject to regulation by the Committee for regulation of natural monopolies of the Republic of Kazakhstan ("CRNM"). This Committee is responsible for approval of the methodology for tariff calculation and tariff rates, under which the subsidiaries derive a significant portion of their revenues.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Due to the fact that the Government of the Republic of Kazakhstan is the sole shareholder of the Fund, the Group analyses all transactions with the Government to assess its role: where the Government acts primarily in its capacity of the Shareholder or where it acts as a regulator. If it is determined that in a specific transaction the Government acts in capacity of the Shareholder any gains or losses incurred by the Group as a result of such transaction are reflected directly in equity as either a contribution or withdrawal of equity by the Shareholder.

If it is determined that in a specific transaction the Government does not act in capacity of the Shareholder such transactions are accounted for using provisions of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. In such circumstances, government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments. Grants related to income are presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated statement of comprehensive income in the period to which they relate on the accrual basis.

Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the profits and losses, except to the extent that it relates to items charged or credited to other comprehensive income or equity, in which case it is recognized in other comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Excess profit tax ("EPT") is treated as an income tax and forms part of income tax expense. In accordance with the subsurface use contracts, the Group accrues and pays EPT, at specified rates of after tax profit which has been adjusted for specific deductions in accordance with the applicable subsurface use contracts, when certain internal rates of return are exceeded.

The internal rate of return is calculated based on the cash flows from each subsurface use contract, adjusted for the national inflation rate. Deferred tax is calculated with respect to both corporate income tax ("CIT") and EPT. Deferred EPT is calculated on temporary differences for assets allocated to subsurface use contracts use at the expected rate of EPT to be paid under the contract.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences arising due to the following are not provided for:

- The initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Value added tax ("VAT")

Tax authorities permit the settlement of sales and purchases VAT on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

Related parties include the Group's Shareholder, key management personnel, associates, joint ventures and entities in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's shareholders or key management personnel.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements *(Note 38)* unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes.

Subsequent events

Post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the reporting date and reported amounts of assets, liabilities, revenues, expenses and contingent assets and liabilities during the reporting period. Actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Oil and gas reserves

Oil and gas reserves are a material factor in the computation of depreciation, depletion and amortization expenses in oil segment. The Group estimates its oil and gas reserves in accordance with the methodology of the Society of Petroleum Engineers ("SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for Depreciation Depletion & Amortization ("DD&A") in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Mining reserves

Mining reserves are a critical component of the projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortisation expense in mining segment. Group entities usually estimate reserves based on results of detailed mine exploration, which is evaluated and approved by State Reserves Commission (SRC) of Kazakhstan Geology Committee. Normally upon stripping during production actual reserves of each area are greater or lesser than geological reserves approved by SRC.

Reserves JORC

In 2018 and 2017, the Group engaged SRK Consulting (UK) Limited (hereinafter SRK) to assess the Group's reserves and resources in accordance with the Australasian Code for reporting on geological exploration works, mineral resources and ore reserves (2012) (hereinafter JORC Code). Reserves and resources valuation was carried out as of December 31, 2018 and December 31, 2017, respectively. SRK has reviewed all of the key information upon which the most recent reported mineral resource and ore reserve statements for the mining assets of NAC KAP are based.

SRK has not independently re-calculated mineral resource and ore reserve estimates for the Group's operations but has rather reviewed the quantity and quality of the underlying data and the methodologies used to derive and classify the estimates as reported by the Group and made an opinion on these estimates including the tonnes of uranium planned to be exploited in the most up to date life of mine plans. Based on this review, SRK has derived mineral resource and ore reserve statements according to the guidelines and terminology proposed in the JORC Code. SRK's resource statements are confined to those areas that both have the potential to be mined economically and which are currently being considered for mining.

SRK report contains an assessment of the tonnes of uranium contained in ore which has the potential to be extracted by the existing and planned mining operations (the mineral resource), and also the tonnes of uranium contained in ore currently planned to be extracted as envisaged by the respective mining development plans (the ore reserve). The Group used reserves data according to the SRK report for calculation of impairment of long-term assets and production depreciation for each of the Group's mines.

Recoverability of long-term assets

The Group assesses assets or cash generating unit ("CGU") for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered to be impaired and is written down to its recoverable amount. In assessing recoverable amount the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

Under IAS 36, one of the possible impairment indicators is the presence of significant changes that had negative consequences for the Group that occurred during the year or are expected in the near future in the technological, market, economic or legal environment in which the Group operates or in the market for which the asset is used.

Recoverability of oil and gas assets, downstream, refining and other assets

As at December 31, 2018, the Group recognized the impairment of exploration and evaluation assets of 107,745 million tenge, which mainly relates to projects N and Satpayev of 67,897 million tenge and 34,538 million tenge, respectively, due to planned withdrawal from projects and return of the contract territories to the Government.

As at December 31, 2018, the Group performed its annual impairment tests of downstream, refining and other assets due to existence of impairment indicators. The Group considered forecasted refinery margins and production volumes, among other factors, when reviewing for indicators of impairment.

As a result of the impairment analysis of the recoverable amount of downstream, refining and other assets an impairment charge of 56,239 million tenge was recognized in the consolidated financial statements for the year ended December 31, 2018. The impairment charge was allocated to the property, plant and equipment and the intangible assets, and mainly relates to impairment of KMGI's Refining, Petrochemical, Bulgaria and Other CGUs.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Recoverability of oil and gas assets, downstream, refining and other assets (continued)

The present value of the free cash flows was determined using discounted cash flows from financial budgets approved by senior management covering a five-year period. As a result, the impairment loss attributable to Refining, Petrochemical, Bulgaria amounted to 43,701 million tenge was recognized, of which 21,195 million tenge was allocated to the property, plant and equipment and 22,506 million tenge was allocated to the intangible assets.

The recoverable amount of CGUs of KMGI has been determined based on fair value less costs of disposal, which is the present value of the free cash flows adjusted by the present value of the residual value. The key assumptions used in the fair value less costs to sell calculations for the above-mentioned CGUs are operating profit, discount rates and growth rate used to extrapolate cash flows beyond the budget period. The discount rate applied to cash flow projections for Refining and Petrochemical CGUs is 9.7% (2017: 9.0%) and cash flows beyond the 5-year period are extrapolated using a 1.9% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.8% (2017: 7.5%). As to Bulgaria CGU, the discount rate applied to cash flow projections is 9.8% (2017: 9.1%) and cash flows beyond the 5-year period are extrapolated using a 1.9% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.9% (2017: 7.6%).

As of December 31, 2018 the Group has significant goodwill related to acquisition of Pavlodar Oil Chemistry Refinery LLP ("PNHZ") of 88,553 million tenge.

The Group performed annual impairment test of the goodwill related to acquisition of PNHZ as at December 2018 and 2017. The Group considers the forecast for oil processing volumes, oil processing tariffs, capital expenditures, among other factors, when reviewing for indicators of impairment.

PNHZ calculates recoverable amount using a discounted cash flow model. The discount rate of 9.7% (2017: 13.25%) was calculated on the weighted average cost of capital before taxes. The weighted average cost of capital takes into account both borrowed and own capital. The cost of equity is derived from the expected return on investment. The cost of debt capital is based on interest-bearing loans that PNHZ is obliged to maintain. The inherent risk was included by applying an individual beta factor. The beta factor was estimated based on the publicly available market data. Forecasted cash flows till to 2037 were based on five-year business plan of PNHZ till 2023, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2023 was forecasted by applying expected inflation rate of 2.77% (2017: 2.78%), excluding capital costs, which are based on the best estimate of management as of valuation date.

As at December 31, 2018 the recoverable amount of PNHZ goodwill, which was determined based on value in use, exceeds its book value. Therefore, as at December 31, 2018 no impairment of PNHZ goodwill was recognised.

Sensitivity to changes in assumptions

Results of the assessment of recoverable amount of goodwill from acquisition of PNHZ are sensitive to changes in key assumptions, in particular, assumptions related to changes in WACC discount rates and target EBITDA in terminal period. Increase in discount rates by 1.0% from 9.7% to 10.7%, and decrease of target EBITDA in terminal period by 5% from 43% to 38% would not result in decrease of the recoverable amount generating unit of PNHZ.

Energy generating assets

In accordance with analysis made as at December 31, 2018 the management of the Group identified indicators of impairment of property, plant and equipment of Samruk-Energy JSC's subsidiaries: Ekibaztus GRES-1 named after Bulat Nurzhanov LLP ("EGRES-1"), Almaty Electricity Stations JSC ("ALES"), "Moynak HES named after Kantayev U.D" JSC. ("MHPP") and joint venture of Ekibaztus GRES-2 station JSC ("EGRES-2") and investments of EGRES-2 accordingly.

The group involved independent experts to carry out an impairment test on assets of EGRES-1, ALES and EGRES-2 in accordance with IAS 36 *Impairment of Assets*. The impairment test for the MHPP assets was conducted by management along the lines of the methodology used by independent experts in the impairment test for other companies of the Group. The recoverable amount of property, plant and equipment and intangible assets was determined on the basis of the assessment of the estimated future income and cash outflows from the use of assets, the discount rate and other indicators.

Management considers all property, plant and equipments and intangible assets of each subsidiary as a single cash-generating unit, as it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets, and it is the lowest level at which each subsidiary monitors recovery of the assets' cost. Management has assessed the recoverable amount of property, plant and equipment on the basis of value in use, determined as the sum of the estimated discounted future cash flows which the Group expects to get from their use.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Recoverability of oil and gas assets, downstream, refining and other assets (continued)

Energy generating assets (continued)

Test for impairment of property, plant and equipment and intangible assets EGRES-1, ALES, MHPP

The impairment test was carried out using the appropriate appraisal techniques, using the following basic assumptions to calculate discounted cash flows for the period 2019-2026:

- Tariff forecast;
- Forecast volumes;
- Forecast of capital and derivative costs;
- Discount rate forecast;
- Macroeconomic indicators.

The forecast period for the test for impairment of assets of subsidiaries is more than five years, as the Group plans to complete work on the completion of certain capital projects. The Group believes that the results of capital projects are material for calculating discounted cash flows.

Electricity tariffs

According to the Law of the Republic of Kazakhstan *On Electric Power Industry*, an energy producing organization independently sets the selling price for electrical energy, but not higher than the marginal tariff for electrical energy of the corresponding group of energy producing organizations that sell electrical energy, and if necessary, the marginal tariffs are adjusted annually. The marginal tariff is approved by the Ministry of Energy of the Republic of Kazakhstan by groups of energy-producing organizations, formed by type of power plants, installed capacity, type of fuel used and distance from the location of fuel.

By the Order of the Minister of Energy of the Republic of Kazakhstan dated December 5, 2018 No. 475 *On Approval of the Group of Energy Producing Organizations Selling Electricity*, subsidiaries of EGRES-1, ALES and MHPP are defined as 1, 26 and 36 groups of energy producing organizations, respectively. The Order of the Minister of Energy of the Republic of Kazakhstan dated December 14, 2018 No. 514 for these groups approved the marginal tariff for electric energy of 5.76, 8.33 and 7.14 tenge / kWh, effective from January 1, 2019 for a period of seven years.

Volumes of production

The sales volume forecast was made on the basis of information for previous years and management's expectations in accordance with the Development Plan of each subsidiary for the corresponding forecast period. It was assumed that the sales volume of EGRES-1 electricity will grow by an average of 7% in 2020-2023 and then 1-2% in 2024-2025, the sales volume of electricity, heat and chemically treated water from ALES and the sales volume of MHPP electricity will remain approximately at the 2019 level.

The Group expects an equal distribution of the sale of capacity at the auction starting from 2020 between the main market participants at an average market rate. The management of the Group is confident that Samruk-Energy JSC will be able to realize the forecast volumes of capacity starting from 2020, as capacity is in demand, and this is indicated by the current station load and sales volume.

Capital expenditures

EGRES-1	Unit	2019	2020	2021	2022	2023	2024	2025	2026
Capital expenditures	mln tenge	12,037	16,197	16,861	22,778	26,232	24,246	26,460	7,706

ALES	Unit	2019	2020	2021	2022	2023	2024	2025
Capital expenditures	mln tenge	5,475	7,882	5,284	3,817	7,126	5,674	5,851

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Recoverability of oil and gas assets, downstream, refining and other assets (continued)

Energy generating assets (continued)

Capital expenditures (continued)

MHPP	Unit	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Capital expenditures	mln tenge	856	719	1,613	864	864	142	146	150	154	159	163

Discount rate

The discount rate was estimated considering the current market assessment of risks inherent in the industry, and is based on the weighted average capital cost of each company in the amount of 11.15% for EGRES-1, 12.06% for ALES and 12.70% for MHPP, respectively.

Long-term rate of inflation

The long-term inflation rate used to calculate the terminal value is 2.57% per annum.

Impairment Test Results

EGRES-1

As a result of testing for impairment, the recoverable amount of assets of EGRES-1 as at December 31, 2018 was determined in the amount of 512,087 million tenge, which exceeds the book value of assets of EGRES-1 by 21,217 million tenge. Accordingly, the Group did not recognize impairment loss in 2018.

ALES

As a result of testing for impairment, the recoverable value of the assets of ALES as of December 31, 2018 was determined in the amount of 79,791 million tenge, which is 2,410 million tenge lower than their book value. Accordingly, the Group recognized an impairment loss on property, plant and equipment in the amount of 2,410 million tenge in 2018. Management distributed impairment losses in proportion to the carrying amount of each asset.

MHPP

As a result of testing for impairment, the recoverable value of the MHPP assets at December 31, 2018 was determined in the amount of 76,288 million tenge, which is 36,267 million tenge above their book value. Accordingly, the Group did not recognize impairment losses in 2018.

Investments in EGRES-2

As at December 31, 2018 the carrying value of the investment in the joint venture EGRES-2 was 18,852 million tenge.

In the analysis of indicators of impairment EGRES-2 management, among other things, takes into account the dynamics of tariffs for electricity and the demand by the main participants in the electricity market. The uncertainty associated with the completion of the construction of power unit No. 3 and the further sale of electricity to be generated by power unit No. 3 indicated a potential depreciation of property, plant and equipment of EGRES-2 and, accordingly, possible impairment of the Group's investment in EGRES-2.

As a result, the management conducted tests for the impairment of all property, plant and equipments of EGRES-2 as a single cash generating unit.

The recoverable amount was determined based on value in use. Forecasted cash flows from updated financial budgets for 5 years starting from 2019 to 2023 approved by the management were used in these estimations. The calculated recoverable amount of the assets exceeded their carrying value as a result of the impairment test.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Railway assets

Because of impairment indicators as at December 31, 2018, NC KTZh conducted impairment tests of its railways assets.

Railway infrastructure is integral and is not differentiated for freight and passenger transportation lines. Accordingly, there is no objective allocation of infrastructure assets for cash flows from freight and passenger transportation. Due to the specifics of tariff regulation for freight transportation and the need to cross-subsidise passenger transportation, railway infrastructure cannot generate independent cash flows and accordingly Group considers them as a single CGU.

The Government, as the Group's Shareholder, has approved a privatisation plan for certain NC KTZh entities, which, if implemented, would result in a new interaction mechanism among its various business units. As NC KTZh's restructuring processes have not been completed, these possible developments were not taken into account for current year impairment testing purposes. Subsequent changes in the identification of CGUs may affect the carrying value of the railway assets.

Additionally, a number of subjective factors, both operational and financial, using the best evidence available, are used to estimate cash flows.

The operational assumptions used in the test reflect expected volumes of transportation services, including transit volumes, based on projected demand and historical dynamic of transit freight transportations volumes.

Financial assumptions include significant estimates associated with tariff forecasts and growth rates, discounts, and projected tenge to Swiss Franc exchange rates. The key long-term assumptions used in the calculation were annual growth rate of 4% and discount rate of 11.8%. These assumptions are presented in real terms.

As at December 31, 2018, no impairment has been identified based on the estimated value in use of the Group's property, plant and equipment. However, the value in use estimate is sensitive particularly to the following assumptions:

- Transit freight transportation volumes;
- Revenue rate on freight transit transportation;
- Capital costs for replacement and maintenance of the assets; and
- The discount rate (WACC).

Adverse changes to planned freight and passenger traffic growth rates due to general economic trends, tariffs not being sufficiently indexed to inflation, the tenge's continuing volatility against foreign currencies, government support levels, and other future adverse changes may lead to significant impairment losses in the period in which they occur.

Assets related to uranium production

Assets related to uranium mines include property, plant and equipment, mine development assets, mineral rights, exploration and evaluation assets, investments in associates, investments in joint ventures, and other investments.

For the purpose of impairment testing assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (termed as "cash-generating units"). The Group has identified each mine (contract territory) as a separate cash-generating unit unless several mines are technologically connected with single processing plant in which case the Group considers such mines as one cash-generating unit.

As at December 31, 2018, management performed an analysis of impairment indications of assets (cash-generating units) related to uranium production. No indications of impairment were identified as of that date: (a) uranium prices increased over 2018, above forecasts in prior year; (b) uranium reserves remained stable in 2018 and for number of mines increased per the JORC report by SRK, as explained below.

The Group considered whether there have been favourable events or changes in circumstances that would indicate impairment losses previously recognised no longer exist or may have decreased. Decrease in reserves as at December 31, 2017 and other factors (refer below) were considered as impairment indications that resulted in impairment losses on Kanzhugan, Karamurun, Zarechnoe and Semizbay mines being recognised in 2017. As these indications reversed as at December 31, 2018, the Group reestimated the recoverable amount and recognised reversal of impairment losses on these cash generating units. No reversal was recognised on Uvanas and South Moinkum CGUs as cost of production on these mines remains to be higher than sales price.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Assets related to uranium production (continued)

The principal assumptions used by management for calculation of value in use as at December 31, 2018 are:

- Average annual uranium prices are based upon the forecast by an independent source Ux Consulting LLC, published in the fourth quarter of 2018 (Mid Price Midpoint), reduced by 10%:

	2019	2020	2021	2022	2023-2030
Average price of U_3O_8 per pound (in USD)	28.92	30.37	31.21	31.76	32.47-47.39

- Forecasted periods and volumes of uranium production and sales have regard to annual production volumes set in the subsurface use contracts and the life of mine plans;
- Operating and capital expenditures for 2019-2023 are consistent with the approved 5-year budget of the Group;
- Operating and capital expenditures after 2023 will increase at the long-term inflation rate of 2.0% per annum;
- Discount rates of 11.87-12.92% per annum; and
- Forecast long-term exchange rate at tenge 370 per US dollar 1.

Assets retirement obligations

Assets retirement obligations related to oil and gas assets

Under the terms of certain subsurface use contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsurface use contract terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each subsurface use contract period. If the asset retirement obligations were to be settled at the end of the economic life of oil and gas field, the recorded obligation would increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective subsurface use contracts and current legislation.

Where neither subsurface use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsurface use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstani market.

At each reporting date the Group reviews site restoration provisions, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice.

Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well and assets abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at December 31, 2018 were in the range from 2.02% to 5.96% and from 5.5% to 10.00%, respectively (2017: from 2.01% to 5.57% and from 5.17% to 10.00%). As at December 31, 2018 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of oil and gas facilities were 67,485 million tenge (December 31, 2017: 70,982 million tenge) *(Note 23)*.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Assets retirement obligations (continued)

Major oil and gas pipelines

According to the Law of the Republic of Kazakhstan *On Major Pipelines* which was made effective on July 4, 2012 the Group's two subsidiaries, JSC KazTransOil and Intergas Central Asia JSC, have legal obligation to decommission its major oil pipelines at the end of their operating life and to restore the land to its original condition.

Asset retirement obligation is calculated based on estimate of the work to decommission and rehabilitate.

As at December 31, 2018 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of pipelines and land were 79,948 million tenge (December 31, 2017: 65,140 million tenge) *(Note 23)*.

Assets related to uranium production

Asset retirement obligations for mining assets as of December 31, 2018 were assessed by the independent consultant SRK Consulting based on data provided by the Group. The scope of works, set by the legislation and covered by SRK calculation, included removal of the facilities and infrastructure (production, injection and monitoring wells, technological units of acidification and distribution of solutions, pipelines, access roads, technological sites, polygons, buildings and other facilities) and subsequent land rehabilitation.

Provisions for asset retirement obligations are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation. Provisions for mining assets and waste polygons retirement obligations are recognised when there is a certainty of incurring of such liabilities and when it is possible to measure the amounts reliably.

Significant judgments used in such estimations include the estimate of discount rate and the amount and timing of future cash flows. The discount rate is applied to the nominal costs the management expects to spend on mining site restoration in the future. Management's estimates based on current prices are inflated using the expected long-term inflation rate of 5.30% in 2018 (2017: 5.40%), and subsequently discounted using rate that reflects the current market estimates of the time value of money and those risks specific to the liability not reflected in the best estimate of the costs. The discount rate is based on a risk-free rate determined as interest rates on government bonds with the same maturity as the subsoil use contracts of the Group. The discount rate used by the Group's companies for calculation of the provision as at December 31, 2018 is 7.45% (December 31, 2017: 9.06%).

At December 31, 2018, the carrying value of the site restoration provision was 29,607 million tenge (December 31, 2017: 19,939 million tenge) *(Note 23)*. Management estimates that reasonably possible changes in key assumptions would not lead to significant changes in the recorded site restoration provision.

Provision for environmental remediation

The Group management also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Further uncertainties related to environmental remediation obligations are detailed in *Note 38*. Movements in the provision for environmental remediation obligations are disclosed in *Note 23*.

Provision for taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of the Group's international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable profits and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Provision for taxes (continued)

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

In assessing tax risks, management considers to be probable obligations the known areas of non-compliance with tax legislation, which the Group would not appeal or does not believe it could successfully appeal, if additional taxes are charged. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsurface use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for taxes disclosed in *Note 23* relates mainly to the Group's application of Kazakhstan transfer pricing legislation. Further uncertainties related to taxation are disclosed in *Note 38*.

Provision for construction of social objects

The Government assigns various sponsorship and financing obligations to the Group. Management of the Group believes that such Government's assignments represent constructive obligations of the Group and require recognition on the basis of respective resolution of the Government of the Republic of Kazakhstan. Furthermore, as the Government is the ultimate controlling party of the Group, the expenditures on these assignments are recognized as "other distributions to the Shareholder" directly in the equity.

Useful lives of items of property, plant and equipment

The Group assesses remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Deferred tax assets

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of recognized deferred tax assets as at December 31, 2018 was equal to 131,192 million tenge (December 31, 2017: 169,280 million tenge). Further details are contained in *Note 34*.

Operating lease commitments – the Group as lessee

The Group has entered into office space and car leases. The Group has determined that the lessor retains all the significant risks and rewards of ownership of office spaces and cars and so accounts for them as operating leases in the consolidated financial statements

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments reported in the consolidated financial statements. Further details are disclosed in *Note 37*.

Employee benefit liability

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit liability and related current service cost *(Note 24)*. This involves use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future annual financial assistance, future annual minimum salary and future average railway ticket price). Further details on judgements are disclosed in *Note 24*.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Estimation of expected credit losses

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's credit grading model, which assigns PDs to the individual grades;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as oil price with one year lag, and the effect on PDs, EADs and LGDs.

Swap transactions

The Group sells part of its uranium products under swap transactions with separate agreements with the same counterparty simultaneously, being for delivery and purchase of the same volume of uranium for the same price at different delivery points. Effectively, this results in the exchange of own uranium (produced or purchased from the Group's entities) with purchased uranium. Normally, under a swap transaction, the Group delivers physical uranium to one destination point, and purchases the same volume of uranium at a third party converter for sale to end customers. Swap transactions are entered into primarily to reduce transportation costs for uranium delivery from Kazakhstan to end customers.

Despite the fact that swap agreements are not formally related to each other, management concluded that these transactions are in substance linked and would not have occurred on an isolated basis, driven by the existing market demand and supply forces. In management's view, supply of the same volume of homogeneous product (uranium) for the same price represents an exchange of products, which should be presented on a net basis in the consolidated financial statements, reflecting the economic substance of the transaction. Interpretation of terms and approach to the accounting for swap transactions requires judgement.

In 2017, the Group did not recognise sales revenue from swap transactions of 57,177 million tenge, cost of sales of 52,532 million tenge and adjusted the inventory balance by 4,645 million tenge.

The Group did not recognize revenue from swap transactions of 65.052 million tenge, cost of sales of 68,112 million tenge and adjusted the balance of reserves by 1,585 million tenge.

Discontinued operations

As of December 31, 2018, the Group ceased to classify KMG International N.V. (KMGI) as discontinued operation as the participants did not complete procedures provided by sale and purchase agreement (the SPA) to sell a 51% interest in KMG I by the long stop date and the transaction was automatically terminated. As a result, KMGI does not meet the criteria of IFRS 5. The assets and liabilities of KMGI were transferred from discontinued operations to continuing operations.

In July 2018 the Group transferred its 100% share in Kazakhstan Engineering JSC to the Shareholder. The Group recognized disposal of net assets of Kazakhstan Engineering JSC as other distributions to the Shareholder.

As at December 31, 2018, the Group decided to sell 100% interest in KMG Retail LLP (KMG Retail). The disposal of KMG Retail is due to be completed in 2019 and, as at December 31, 2018, the procedures for the sale were in progress. The disposal of KMG Retail is in accordance with the Governmental plan on the privatization of state owned companies. The Group considers it as a disposal group held for sale.

5. BUSINESS COMBINATIONS

Kcell JSC

On December 21, 2018, the Group acquired 75% of voting shares in Kcell JSC, whose shares and GDRs are listed on Kazakhstan Stock Exchange and London Stock Exchange, respectively. Kcell JSC is registered and provides mobile services in Republic of Kazakhstan.

5. BUSINESS COMBINATIONS (continued)

Kcell JSC (continued)

The Group has acquired Kcell JSC, because it allows to significantly expand its presence in the segment of mobile telecommunication services in GSM and LTE standards.

The Group decided to measure the non-controlling interest in the acquisition object by the proportionate share of its participation in the identifiable net assets of the acquisition.

Provisional fair value amounts of identified assets, liabilities and contingent liabilities of Kcell JSC as at the date of acquisition comprised the following:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	120,819
Intangible assets	107,834
Other non-current financial assets	3,010
Other non-current assets	1,156
Current assets	
Inventories	5,681
VAT receivables	6,674
Trade accounts receivable	13,970
Other current assets	3,048
Cash and cash equivalents	6,923
Total assets	**269,115**
Liabilities	
Non-current liabilities	
Borrowings	14,936
Deferred tax liabilities	21,248
Provisions	1,285
Other non-current liabilities	77
Current liabilities	
Borrowings	51,380
Trade and other payables	14,048
Income tax payable	2,694
Other current liabilities	15,333
Total liabilities	**121,001**
Identifiable net assets	**148,114**
Non-controlling interest	(37,029)
Share in identifiable net assets	**111,085**
Goodwill arising on acquisition	54,657
Purchase consideration transferred	**165,742**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	6,923
Cash paid	(165,742)
Net cash outflow	**(158,819)**

Net assets recognized in the consolidated financial statements as at December 31, 2018 are based on a preliminary assessment of their fair value, while the Group makes an independent assessment of assets owned by Kcell JSC. This estimate has not been completed at the time of issuing the consolidated financial statements for 2018.

Since the acquisition date, the contribution of Kcell JSC to the Group's revenue for the period to December 31, 2018 amounted to 4,529 million tenge, and to the Group's net income before tax Kcell JSC contributed loss of 349 million tenge.

5. BUSINESS COMBINATIONS (continued)

JV Inkai LLP

On December 11, 2017, the NAC Kazatomprom JSC (the Fund's subsidiary) and Cameco Corporation completed the restructuring of JV Inkai LLP. In accordance with the terms of the restructuring agreement, the NAC Kazatomprom JSC increased its interest in JV Inkai LLP from 40% to 60% and from January 1, 2018 obtained control over the investee. In addition, within the framework of the restructuring agreement JV Inkai LLP received permission to extend the contract for subsoil use until 2045.

Prior to obtaining control, the Group accounted for JV Inkai LLP as an investment in a joint venture under the equity method.

Business combination transactions which resulted in a recorded net gain of 58,646 million tenge as follows

In millions of tenge	**JV Inkai LLP**
Fair value of the investments in joint ventures prior to the business combination	77,850
Less: carrying value of the investments in joint ventures	(40,389)
Income from previously recognized foreign currency reserve in OCI	21,174
Cash paid	11
Gain from business combination	**58,646**

The following table is the fair value of the assets acquired and liabilities as at the acquisition date:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	62,170
Intangible assets	158,646
Exploration and evaluation assets	15,488
Other non-current financial assets	447
Other non-current assets	3,407
Current assets	
Inventories	5,579
Trade accounts receivable	19,162
Income tax prepaid	2,313
Other current assets	760
Cash and cash equivalents	1,036
Total assets	**269,008**
Liabilities	
Non-current liabilities	
Deferred tax liabilities	32,162
Provisions	1,346
Other non-current liabilities	44
Current liabilities	
Borrowings	38,955
Trade and other payables	3,970
Provisions	234
Other current liabilities	392
Total liabilities	**77,103**
Fair value of identifiable net assets	**191,905**
Less:	
Non-controlling interest	(76,761)
Fair value of the investments in joint ventures prior to the business combination	(77,850)
Cash paid	(11)
Gain on acquisition	**37,283**

Deferred tax of 21,832 million tenge was recorded on the excess of the fair value over the carrying value.

The acquired subsidiary contributed revenue of 25,625 million tenge and net income of 18,643 million tenge to the Group for the period from January 1, 2018 to December 31, 2018.

5. BUSINESS COMBINATIONS (continued)

JV Akbastau JSC and Karatau LLP

The Group and Uranium One Inc hold 50% interest each in Karatau LLP and JV Akbastau JSC. In 2018, the Group and Uranium One Inc signed a number of agreements that formalised their obligation to purchase all production of the investees at equitable terms, as well as to provide financing to the joint arrangement in proportion to their shares. Both parties have direct rights to the assets and obligations for the liabilities of the investees, accordingly starting from 2018 the entities have been classified as joint operations. The Group recognised its direct right in joint assets, liabilities, income and expenses in proportion to 50% ownership interest, these items are consolidated in the Group's financial statements on line by line basis. Until 2018, investments in Karatau LLP (50% interest) and JV Akbastau JSC (50% interest) were accounted for using equity method.

Business combination transactions which resulted in a recorded net gain of 217,588 million tenge as follows:

In millions of tenge	**Karatau LLP**	**JV Akbastau JSC**
Fair value of the investments in joint ventures prior to the business combination	139,270	110,837
Less: carrying value of the investments in joint ventures	(14,632)	(17,887)
Net gain from business combination	**124,638**	**92,950**

Presented below is the information on the fair value of acquired assets, liabilities assumed (proportionate 50% share) and resultant goodwill of Karatau LLP and JV Akbastau JSC:

In millions of tenge	**Karatau LLP**	**JV Akbastau JSC**
Assets		
Non-current assets		
Property, plant and equipment	13,300	10,698
Intangible assets	123,268	91,803
Other non-current financial assets	86	271
Other non-current assets	442	583
Current assets		
Inventories	1,716	1,206
Trade accounts receivable	4,988	6,027
Income tax prepaid	–	340
Other current assets	77	77
Cash and cash equivalents	372	1,513
Total assets	**144,249**	**112,518**
Liabilities		
Non-current liabilities		
Deferred tax liabilities	24,809	18,585
Provisions	414	513
Current liabilities		
Borrowings	2,235	–
Trade and other payables	2,149	1,066
Income tax payable	18	–
Other current liabilities	163	37
Total liabilities	**29,788**	**20,201**
Fair value of identifiable net assets	**114,461**	**92,317**
Less:		
Fair value of the investments in joint ventures prior to the business combination	139,270	110,837
Goodwill arising from the acquisition	**24,809**	**18,520**

5. BUSINESS COMBINATIONS (continued)

Baiken-U LLP

In December 2018 the Group obtained control over Baiken-U LLP. The Group has applied provisional amounts for the acquired assets and liabilities as the accounting for the business combination was not complete at the end of the reporting period.

Provisional fair value amounts of assets, liabilities and contingent liabilities of Baiken-U LLP as at the date of acquisition comprised the following:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	29,981
Intangible assets	691
Investments in joint ventures and associates	246
Other non-current assets	1,705
Current assets	
Inventories	2,049
VAT receivable	781
Trade accounts receivable	452
Other current assets	153
Cash and cash equivalents	28,420
Total assets	**64,478**
Liabilities	
Non-current liabilities	
Deferred tax liabilities	610
Provisions	1,261
Current liabilities	
Trade and other payables	2,142
Income tax payable	215
Provisions	159
Other current liabilities	276
Total liabilities	**4,663**
Identifiable net assets	**59,815**
Non-controlling interest	(33,298)
Share in Identifiable net assets	**26,517**
Share in net assets previously held by the Group	(17,825)
Goodwill arising from acquisition	15,215
Total consideration transferred	**23,907**
Total consideration transferred	
Cash consideration paid	34,193
Net liabilities from pre-existing relationship	(10,286)
Total consideration transferred	**23,907**

The difference between the consideration transferred and the acquiree's identifiable assets, liabilities assumed and contingent liabilities led to recognition of goodwill, as presented in the table above.

6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Discontinued operations in 2018

As at December 31, 2018, the Group ceased to classify KMG International N.V. (KMGI) as discontinued operation as the participants did not complete procedures provided by sale and purchase agreement (the SPA) to sell a 51% interest in KMGI by the long stop date and the transaction was automatically terminated. As such KMGI no longer meet the criteria of IFRS 5. The assets and liabilities of KMGI were transferred from discontinued operations to continuing operations.

In July 2018 the Group transferred its 100% share in Kazakhstan Engineering JSC to the Shareholder. The Group recognized disposal of net assets of Kazakhstan Engineering JSC as other distributions to the Shareholder.

The effect of the change on comparative data is presented below.

	2017			
		Restatement		
In millions of tenge	**Before restatement**	**KMGI**	**Kazakhstan Engineering JSC**	**After restatement**
Revenue	5,124,158	2,334,927	(77,024)	7,382,061
Government grants	52,443	–	–	52,443
	5,176,601	**2,334,927**	**(77,024)**	**7,434,504**
Cost of sales	(4,553,301)	(1,416,186)	77,015	(5,892,472)
Gross profit	**623,300**	**918,741**	**(9)**	**1,542,032**
General and administrative expenses	(412,861)	(46,603)	4,724	(454,740)
Transportation and selling expenses	(319,154)	(60,409)	839	(378,724)
Impairment loss	(94,933)	(838)	1,389	(94,382)
(Loss)/gain on disposal of subsidiaries	(3,528)	–	–	(3,528)
Gain on business combination	26,449	–	–	26,449
Operating (loss)/profit	**(180,727)**	**810,891**	**6,943**	**637,107**
Finance costs	(474,646)	(11,458)	3,725	(482,379)
Finance income	191,932	839	(1,029)	191,742
Other non-operating loss	(42,415)	(250)	1,558	(41,107)
Other non-operating income	49,471	(3,253)	(901)	45,317
Share in profit of joint ventures and associates, net	531,841	385	(544)	531,682
Net foreign exchange gain/(loss)	23,737	(127)	286	23,896
Gain from exercise of put option	107,714	–	–	107,714
Profit before income tax	**206,907**	**797,027**	**10,038**	**1,013,972**
Income tax expenses	(263,782)	1,745	(200)	(262,237)
(Loss)/profit for the year from continuing operations	**(56,875)**	**798,772**	**9,838**	**751,735**
Discontinued operations				
Profit from discontinued operations, net of income tax	792,850	(792,850)	(9,838)	(9,838)
Net profit for the year	**735,975**	**5,922**	**–**	**741,897**
Net profit for the year attributable to:				
Equity holder of the Parent	600,807	5,922	–	606,729
Non-controlling interest	135,168	–	–	135,168
	735,975	**5,922**	**–**	**741,897**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Discontinued operations in 2018 (continued)

	As at December 31, 2017		
In millions of tenge	**Before restatement**	**Restatement**	**After restatement**
Assets			
Non-current assets			
Property, plant and equipment	10,782,247	721,070	11,503,317
Intangible assets	923,811	69,774	993,585
Exploration and evaluation assets	451,782	–	451,782
Investment property	11,601	–	11,601
Investments in joint ventures and associates	2,843,489	13,278	2,856,767
Loans issued and finance lease receivables	593,325	–	593,325
Amounts due from credit institutions	502,493	–	502,493
Deferred tax assets	135,735	33,545	169,280
Other non-current financial assets	95,620	–	95,620
Other non-current assets	687,954	3,374	691,328
	17,028,057	**841,041**	**17,869,098**
Current assets			
Inventories	396,944	141,472	538,416
VAT receivable	144,593	1,361	145,954
Income tax prepaid	54,077	549	54,626
Trade accounts receivable	479,910	161,543	641,453
Loans issued and finance lease receivables	250,362	–	250,362
Amounts due from credit institutions	1,951,384	–	1,951,384
Other current financial assets	30,229	21	30,250
Other current assets	353,581	28,172	381,753
Cash and cash equivalents	2,190,107	73,831	2,263,938
Assets classified as held for sale	**1,286,659**	**(1,086,785)**	**199,874**
Total assets	**24,165,903**	**161,205**	**24,327,108**
Equity and liabilities			
Equity			
Share capital	5,133,476	–	5,133,476
Additional paid-in capital	13,189	–	13,189
Currency translation reserve	922,497	(3,351)	919,146
Revaluation reserve for available for sale investments	26,177	–	26,177
Hedging reserve	(54,666)	–	(54,666)
Other capital reserves	(16,742)	–	(16,742)
Retained earnings	3,817,514	164,556	3,982,070
Attributable to equity holder of the Parent	**9,841,445**	**161,205**	**10,002,650**
Non-controlling interest	1,821,720	–	1,821,720
Total equity	**11,663,165**	**161,205**	**11,824,370**

6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Discontinued operations in 2018 (continued)

	As at December 31, 2017		
In millions of tenge	**Before restatement**	**Restatement**	**After restatement**
Non-current liabilities			
Borrowings	5,399,886	17,624	5,417,510
Loans from the Government of the Republic of Kazakhstan	776,141	–	776,141
Finance lease receivables	120,021	70	120,091
Provisions	198,716	48,569	247,285
Deferred income tax liabilities	638,722	68,725	707,447
Employee benefit liabilities	76,604	4,568	81,172
Prepayment on oil supply agreements	1,109,265	–	1,109,265
Other non-current liabilities	106,062	86	106,148
	8,425,417	**139,642**	**8,565,059**
Current liabilities			
Borrowings	1,516,573	120,184	1,636,757
Loans from the Government of the Republic of Kazakhstan	5,907	–	5,907
Finance lease receivables	19,742	13	19,755
Provisions	115,967	–	115,967
Employee benefit liabilities	6,883	–	6,883
Income tax payable	13,876	2,376	16,252
Trade accounts payable	660,487	188,729	849,216
Prepayment on oil supply agreements	332,330	–	332,330
Other current liabilities	785,904	80,059	865,963
	3,457,669	**391,361**	**3,849,030**
Liabilities directly associated with the assets classified as held for sale	619,652	(531,003)	88,649
Total liabilities	**12,502,738**	**–**	**12,502,738**
Total equity and liabilities	**24,165,903**	**161,205**	**24,327,108**

Kazakhstan Engineering JSC

The results of Kazakhstan Engineering JSC are presented below:

In millions of tenge	**From January 1, 2018 till the date of disposal**	2017
Revenue	**12,592**	77,024
Cost of sales	**(12,282)**	(77,015)
Gross profit	**310**	9
General and administrative expenses	**(1,845)**	(4,724)
Transportation and selling expenses	**(497)**	(839)
Impairment loss	**(846)**	(1,389)
Operating loss	**(2,878)**	(6,943)
Finance costs	**(1,370)**	(3,725)
Finance income	**737**	1,029
Other non-operating loss	**(308)**	(1,558)
Other non-operating income	**929**	901
Share in (loss)/profit of joint ventures and associates, net	**(126)**	544
Foreign exchange gain/(loss), net	**48**	(286)
Loss before income tax for the period from discontinued operations	**(2,968)**	(10,038)
Income tax (expenses)/benefit	**(574)**	200
Loss after income tax for the period from discontinued operations	**(3,542)**	(9,838)

6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Discontinued operations in 2018 (continued)

Kazakhstan Engineering JSC (continued)

The major classes of assets and liabilities of Kazakhstan Engineering JSC as at disposal date are as follows:

In millions of tenge	**As at disposal date**
Assets	
Property, plant and equipment	23,537
Intangible assets	377
Investments in joint ventures and associates	6,130
Deferred tax assets	4,030
Other non-current assets	791
Inventories	18,656
Trade accounts receivable	5,261
Other current assets	74,230
Cash and cash equivalents	19,298
Assets classified as held for sale	**152,310**
Liabilities	
Borrowings	31,211
Deferred tax liabilities	966
Provisions	650
Other non-current liabilities	589
Trade and other payables	7,290
Other taxes payables	572
Other current liabilities	94,870
Liabilities directly associated with the assets classified as held for sale	**136,148**
Net assets directly associated with the disposal group	**16,162**

The net cash flows of Kazakhstan Engineering JSC are as follows:

In millions of tenge	**From January 1, 2018 till the date of disposal**	2017
Operating	**12,045**	(6,439)
Investing	**(3,664)**	(279)
Financing	**923**	(7,149)
Net cash inflows	**9,304**	(13,867)

6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Assets classified as held for sale

Assets classified as held for sale comprised the following:

In millions of tenge	**Segment**	**December 31, 2018**	December 31, 2017 (restated)
Transtelecom JSC	Transportation	**96,283**	89,436
KMG Retail	Oil and gas	**43,632**	–
Kazakh-British Technical University JSC	Oil and gas	**15,704**	16,803
Other		**44,777**	93,635
		200,396	199,874

Liabilities associated with assets classified as held for sale comprised the following:

In millions of tenge	**Segment**	**December 31, 2018**	December 31, 2017 (restated)
Transtelecom JSC	Transportation	**81,992**	62,323
KMG Retail	Oil and gas	**375**	–
Kazakh-British Technical University JSC	Oil and gas	**4,659**	1,925
Other		**8,050**	24,401
		95,076	88,649

In September 2018, Remlocomotiv JSC, a subsidiary of the Group, and Transmasholding JSC signed an agreement to sell Tulpar-Talgo LLP to Transmasholding JSC. However, as at December 31, 2018 Tulpar-Talgo LLP ceased to meet the criteria of IFRS 5, as the parties did not agree on certain conditions of the purchase/sale agreement for a 99.99926% interest in Tulpar-Talgo LLP and agreed to cancel the agreement. As a result, the Group ceased classification of Tulpar-Talgo LLP as an asset classified as held for sale.

As at December 31, 2018, the Group decided to sell 100% interest in KMG Retail LLP (KMG Retail). The disposal of KMG Retail was completed in 2019 *(Note 40)* and, as at December 31, 2018, the procedures for the sale were in progress. The Group considers it as an asset held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Net book value at January 1, 2017 (restated)	3,847,619	1,526,626	843,406	959,909	2,551,617	46,836	76,086	1,055,055	10,907,154
Foreign currency translation	(11,532)	(2,062)	(650)	50	210	–	125	(407)	(14,266)
Changes in estimates	13,459	(200)	(351)	–	34	4,826	1	–	17,769
Additions	49,597	36,962	10,817	2,316	76,660	17,376	6,387	975,062	1,175,177
Acquisition through business combinations	–	–	2,539	–	–	–	28	36,213	38,780
Disposals	(17,372)	(3,802)	(8,011)	(103)	(29,026)	–	(8,508)	(2,194)	(69,016)
Depreciation charge	(138,357)	(98,469)	(47,069)	(26,214)	(214,776)	(11,022)	(11,382)	–	(547,289)
Depreciation and impairment on disposals	14,881	3,376	6,792	91	22,623	–	7,868	876	56,507
Impairment, net of reversal of impairment	–	(1)	(4,509)	(31)	(4,570)	(4,911)	(952)	(20,969)	(35,943)
Utilization of reserve	–	–	–	–	–	–	–	(41,130)	(41,130)
Discontinued operations / transfer from/ (to) assets classified as held for sale	(170)	(3,908)	(4,742)	–	(2,511)	–	(163)	–	(11,494)
Transfers from/(to) intangible assets	28,087	–	–	–	(513)	–	2	(8,813)	18,763
Transfers from/(to) exploration and evaluation assets, investment property	8,881	–	(2,980)	–	(13)	(32)	(1)	(357)	5,498
Transfer from/(to) inventories, net	(16,877)	13,034	118	(1,928)	2,882	1,661	2,021	1,896	2,807
Other transfers and reclassifications	82,278	298,824	224,668	58,356	237,291	736	6,592	(908,745)	–
Net book value at December 31, 2017 (restated)	3,860,494	1,770,380	1,020,028	992,446	2,639,908	55,470	78,104	1,086,487	11,503,317

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Net book value at January 1, 2018 (restated)	3,860,494	1,770,380	1,020,028	992,446	2,639,908	55,470	78,104	1,086,487	11,503,317
Foreign currency translation	**528,808**	**82,403**	**11,986**	**(34)**	**22,961**	**–**	**2,009**	**3,445**	**651,578**
Changes in estimates	**(13,144)**	**7,678**	**(107)**	**–**	**(107)**	**4,847**	**–**	**(519)**	**(1,352)**
Additions	**56,355**	**27,434**	**36,173**	**56**	**105,037**	**25,936**	**10,161**	**839,192**	**1,100,344**
Acquisition through business combinations *(Note 5)*	**–**	**–**	**32,549**	**319**	**117,087**	**60,550**	**4,180**	**22,283**	**236,968**
Disposals	**(17,128)**	**(5,351)**	**(16,884)**	**(976)**	**(29,589)**	**(146)**	**(7,520)**	**(3,650)**	**(81,244)**
Depreciation charge	**(219,379)**	**(127,089)**	**(48,357)**	**(34,662)**	**(231,948)**	**(19,252)**	**(13,334)**	**–**	**(694,021)**
Depreciation and impairment on disposals	**12,603**	**4,914**	**4,845**	**666**	**25,592**	**–**	**4,579**	**1,455**	**54,654**
Impairment, net of reversal of impairment	**(3,650)**	**(3)**	**(13,169)**	**14**	**(17,647)**	**3,768**	**(899)**	**(3,586)**	**(35,172)**
Utilization of reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,251)**	**(1,251)**
Discontinued operations/transfer from/(to) assets classified as held for sale	**(9,847)**	**(356)**	**(29,659)**	**–**	**(6,972)**	**193**	**(2,521)**	**(1,692)**	**(50,854)**
Transfers from/(to) intangible assets	**254**	**–**	**–**	**–**	**(20)**	**–**	**1**	**(5,947)**	**(5,712)**
Transfers from/(to) exploration and evaluation assets, investment property	**3,113**	**–**	**(23,928)**	**–**	**–**	**–**	**–**	**512**	**(20,303)**
Transfer from/(to) inventories, net	**45**	**4,044**	**320**	**(3,580)**	**2,571**	**4,742**	**388**	**4,069**	**12,599**
Other transfers and reclassifications	**92,355**	**574,963**	**19,005**	**144,671**	**245,161**	**212**	**8,154**	**(1,084,521)**	**–**
Net book value at December 31, 2018	**4,290,879**	**2,339,017**	**992,802**	**1,098,920**	**2,872,034**	**136,320**	**83,302**	**856,277**	**12,669,551**
Historical cost	**5,625,233**	**3,367,096**	**1,442,130**	**1,321,816**	**4,681,150**	**201,047**	**191,902**	**1,009,374**	**17,839,748**
Accumulated depreciation and impairment	**(1,334,354)**	**(1,028,079)**	**(449,328)**	**(222,896)**	**(1,809,116)**	**(64,727)**	**(108,600)**	**(153,097)**	**(5,170,197)**
Net book value at December 31, 2018	**4,290,879**	**2,339,017**	**992,802**	**1,098,920**	**2,872,034**	**136,320**	**83,302**	**856,277**	**12,669,551**
Historical cost	4,914,808	2,595,746	1,423,788	1,182,494	4,218,745	94,870	174,536	1,273,265	15,878,252
Accumulated depreciation and impairment	(1,054,314)	(825,366)	(403,760)	(190,048)	(1,578,837)	(39,400)	(96,432)	(186,778)	(4,374,935)
Net book value at December 31, 2017 (restated)	3,860,494	1,770,380	1,020,028	992,446	2,639,908	55,470	78,104	1,086,487	11,503,317

7. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2018 property, plant and equipment with net book value of 1,260,296 million tenge was pledged as collateral for some of the Group's borrowings (December 31, 2017: 1,731,397 million tenge).

As at December 31, 2018 the carrying amount of property, plant and equipment acquired under finance lease agreements was equal to 150,129 million tenge (December 31, 2017: 113,688 million tenge).

As at December 31, 2018 the cost of fully amortised property, plant and equipment of the Group was equal to 826,144 million tenge (December 31, 2017: 712,797 million tenge).

In 2018, the Group capitalized 42,007 million tenge of borrowing costs at an average interest rate of 4% (2017: 36,023 million tenge at the rate of 3.6%).

8. INTANGIBLE ASSETS

In millions of tenge	Licenses	Subsur-face use rights	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value at January 1, 2017 (restated)	496,186	265,379	106,595	50,458	50,212	24,694	993,524
Foreign currency translation	(1,620)	(1,186)	(25)	(175)	(166)	70	(3,102)
Changes in estimates	–	(186)	–	–	–	–	(186)
Additions	1,578	3,101	1,515	–	11,067	3,384	20,645
Acquisition through business combinations	–	–	–	–	44	43,034	43,078
Disposals	(3,932)	–	–	–	(6,152)	(577)	(10,661)
Discontinued operations / transfer from/(to) assets classified as held for sale	(13)	–	–	–	–	12	(1)
Amortization charge	(18,011)	(4,928)	–	(1,569)	(12,480)	(1,891)	(38,879)
Accumulated amortization on disposals	3,932	–	–	–	4,941	447	9,320
(Impairment)/reversal of impairment, net	(10)	–	(1,515)	–	(30)	(100)	(1,655)
Transfers from/(to) inventories, net	266	–	–	–	(1)	–	265
Transfers from/(to) property, plant and equipment, net	1,764	(28,297)	–	–	6,676	1,094	(18,763)
Other transfers	(130)	–	–	–	1,484	(1,354)	–
Net book value at December 31, 2017 (restated)	480,010	233,883	106,570	48,714	55,595	68,813	993,585
Foreign currency translation	**70,602**	**27,308**	**1,356**	**5,509**	**669**	**2,092**	**107,536**
Additions	**3,374**	**–**	**–**	**–**	**5,372**	**3,209**	**11,955**
Acquisition through business combinations *(Note 5)*	**100,182**	**373,981**	**113,259**	**–**	**2,881**	**5,312**	**595,615**
Disposals	**(4,143)**	**–**	**–**	**–**	**(3,822)**	**(1,655)**	**(9,620)**
Discontinued operations / transfer from/(to) assets classified as held for sale	**(96)**	**6**	**–**	**350**	**(152)**	**(536)**	**(428)**
Amortization charge	**(28,294)**	**(20,731)**	**–**	**1,659**	**(13,468)**	**(5,716)**	**(66,550)**
Accumulated amortization on disposals	**4,128**	**–**	**–**	**–**	**3,774**	**1,593**	**9,495**
(Impairment)/reversal of impairment, net	**(1,174)**	**–**	**(58)**	**(22,506)**	**(55)**	**(70)**	**(23,863)**
Transfers to other non-current assets, net	**–**	**–**	**–**	**–**	**(12,274)**	**–**	**(12,274)**
Transfers from/(to) property, plant and equipment, net	**316**	**(352)**	**–**	**–**	**5,922**	**(174)**	**5,712**
Other transfers	**762**	**–**	**–**	**(362)**	**1,086**	**(1,486)**	**–**
Net book value at December 31, 2018	**625,667**	**614,095**	**221,127**	**33,364**	**45,528**	**71,382**	**1,611,163**
Historical cost	**695,592**	**642,348**	**296,730**	**58,164**	**143,393**	**119,906**	**1,956,133**
Accumulated amortization and impairment	**(69,925)**	**(28,253)**	**(75,603)**	**(24,800)**	**(97,865)**	**(48,524)**	**(344,970)**
Net book value at December 31, 2018	**625,667**	**614,095**	**221,127**	**33,364**	**45,528**	**71,382**	**1,611,163**
Historical cost	518,252	246,540	148,350	50,312	143,104	109,033	1,215,591
Accumulated amortization and impairment	(38,242)	(12,657)	(41,780)	(1,598)	(87,509)	(40,220)	(222,006)
Net book value at December 31, 2017 (restated)	480,010	233,883	106,570	48,714	55,595	68,813	993,585

9. EXPLORATION AND EVALUATION ASSETS

In millions of tenge	Tangible	Intangible	Total
Net book value at January 1, 2017	383,070	44,298	427,368
Foreign currency translation	(631)	(53)	(684)
Change in estimate	(113)	213	100
Additions	36,748	1,724	38,472
Disposals	(189)	(582)	(771)
Impairment	(803)	(378)	(1,181)
Discontinued operations / transfer to assets classified as held for sale	–	(1,030)	(1,030)
Transfers from/(to) property, plant and equipment, net	(8,848)	–	(8,848)
Transfer from/(to) inventories, net	(1,644)	–	(1,644)
Other transfers and reclassifications	(1,261)	1,261	–
Net book value at December 31, 2017	406,329	45,453	451,782
Foreign currency translation	**30,415**	**700**	**31,115**
Change in estimate	**25**	**–**	**25**
Additions	**48,767**	**1,249**	**50,016**
Acquisition through business combinations *(Note 5)*	**13,131**	**2,357**	**15,488**
Disposals	**(1,314)**	**(1,975)**	**(3,289)**
Impairment	**(96,180)**	**(11,566)**	**(107,746)**
Impairment on disposals	**957**	**5**	**962**
Discontinued operations / transfer to assets classified as held for sale	**(143)**	**(2,296)**	**(2,439)**
Transfers from/(to) property, plant and equipment, net	**(3,600)**	**(200)**	**(3,800)**
Transfer from/(to) inventories, net	**(258)**	**(8)**	**(266)**
Net book value at December 31, 2018	**398,129**	**33,719**	**431,848**
Historical cost	**505,851**	**56,251**	**562,102**
Accumulated impairment	**(107,722)**	**(22,532)**	**(130,254)**
Net book value at December 31, 2018	**398,129**	**33,719**	**431,848**
Historical cost	418,829	56,806	475,635
Accumulated impairment	(12,500)	(11,353)	(23,853)
Net book value at December 31, 2017	406,329	45,453	451,782

As at December 31, 2018 and 2017 the exploration and evaluation assets are represented by the following projects:

In millions of tenge	2018	2017 (restated)
Kashagan	**215,138**	185,999
Zhambyl	**50,178**	33,396
Pearls	**36,486**	35,069
Urikhtau	**30,469**	27,686
Project N *(Note 4)*	**–**	66,256
Satpayev *(Note 4)*	**–**	33,791
Other	**99,577**	69,585
	431,848	451,782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

As at December 31 investments in joint ventures and associates comprised the following:

			2018		2017 (restated*)	
In millions of tenge	**Main activity**	**Place of business**	**Carrying amount**	**Percentage ownership**	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**1,970,533**	**20.00%**	1,353,084	20.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	**138,549**	**50.00%**	135,781	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**70,874**	**50.00%**	78,031	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	**65,116**	**50.00%**	33,761	50.00%
AstanaGas KMG JSC	Gas pipeline construction	Kazakhstan	**43,883**	**50.00%**	–	–
JV KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	**38,349**	**50.00%**	47,537	50.00%
Forum Muider B.V.	Coal production	Kazakhstan	**37,008**	**50.00%**	30,624	50.00%
Other			**204,339**		224,473	
Total joint ventures			**2,568,651**		1,903,291	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	**483,723**	**29.82%**	443,336	29.82%
Caspian Pipeline Consortium JSC	Transportation of crude oil	Kazakhstan/ Russia	**289,586**	**20.75%**	195,095	20.75%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	**116,577**	**33.00%**	115,920	33.00%
Khan Tengri Holding B.V.	Telecommunication	Kazakhstan	**76,071**	**51.00%**	68,327	51.00%
JV KATCO LLP	Exploration, production, processing and export of uranium	Kazakhstan	**49,704**	**49.00%**	38,504	49.00%
JV INKAI LLP	Exploration, production, processing and export of uranium	Kazakhstan	**–**	**–**	40,388	40.00%
Other			**80,585**		51,906	
Total associates			**1,096,246**		953,476	
			3,664,897		2,856,767	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2018, reflecting equity method accounting adjustments:

In millions of tenge	Tengizchevroil LLP	Mangistau Investments B.V.	Ural Group Limited BVI	KazRosGas LLP	AstanaGas KMG JSC	JV KazGerMunay LLP	Forum Muider B.V.
Joint ventures							
Non-current assets	12,922,782	407,889	239,907	11,563	119,108	131,606	76,505
Current assets, including	1,057,016	72,748	216	141,406	48,776	75,131	26,797
Cash and cash equivalents	203,864	15,318	183	19,910	48,767	64,921	6,393
Non-current liabilities, including	2,780,571	125,106	98,145	133	85,425	43,798	12,978
Non-current financial liabilities	1,536,800	49,946	73,500	–	85,425	–	10,782
Current liabilities, including	1,346,564	77,576	230	22,604	1,783	86,240	16,309
Current financial liabilities	36,671	451	–	–	1,752	–	3,480
Equity	9,852,663	277,955	141,748	130,232	80,676	76,699	74,015
Share of ownership	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Consolidation adjustments	–	(428)	–	–	3,545	–	–
Carrying amount of investment as at December 31, 2018	1,970,533	138,549	70,874	65,116	43,883	38,349	37,008
Revenue	5,941,474	839,356	1	244,346	–	234,732	122,984
Depreciation, depletion and amortization	(685,434)	(60,373)	(14)	(134)	–	(33,376)	(3,522)
Finance income	19,426	857	–	1,255	–	1,119	563
Finance costs	(136,761)	(8,006)	(9,031)	(377)	–	(1,062)	(717)
Income tax expenses	(941,034)	(56,904)	(1,788)	(13,163)	–	(95,496)	(7,565)
Profit/(loss) for the year from continuing operations	2,195,746	193,707	(37,645)	10,509	223	55,830	26,519
Profit for the year from discontinued operations, net of income tax	–	–	–	–	–	–	–
Other comprehensive income/(loss)	1,270,679	(319)	22,023	17,231	–	4,809	(194)
Total comprehensive income/(loss)	3,466,425	193,388	(15,622)	27,740	223	60,639	26,325
Dividends received	64,671	–	–	14,181	–	42,706	8,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2017, reflecting equity method accounting adjustments:

In millions of tenge	Tengizchevroil LLP	Mangistau Investments B.V.	Ural Group Limited BVI	KazRosGas LLP	AstanaGas KMG JSC	JV KazGerMunay LLP	Forum Muider B.V.
Joint ventures							
Non-current assets	8,719,902	393,188	219,834	27,018	–	131,809	66,114
Current assets, including	1,527,677	66,799	57	150,968	–	46,381	23,412
Cash and cash equivalents	748,523	3,090	47	30,877	–	37,914	8,064
Non-current liabilities, including	2,507,496	66,129	63,640	–	–	28,691	7,188
Non-current financial liabilities	1,329,320	–	54,733	–	–	–	5,047
Current liabilities, including	974,662	122,297	188	69,021	–	54,424	21,091
Current financial liabilities	31,719	–	–	–	–	–	6,665
Equity	6,765,421	271,561	156,063	108,965	–	95,075	61,247
							–
Share of ownership	20.00%	50.00%	50.00%	50.00%	–	50.00%	50.00%
Consolidation adjustments	–	–	–	(20,722)	–	–	
Carrying amount of investment as at December 31, 2017	1,353,084	135,781	78,031	33,761	–	47,537	30,624
Revenue	4,357,947	635,903	8	243,527	–	184,616	109,907
Depreciation, depletion and amortization	(560,817)	(62,190)	(20)	(638)	–	(34,072)	(4,713)
Finance income	22,007	126	17	2,489	–	1,306	463
Finance costs	(127,134)	(5,788)	(1,891)	(13,362)	–	(1,014)	(875)
Income tax expenses	(621,385)	(34,036)	(691)	(11,907)	–	(53,071)	(6,388)
Profit/(loss) for the year from continuing operations	1,449,898	99,210	(3,754)	17,244	–	35,427	27,349
Profit for the year from discontinued operations, net of income tax	–	–	–	–	–	–	–
Other comprehensive income/(loss)	7,517	229	(219)	(1,939)	–	(664)	(6,387)
Total comprehensive income/(loss)	1,457,415	99,439	(3,973)	15,305	–	34,763	20,962
Dividends received	79,694	105,523	–	18,647	–	40,445	6,829

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on IFRS financial statements of these entities for 2018, reflecting equity method accounting adjustments:

In millions of tenge	Kazzinc LLP	Caspian Pipeline Consortium JSC	PetroKazakhstan Inc. ("PKI")	Khan Tengri Holding B.V.	JV KATCO LLP	JV Inkai LLP
Associates						
Non-current assets	1,656,829	2,147,362	410,710	155,087	62,657	–
Current assets	373,229	105,910	91,815	23,059	60,478	–
Non-current liabilities	310,018	350,304	45,218	104,124	9,778	–
Current liabilities	98,007	685,130	104,043	38,289	6,450	–
Equity	1,622,033	1,217,838	353,264	35,733	106,907	–
Share of ownership	29.82%	20.75%	33.00%	51.00%	49.00%	–
Goodwill	–	36,885	–	57,847	68	–
Unrecognized gain on transactions with associates	–	–	–	–	(2,749)	–
Carrying amount of investment as at December 31, 2018	483,723	289,586	116,577	76,071	49,704	–
Revenue	1,081,320	757,734	163,263	120,803	71,441	–
Profit/(loss) for the year from continuing operations	156,385	279,347	44,214	(15,183)	28,092	–
Other comprehensive income/(loss)	–	176,034	40,885	–	–	–
Total comprehensive income/(loss)	156,385	455,381	85,099	(15,183)	28,092	–
Dividends received	67,312	–	24,914	–	–	–

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on IFRS financial statements of these entities for 2017, reflecting equity method accounting adjustments:

In millions of tenge	Kazzinc LLP	Caspian Pipeline Consortium JSC	PetroKazakhstan Inc. ("PKI")	Khan Tengri Holding B.V.	JV KATCO LLP	JV Inkai LLP
Associates						
Non-current assets	1,444,462	2,042,156	356,152	153,137	62,572	130,998
Current assets	407,770	95,627	84,904	39,906	39,270	28,850
Non-current liabilities	269,773	756,148	59,123	126,440	7,875	11,721
Current liabilities	95,859	595,179	30,659	46,053	15,152	43,551
Equity	1,486,600	786,456	351,274	20,550	78,815	104,576
Share of ownership	29.82%	20.75%	33.00%	51.00%	49.00%	40.00%
Goodwill	–	31,905	–	57,847	68	–
Unrecognized gain on transactions with associates	–	–	–	–	(183)	(1,442)
Carrying amount of investment as at December 31, 2017	443,336	195,095	115,920	68,327	38,504	40,388
Revenue	999,280	647,478	137,912	104,154	65,426	37,449
Profit/(loss) for the year from continuing operations	194,652	263,451	21,921	(2,287)	19,148	9,036
Other comprehensive income/(loss)	–	16,354	(992)	–	–	–
Total comprehensive income/(loss)	194,652	279,805	20,929	(2,287)	19,148	9,036
Dividends received	39,321	–	20,453	–	10,834	–

All of the above joint ventures and associates are strategic for the Group's business.

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate aggregate financial information of individually insignificant joint ventures (the Group's proportional interest):

In millions of tenge	**2018**	2017 (restated)
Carrying amount of investments as at December 31	**204,339**	224,473
Net profit for the year from continuing operations	**18,206**	116,554
Profit for the year from discontinued operations, net of income tax	**–**	–
Other comprehensive income/(loss)	**7**	(31)
Total comprehensive income	**18,213**	116,523

The following tables illustrate aggregate financial information of individually insignificant associates (the Group's proportional interest):

In millions of tenge	**2018**	2017 (restated)
Carrying amount of investments as at December 31	**80,585**	51,906
Net profit for the year from continuing operations	**10,586**	3,849
Other comprehensive income	**(152)**	–
Total comprehensive income	**10,434**	3,849

In 2018 dividends received from individually insignificant joint ventures and associates were equal to 28,556 million tenge (2017: 33,352 million tenge).

The following table summarizes the movements in equity investments in joint ventures and associates in 2018 and 2017:

In millions of tenge	**2018**	2017 (restated)
Balance as at January 1	**2,856,767**	2,781,115
Effect on adoption of IFRS 9 *(Note 3)*	**(3,615)**	–
Share in profit of joint ventures and associates, net *(Note 33)*	**749,531**	531,682
Dividends received	**(250,499)**	(356,098)
Change in dividends receivable	**9,732**	(45,478)
Adjustment of unrealized income*	**17,071**	(20,722)
Additional contributions without change in ownership	**46,716**	9,044
Refund of contributions without change in ownership	**(93,239)**	–
Acquisitions	**12,284**	214
Disposals	**(80,092)**	(28,599)
Transfers to assets classified as held for sale	**–**	(67)
Foreign currency translation	**385,982**	(5,099)
Other comprehensive income/(loss), other than foreign currency translation	**3,843**	(890)
Reversal of impairment/(Impairment), net	**6,488**	(19,334)
Discount on loans issued	**653**	10,999
Fair value of guarantees given	**3,545**	–
Other changes in equity of joint ventures and associates	**(270)**	–
Balance as at December 31	**3,664,897**	2,856,767

* *Adjustment of unrealized income represents elimination of unrealized profit from sale of inventory from the Group to JV made by the Group when using the equity method.*

As at December 31, 2018, the Group's share in unrecognized losses of joint ventures and associates was equal to 96,994 million tenge (December 31, 2017: 189,384 million tenge).

11. LOANS ISSUED AND FINANCE LEASE RECEIVABLES

As at December 31, loans issued and finance lease receivables comprised the following:

In millions of tenge	**2018**	2017 (restated)
Loans issued at amortized cost	**324,463**	797,489
Loans issued at FVPL	**287,046**	20,302
Finance lease receivables at amortized cost	**45,244**	42,264
Total loans and finance lease receivables	**656,753**	860,055
Less: allowance for expected credit losses	**(23,821)**	(16,368)
Loans issued and finance lease receivables, net	**632,932**	843,687
Less: current portion	**(201,656)**	(250,362)
Non-current portion	**431,276**	593,325

In accordance IFRS 9, the Group reclassified some of the loans as measured at fair value through profit or loss. The fair value of these loans was determined by discounting future cash flows.

Loan issued to Eurasian Resources Group

On October 26, 2018 the Eurasian Resources Group early repaid a loan in the amount of 500 million US dollars (equivalent to 184,270 million tenge as at the date of repayment) issued in 2010 with maturity on September 20, 2020 and interest rate of 7.5% per annum.

Movements in the loan allowance for expected credit losses for the years ended December 31 were as follows:

In millions of tenge	**2018**	2017 (restated)
Allowance at January 1	**16,368**	32,331
Effect of adoption of IFRS 9 *(Note 3)*	**14,289**	–
Change in estimates	**14**	–
Charged, net *(Note 30)*	**(7,563)**	516
Business combinations	**–**	(15,418)
Disposal of subsidiary	**609**	–
Write-off, net	**(633)**	(1,061)
Foreign exchange difference, net	**737**	–
Allowance at December 31	**23,821**	16,368

As at December 31 the components of finance lease receivables are as follows:

In millions of tenge	**2018**	22017 (restated)
Within one year	**7,048**	6,407
Later than one year, but not later than five years	**27,956**	25,554
After five years	**42,523**	42,893
Minimum lease payments	**77,527**	74,854
Less: unearned finance income	**(32,283)**	(32,590)
Net investment in finance leases	**45,244**	42,264

In millions of tenge	**2018**	2017 (restated)
Loans issued and finance lease receivables in tenge	**326,115**	388,053
Loans issued in US dollars	**304,081**	453,180
Loans issued in other foreign currencies	**2,736**	2,454
	632,932	843,687

12. AMOUNTS DUE FROM CREDIT INSTITUTIONS

As at December 31 amounts due from credit institutions comprised the following:

In millions of tenge	**2018**	2017 (restated)
Bank deposits	**655,787**	2,260,052
Loans to credit institutions	**150,785**	193,825
Less: allowance for expected credit losses	**(6,600)**	–
Amounts due from credit institutions, net	**799,972**	2,453,877
Less: current portion	**(623,612)**	(1,951,384)
Non-current portion	**176,360**	502,493

In millions of tenge	**2018**	2017 (restated)
Ratings from AAA (Aaa) to AA-(Aa3)	**–**	106,428
Rating from A+(A1) to A-(A3)	**444,431**	1,337,930
Rating from BBB-(Baa3) to BB-(Ba3	**179,397**	296,456
Rating from B+(B1) to B-(B3)	**144,291**	681,226
No rating	**31,853**	31,837
	799,972	2,453,877

In millions of tenge	**2018**	2017 (restated)
Amounts due from credit institutions, denominated in US dollars	**541,913**	1,771,886
Amounts due from credit institutions, denominated in tenge	**255,151**	679,132
Amounts due from credit institutions, denominated in other currencies	**2,908**	2,859
	799,972	2,453,877

In millions of tenge	**2018**	2017 (restated)
International credit institutions	**443,662**	1,525,015
10 largest local banks	**303,746**	827,258
Other local credit institutions	**52,564**	101,604
	799,972	2,453,877

As at December 31, 2018 the weighted average interest rate on amounts due from credit institutions was 3.27% (December 31, 2017: 3.54%).

As at December 31, 2018 amounts due from credit institutions included funds of 13,806 million tenge pledged as collateral for certain Group's borrowings (December 31, 2017: 32,382 million tenge).

13. OTHER FINANCIAL ASSETS

As at December 31 other financial assets comprised the following:

In millions of tenge	**2018**	2017 (restated)
Financial assets at FVOCI, including	**14,532**	16,677
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**11,905**	11,928
Bonds of Kazakhstani financial institutions	**1,370**	2,222
Corporate bonds	**1,201**	1,264
Equity securities	**56**	7,889
Less: impairment allowance	**–**	(6,626)
Financial assets at amortized cost, including	**281,693**	87,546
Bonds of Kazakhstani financial institutions	**197,179**	3,088
Corporate bonds	**93,186**	19,041
Note receivable from shareholder of joint venture	**–**	38,015
Note receivable from associate	**–**	27,402
Less: allowance for expected credit losses	**(8,672)**	–
Financial assets at FVPL, including	**52,406**	21,647
Equity securities	**23,451**	21,274
Note receivable from shareholder of joint venture	**16,599**	–
Corporate bonds	**6,812**	–
Forward and futures contracts	**3,129**	21
Options	**1,721**	352
Bonds of Kazakhstani financial institutions	**694**	–
Total financial assets	**348,631**	125,870
Less: current portion	**57,257**	30,250
Non-current portion	**291,374**	95,620

Bonds of Kazakhstani financial agencies at amortized cost

In September 2018 the Group acquired 220,000 million coupon bonds issued by Forte Bank JSC maturing on December 15, 2024 with a coupon rate of 4% per annum. Upon initial recognition, these bonds were assessed at a fair value of 173,682 million tenge, using appropriate market interest rates. As the bond purchase was made by using the funds released from bank deposit, previously placed with Forte Bank JSC, the discount on initial recognition of bonds in the amount of 46,318 million tenge and amortization of discount on deposit recognized due to early withdrawal in the amount of 46,021 million tenge were accounted for on a net basis within finance expenses in the consolidated statement of comprehensive income.

In November 2018 the Group acquired 55,245 million coupon bonds issued by Tsesna Bank JSC maturing on January 15, 2034 with a coupon rate of 0.1% per annum.

Upon initial recognition, these bonds were assessed at a fair value of 18,544 million tenge, using appropriate market interest rates. The difference between the nominal value and the fair value of the bond at the date of recognition of 36,701 million tenge was recognized as interest expense within cost of sales in the consolidated statement of comprehensive income.

Corporate bonds at amortized cost

In 2018 the Group acquired bonds of National Managing Holding Baiterek JSC in the amount of 70,149 million tenge with maturity on March 14, 2026 and interest rate of 0.15% per annum. The funds were provided for the purposes of housing construction and completion of construction of problem housing facilities of Nur-Sultan city.

Upon initial recognition, the bonds were assessed at a fair value of 38,809 million tenge, using appropriate market interest rates. The difference between the nominal value and the fair value of the bond at the date of recognition of 31,340 million tenge was recognized as Other transactions with the Shareholder.

On October 25, 2018 the Group acquired bonds of "Baiterek Venture Fund" JSC in the amount of 40,150 million tenge with maturity date on October 25, 2033 and interest rate of 0.01%.

13. OTHER FINANCIAL ASSETS (continued)

Corporate bonds at amortized cost (continued)

The bonds were acquired for the purpose of financing of acquisition of "Astana Gas KMG" JSC shares. "Astana Gas KMG" JSC implements the project of construction of "Saryarka" main gas pipeline along the route "Kyzylorda-Zhezkazgan-Karaganda-Temirtau-Nur-Sultan". In accordance with the terms of the agreement the Fund has a right to demand an early repayment of the bond, thus the bonds were classified as current.

As at December 31 other financial assets by currency, except for derivatives, comprised:

In millions of tenge	**2018**	2017 (restated)
Financial assets, denominated in tenge	**327,122**	59,731
Financial assets, denominated in US dollars	**16,659**	65,766
	343,781	125,497

As at December 31, 2018 the interest rates for financial assets at fair value through other comprehensive income were in the range from 3.8% to 13% (as at December 31, 2017: from 3.8% to 15%).

14. OTHER NON-CURRENT ASSETS

As at December 31 other non-current assets comprised the following:

In millions of tenge	**2018**	2017 (restated)
Advances paid for non-current assets	**278,365**	387,988
Long-term VAT receivable	**191,509**	167,927
Restricted cash	**105,747**	88,139
Long-term receivables	**38,171**	49,472
Prepaid expenses	**16,404**	10,095
Long-term inventories	**15,574**	14,200
Other	**49,909**	32,208
Less: allowance for expected credit losses	**(67,762)**	(58,701)
	627,917	691,328

15. INVENTORIES

As at December 31 inventories comprised the following:

In millions of tenge	**2018**	2017 (restated)
Uranium products	**128,613**	136,643
Oil refined products for sale	**115,411**	93,624
Gas processed products	**57,762**	15,689
Production materials and supplies	**56,371**	64,966
Goods for resale	**48,450**	21,587
Crude oil	**43,293**	58,475
Oil and gas industry materials and supplies	**40,478**	38,683
Work in progress	**39,400**	40,493
Railway industry materials and supplies	**20,881**	14,877
Fuel	**16,376**	15,937
Aircraft spare parts	**10,827**	7,860
Telecommunication equipment spare parts	**2,344**	1,968
Uranium industry materials and supplies	**1,947**	1,580
Electric transmission equipment spare parts	**1,917**	2,004
Other materials and supplies	**56,774**	54,848
Less: provision for obsolete and slow moving inventories	**(29,750)**	(30,818)
	611,094	538,416

16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As at December 31 trade accounts receivable comprised the following:

In millions of tenge	**2018**	2017 (restated)
Trade accounts receivable	**804,834**	714,102
Less: allowance for expected credit losses	**(56,961)**	(72,649)
	747,873	641,453

As at December 31 other current assets comprised the following:

In millions of tenge	**2018**	2017 (restated)
Advances paid and deferred expenses	**152,970**	153,030
Other accounts receivable	**150,150**	133,393
Restricted cash	**77,270**	66,675
Other prepaid taxes	**70,802**	52,682
Dividends receivable	**24,986**	44,384
Non-financial assets for distribution to the Shareholder	**13,321**	12,916
Amounts due from employees	**5,105**	4,725
Other	**26,369**	37,987
Less: allowance for expected credit losses	**(103,611)**	(124,039)
	417,362	381,753

At December 31, 2018 the Group's receivables of 61,325 million tenge were pledged under certain Group borrowings (December 31, 2017: 58,226 million tenge).

Movements in the allowance for expected credit losses for the years ended December 31 were as follows:

In millions of tenge	**2018**	2017 (restated)
Allowance at January 1	**196,688**	146,275
Effect of adoption of IFRS 9	**(186)**	–
Charged, net	**17,558**	30,575
Foreign exchange difference, net	**11,135**	4,448
Change in estimate	**(138)**	32
Transfers to assets classified as held for sale	**373**	–
Reclassification	**–**	17,334
Write-off, net	**(64,858)**	(1,976)
Allowance at December 31	**160,572**	196,688

At December 31, 2018 9,814 million tenge of the Group's receivables were interest bearing (December 31, 2017: 26,767 million tenge). As December 31, 2018 the weighted average interest rate was 11.72% (December 31, 2017: 11.26%).

As at December 31 the ageing analysis of trade accounts receivable is as follows:

			Past due but not impaired				
In millions of tenge	**Total**	**Neither past due nor impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
2018	**747,873**	**646,689**	**60,069**	**9,413**	**8,782**	**5,932**	**16,988**
2017	641,453	524,355	23,082	42,299	17,715	2,746	31,256

17. CASH AND CASH EQUIVALENTS

As at December 31 cash and cash equivalents comprised the following:

In millions of tenge	**2018**	2017 (restated)
Current accounts with banks – US dollars	**998,733**	641,243
Current accounts with banks – tenge	**240,404**	367,343
Current accounts with banks – other currency	**21,232**	21,985
Bank deposits – US dollars	**853,482**	852,208
Bank deposits – tenge	**301,234**	345,235
Bank deposits – other currency	**3,779**	3,421
Cash in transit	**12,934**	18,049
Cash on hand	**10,431**	7,934
Reverse repurchase agreements with other banks with contractual maturity of three months or less	**46,011**	6,520
Less: allowance for expected credit losses	**(707)**	–
	2,487,533	2,263,938

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at December 31, 2018 the weighted average interest rates for short-term bank deposits and current accounts were 4.0% and 0.6%, respectively (December 31, 2017: 3.2% and 0.8%, respectively).

18. EQUITY

18.1 Share capital

During 2018 and 2017 the Fund issued common shares, which were paid as follows:

Payment for shares	**Number of shares authorized and issued**	**Par value per share, in tenge**	**Share capital in millions of tenge**
As of December 31, 2016	3,481,670,758		5,058,658
Cash contributions	1,577	16,852,000; 100,000,000	74,552
Property contributions	265,983	1,000	266
As of December 31, 2017	3,481,938,318		5,133,476
Cash contributions	**–**		
Property contributions	**1,000**	**290,037**	**290**
As of December 31, 2018	**3,481,939,318**		**5,133,766**

As at December 31, 2018 3,481,939,318 shares of the Fund were fully paid.

Property contributions

On December 29, 2018 the State property and privatization committee contributed property of 290 million tenge to the Fund's share capital.

18.2 Additional paid-in capital

During 2018 the Group increased additional paid in capital by 4,114 million tenge, which represents the fair value of gas pipelines contributed by the Government under trust management. The trust management is a short-term mechanism until the legal title for the pipelines transfers to the Group. The Group is a direct user of these assets; it received all risks and rewards related to the ownership of this property in accordance with trust management agreement. Accordingly, the Group recognised the asset and appropriate increase in additional paid-in capital, which will be reclassified to share capital once the legal procedures are completed.

18. EQUITY (continued)

18.3 Dividends

Dividends attributable to equity holder of the Parent

In 2018 the Fund declared and paid dividends to the Shareholder of 12,732 million tenge based on financial results for 2017 according to the Resolution of the Government dated December 4, 2018.

Dividends attributable to non-controlling interest

During 2018 the Group subsidiaries declared dividends of 25,276 million tenge to the holders of non-controlling interest in NC KMG JSC group, Air Astana JSC and Kazakhtelecom JSC and others.

18.4 Other transactions with the Shareholder

Acquisition of bonds of National Managing Holding Baiterek JSC

In 2018 the Fund used available funds of 70,149 million tenge to acquire bonds of National Managing Holding Baiterek JSC. The difference between the nominal value and the fair value of 31,340 million tenge was recognized as transaction with the Shareholder in the consolidated statement of changes in equity *(Note 13)*.

18.5 Other distributions to the Shareholder

Social projects financing

In 2018 on the basis of Shareholder's resolutions, the Fund recognized liabilities for financing of various social projects for total amount of 64,736 million tenge. These liabilities was recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

Financing construction of social facilities in the City of Turkestan

In 2018 the Group recognized liabilities for future financing of the construction of social facilities in the city of Turkestan under the social economic development of Turkestan region of 31,001 million tenge. This financing was recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

Transfer shares of "National Company "Kazakhstan Engineering" JSC to the Shareholder

On July 16, 2018 in accordance with the Resolution of the Government of Republic of Kazakhstan dated July 3, 2018 the Fund transferred 100% shares of "National Company "Kazakhstan Engineering" JSC with the net assets of 16,162 million tenge to the State property and privatization committee. This transaction was recognized as distribution to the Shareholder in consolidated statement of changes in equity *(Note 6)*.

18.6 Change in ownership interests of subsidiaries – sale of non-controlling interest

National Atomic Company "Kazatomprom" JSC

On November 13, 2018 the Fund successfully placed 15% shares of Kazatomprom on international stock exchanges of Nur-Sultan (AIX) and London (LSE). The offer price was USD 11.60 per GDR and tenge 4,322.74 per common share.

As a result of share issue, the Group received proceeds of 160,423 million tenge, net of transaction costs of 5,099 million tenge, non-controlling interest increased by 124,137 million tenge, and the difference of 36,268 million tenge was recognized as an increase in retained earnings.

18. EQUITY (continued)

18.7 Change in ownership interests of subsidiaries – acquisition of non-controlling interest

Share buyback by subsidiary

In 2018 the KMG EP (NC KMG's subsidiary) launched repurchase its outstanding GDRs and common shares placed on KASE. As at December 31, 2018 the total amount of repurchases made up 642,524 million tenge As a result of the transaction the non-controlling interest in KMG EP decreased by 776,940 million tenge.

NC KMG

In June 2018 the Fund acquired an interest of 0.337% in NC KMG through property contribution of 207,196 million tenge. As a result of the transaction the non-controlling interest in NC KMG decreased by 23,772 million tenge.

United Chemical Company LLP (UCC)

In June 2018 the Group acquired an interest of 48% in KPI (subsidiary of UCC) through cash consideration of 56,700 million tenge. As a result of the transaction the non-controlling interest in KPI decreased by 55,208 million tenge.

18.8 Non-controlling interest

The following tables illustrate information of subsidiaries in which there is significant non-controlling interests:

	Non-controlling interest			
	2018		2017 (restated)	
	Share	**Carrying amount**	Share	Carrying amount
NC KazMunayGas JSC	**9.57%**	**756,369**	9.9119%	1,505,009
Kazakhtelecom JSC	**49.00%**	**223,488**	49.00%	181,608
NAC Kazatomprom JSC	**15.00%**	**131,955**	–	–
KEGOC JSC	**10.00% – 1**	**21,484**	10.00% – 1	19,902
Air Astana JSC	**49.00%**	**16,689**	49.00%	14,105
Other		**214,368**		101,096
		1,364,353		1,821,720

All significant subsidiaries with non-controlling interest are registered in Kazakhstan.

18. EQUITY (continued)

18.8 Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries, in which there are significant non-controlling interests as at December 31, 2018 and for the year then ended:

In millions of tenge	NC KazMunay-Gas JSC	Kazakhtelecom JSC	Kazatomprom NAC JSC	KEGOC JSC	Air Astana JSC
Summarized balance sheet					
Non-current assets	10,748,329	659,523	918,917	375,775	113,347
Current assets	3,266,951	122,958	462,200	57,769	109,708
Non-current liabilities	5,064,056	214,922	134,731	172,506	116,744
Current liabilities	1,808,156	149,808	283,375	46,198	72,251
Total equity	7,143,068	417,751	963,011	214,840	34,060
Attributable to:					
Equity holder of the Parent	6,386,699	194,263	831,056	193,356	17,371
Non-controlling interest	756,369	223,488	131,955	21,484	16,689
Summarized statement of comprehensive income					
(Loss)/profit for the year from continuing operations	694,699	42,883	380,266	48,842	1,845
Profit for the year from discontinued operations	–	–	–	–	–
Other comprehensive (loss)/income	474,817	(2,521)	(6,582)	–	7,387
Total comprehensive income for the year, net of tax	1,169,516	40,362	373,684	48,842	9,232
Attributable to:					
Equity holder of the Parent	1,162,195	40,546	365,664	48,842	9,232
Non-controlling interest	7,321	(184)	8,020	–	–
Dividends paid to non-controlling interest	(9,796)	(8,612)	(635)	(3,137)	(1,884)
Summarised cash flow information					
Operating activity	453,990	66,351	58,327	64,314	23,662
Investing activity	1,151,140	(120,277)	(40,279)	(52,390)	(6,548)
Financing activity	(1,505,257)	77,277	(139,272)	(40,586)	(21,254)
Net increase/(decrease) in cash and cash equivalents	99,873	23,351	(121,224)	(28,662)	(4,140)

18. EQUITY (continued)

18.8 Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries, in which there are significant non-controlling interests as at December 31, 2017 and for the year then ended:

In millions of tenge	NC KazMunay-Gas JSC	Kazakhtelecom JSC	KEGOC JSC	Air Astana JSC
Summarized balance sheet				
Non-current assets	8,591,496	355,915	319,932	98,482
Current assets	4,797,257	115,399	88,969	98,172
Non-current liabilities	4,500,754	70,126	170,952	120,585
Current liabilities	2,265,599	42,080	39,828	47,235
Total equity	6,622,400	359,108	198,121	28,834
Attributable to:				
Equity holder of the Parent	5,117,391	177,500	178,219	14,729
Non-controlling interest	1,505,009	181,608	19,902	14,105
Summarized statement of comprehensive income				
(Loss)/profit for the year from continuing operations	(269,657)	24,718	41,719	(1,815)
Profit for the year from discontinued operations	789,183	–	–	–
Other comprehensive (loss)/income	(76,054)	(5,042)	–	2,991
Total comprehensive income for the year, net of tax	443,472	19,676	41,719	1,176
Attributable to:				
Equity holder of the Parent	326,002	10,035	37,547	600
Non-controlling interest	117,470	9,641	4,172	576
Dividends paid to non-controlling interest	(17,817)	(2,112)	(1,990)	–
Summarised cash flow information				
Operating activity	399,889	66,225	61,841	32,042
Investing activity	(821,975)	(38,096)	(9,335)	23,365
Financing activity	760,802	(35,472)	(37,061)	(17,669)
Net increase/(decrease) in cash and cash equivalents	338,716	(7,343)	15,445	37,738

18. EQUITY (continued)

18.9 Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in the consolidated financial statements. In 2018 foreign translation difference amounted to 1,090,827 million tenge.

Certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in the foreign operations. As at December 31, 2018 unrealized foreign currency loss of 653,505 million tenge resulting from translation of these borrowings were transferred to currency translation reserve recognized in other comprehensive income.

18.10 Hedge reserve

NC KTZh

Hedge reserve includes the effect of cash flow hedge accounting to record any fair value gains or losses on the instruments in a hedge reserve in respect of foreign currency revenue proceeds. These gains or losses are subsequently recycled to the profit and loss as transactions are settled.

In 2015 NC KTZh entered into a cash flow hedge with Eurobonds denominated in Swiss francs ("CHF") and maturing in 2019 and 2022, to reduce the risk of changes in sales revenue from transit, expressed in CHF. As at December 31, 2018 hedge loss attributable to equity holders of the Parent is 14,026 million tenge.

Air Astana JSC

In 2015 Air Astana entered into a cash flow hedge with finance lease obligations denominated in US dollars, to reduce the risk of changes in sales revenue expressed in US dollars. In connection with the transition of the functional currency to US dollar, this hedge ceased to be economically effective from December 31, 2017.

As a result of the change, the hedge relationship has been discontinued so that starting from January 1, 2018 no further foreign currency translation gains or losses are transferred from profit or loss to hedge reserve, and the hedge reserve recognized in equity as at December 31, 2018 shall remain in equity until the forecasted revenue cash flows are received.

During 2018 amount reclassified from the hedging reserve to foreign exchange loss from inception of the hedge was 3,747 million tenge before tax of 750 million tenge. Hedge income attributable to non-controlling interest comprised 1,836 million tenge.

18.11 Other capital reserves

Other capital reserves include mainly remuneration of employees for the services rendered in the form of share-based payments with equity instruments of a subsidiary in which they are employed. The cost of equity-settled remunerations is recognized, together with a corresponding increase in other capital reserves, over the period in which performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

18.12 Book value per share

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

In millions of tenge	**2018**	2017 (restated)
Total assets	**25,645,356**	24,327,108
Less: intangible assets	**(1,611,163)**	(993,585)
Less: total liabilities	**(12,773,471)**	(12,502,738)
Net assets for common shares	**11,260,722**	10,830,785
Number of common shares as at December 31	**3,481,939,318**	3,481,938,318
Book value per common share, tenge	**3,234**	3,111
Earnings per share		
Weighted average number of common shares for basic and diluted earnings per share	**3,481,938,345**	3,481,898,532
Basic and diluted share in net profit for the period	**357.05**	213.07
Basic and diluted share in net profit/(loss) from continuing operations	**358.06**	215.90

19. BORROWINGS

As at December 31 borrowings, including interest payable, comprised the following:

In millions of tenge	**2018**	2017 (restated)
Fixed interest rate borrowings	**5,053,961**	4,909,976
Floating interest rate borrowings	**1,798,814**	2,144,291
	6,852,775	7,054,267
Less: amounts due for settlement within 12 months	**(817,319)**	(1,636,757)
Amounts due for settlement after 12 months	**6,035,456**	5,417,510

In millions of tenge	**2018**	2017 (restated)
US dollar-denominated borrowings	**5,369,190**	5,634,180
Tenge-denominated borrowings	**1,116,301**	1,112,828
Other currency-denominated borrowings	**367,284**	307,259
	6,852,775	7,054,267

Under the terms of some loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. The Group reviews compliance with all the Group loan covenants at each reporting date.

As at December 31, 2018, the Group had breached one of the HSBC France financial covenants, Debt to Equity ratio, for a loan of 58,809 million tenge, and, as a result, classified long-term portion of the loan of 46,238 million tenge as current liability. After the reporting date, the Group received a waiver from HSBC France to reset covenant threshold as at December 31, 2018. As at December 31, 2018 the Group was in compliance with the reset covenant. Accordingly, this event had not resulted in payment acceleration of HSBC France loan and had not impacted the Group's obligations under its other borrowing arrangements.

As of December 31, 2018 the Group complied with all financial and non-financial covenants under other loan agreements.

Bonds issuance and repayment

During the year ended December 31, 2018 the Fund performed early redemption of bonds, placed on the Kazakhstan Stock Exchange, in the amount of 81,000 million tenge.

During the year ended December 31, 2018 the Group placed Eurobonds due in 2025, 2030 and 2048 in the amount of 3,250 million US dollars (equivalent to 1,061,190 million tenge). The Group also made an early redemption of Eurobonds due in 2020, 2021 and 2043 in the amount of 3,463 million US dollars (equivalent to 1,143,982 million tenge).

On July 2, 2018 the Group performed a full redemption of bonds issued on the LSE in 2008 for a total of 1,673 million US dollars (equivalent to 570,627 million tenge at the date of payment).

In 2018, the Group fully redeemed a loan from Sberbank Russia of 420 million US dollars (equivalent to 152,989 million tenge), including accrued interest.

In September 2018 the Group issued bonds on the Kazakhstan Stock Exchange (KASE) in the amount of 75,000 million tenge with a coupon rate of 9.25% per annum and maturity date on November 15, 2024 in order to refinance foreign currency loans and loans in tenge with a high interest rate.

In 2018 within the framework of a credit agreement dated November 26, 2012 with the US Export-Import Bank, the Group, made a full repayment of its debt of 61,803 million tenge.

In 2018 the Group within the framework of a loan restructuring agreements with EBRD dated December 22, 2016 made an early repayment of the loan of 43,578 million tenge.

Other borrowings

During the year ended December 31, 2018 the Fund made an early partial repayment of loan from the bank Tokyo-Mitsubishi UFJ LTD in the amount of 900 million US dollars (equivalent to 307,179 million tenge).

During the year ended December 31, 2018 the Group received a loan from the syndicate of banks (Citibank NA, Mizuho Bank Ltd., MUFG Bank Ltd., Societe Generale и ING Bank) in the amount of 200 million US dollars (equivalent to 65,832 million tenge as of the date of receipt) to finance construction of three compressor stations at main gas pipeline "Beineu – Bozoy – Shymkent".

19. BORROWINGS (continued)

Other borrowings (continued)

During the year ended December 31, 2018, the Group received a loan from ING Bank in the amount of 119 million US dollars (equivalent to 40,376 million tenge).

In 2018 the Group derecognized a loan from ONGC Videsh, a partner in the Satpayev project, for the total amount of 53,263 million tenge, including an interest of 4,620 million tenge *(Note 37)*. The derecognition of the loan is related to the planned withdrawal from the project and returning of the contract territory to the Government.

As at December 31 the carrying amount of borrowings by the Group subsidiaries is presented below:

In millions of tenge	**2018**	2017 (restated)
NC KMG and its subsidiaries	**4,149,123**	4,301,252
NC KTZh and its subsidiaries	**1,272,129**	1,158,981
The Fund	**535,712**	808,453
Samruk-Energy and its subsidiaries	**248,069**	298,527
NAC KAP and its subsidiaries	**199,690**	121,284
KEGOC and its subsidiaries	**162,059**	161,789
Other subsidiaries of the Fund	**285,993**	203,981
Total borrowings	**6,852,775**	7,054,267

20. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

As at December 31 loans from the Government of the Republic of Kazakhstan comprised the following:

In millions of tenge	**2018**	2017
Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund	**588,226**	719,410
Loans from the Government of the Republic of Kazakhstan	**65,180**	62,638
Bonds acquired by the National Bank of the Republic of Kazakhstan		–
	653,406	782,048
Less: amounts due for settlement within 12 months	**(22,973)**	(5,907)
Amounts due for settlement after 12 months	**630,433**	776,141

Bonds, purchased by National Bank of the Republic of Kazakhstan

On November 13, 2018 Fund successfully placed 15% shares of Kazatomprom on international stock exchanges of Nur-Sultan (AIX) and London.

In accordance with the Terms of receivables from transferring of national assets of managing holdings, national holdings, national companies and its subsidiaries, dependent and other entities, who are affiliated with them into competitive environment, with National Fund of Republic of Kazakhstan, approved by Resolution of the Government of Republic of Kazakhstan dated June 4, 2018 № 323, funds received from state assets realization can be transferred to repayment of of the Fund's liabilities to the National Fund.

Due to, December 24, 2018 in accordance with accepted corporate decisions of Fund realized:

- Fully redemption of bonds on its fair value for 123,604 million tenge in the framework of the tenth issue of bonds of the Fund, redeemed by National bank at expense of National Fund, previously issued for loan by the Fund to "Samruk-Energo" JSC;
- Partial early repayment on its nominal value of bonds for 38,057 million tenge in framework of eleventh issue of the Fund's bonds, redeemed by National bank using the funds of the National Fund, previously issued for financing "KMG Kashagan B.V" PC shares acquisition.

Due to abovementioned early redemption of obligations of the National Bank of the Republic of Kazakhstan, the Fund recognized the decrease in discount on loans from the Government of 10,477 million tenge in consolidated statement of changes in equity.

21. PREPAYMENT ON OIL SUPPLY AGREEMENT

NC KMG

In 2016 the Group entered into long-term crude oil and liquefied petroleum gas ("LPG") supply agreement, which involves the prepayment. The total minimum delivery volume approximates 38 million tons of crude oil and 1 million tons of LPG in the period from the date of the contract to March 2021.

In 2018, in accordance with an amendment signed in December 2017, the Group received an additional prepayment of 499,411 thousand US dollars (equivalent of 163,073 million tenge at the date of transaction) net of transaction costs.

The agreement stipulates pricing calculation with reference to market quotes and prepayments are settled through physical deliveries of crude oil and LPG.

The Group considers this agreement to be regular way agreement to deliver non-financial items in accordance with the Group's expected sale requirements.

As of December 31, 2018 the Group has partially settled the prepayments by oil supply in the total amount of 1,000 million US dollars.

Interest at rate of LIBOR 1m rate plus 1.85% is annually accrued on outstanding balance of prepayment.

KMG Kashagan B.V.

During 2016, the Group entered into a long-term crude oil supply agreement. In accordance with the terms of the agreement, during the period from January 2017 till December 2021, KMG Kashagan B.V. will supply the minimum volume of oil of 7 million tons from the Kashagan field.

In 2017 KMG Kashagan B.V. signed a first addendum to the crude oil supply agreement and in 2018, KMG Kashagan B.V. signed the second supplementary agreement to the crude oil supply agreement. Under the terms of the supplementary agreement, the term of oil supplies was extended until December 2025, accordingly the minimum volume of oil from the Kashagan field was increased, and for the period from 2018 to 2025 amounts to 16.6 million tons. Under the new terms of the agreement, in 2018 KMG Kashagan B.V. received an additional prepayment of 593,986 thousand US dollars (equivalent of 207,194 million tenge at the date of transaction), net of transaction costs, which will be repaid by the supply of crude oil produced at the Kashagan field.

The Agreement stipulates price determination on the basis of current market quotations and prepayment is reimbursed by means of physical supply of crude oil.

In accordance with the terms of the agreement, supply of oil started from January 2017. The Group considers this agreement as a contract, which was signed for the purpose of delivery of non-financial items in accordance with the Company's expectations and sale requirements.

Interest at LIBOR 1m rate plus 2.05% for the amount received of 1,950 million US dollars and LIBOR 1m rate plus 2.25% for the amount of 250 million US dollars is monthly accrued on balance of this prepayment.

In accordance with the terms of agreement, KMG Kashagan B.V. must ensure that supplied volume of crude oil is unencumbered.

As at December 31, 2018, the current portion of the advance payment under the crude oil supply agreement amounted to 527,402 million tenge (December 31, 2017: 332,330 million tenge) according to the repayment schedule. The non-current portion of the advance payment under the crude oil supply agreement was 1,153,761 million tenge (December 31, 2017: 1,109,265 million tenge).

Prepayment on oil supply agreement is recognized as contract liability to customers in accordance with IFRS 15.

22. FINANCE LEASE LIABILITIES

The Group has finance leases for various items of property, plant and equipment, mainly aircraft.

During 2012-2014 Air Astana JSC ("Air Astana"), subsidiary of the Group, acquired 11 (eleven) aircraft under fixed interest finance lease agreements. The lease term for each aircraft is 12 (twelve) years. Air Astana has the option to purchase each aircraft for a nominal amount at the end of the lease. Loans provided by financial institutions to the lessor in respect of 6 (six) new Airbus were guaranteed by European Export Credit Agencies, 3 (three) Boeing 767 aircrafts were guaranteed by US Export Import Bank and 2 (two) Embraer aircrafts were guaranteed by Brazilian Development Bank. Air Astana pledged the leased assets with carrying amount of 76,364 million tenge to secure finance lease liabilities (December 31, 2017: 68,671 million tenge).

22. FINANCE LEASE LIABILITIES (continued)

The Group's finance leases are subject to certain covenants. These covenants impose restrictions in respect of certain transactions, including, but not limited to restrictions in respect of indebtedness. These requirements have been met during 2018 and 2017.

As at December 31, 2018 interest calculation was based on effective interest rates ranging from 2.5% to 22.09% (December 31, 2017: from 2.99% to 19.59%).

As at December 31 future minimum lease payments under finance leases together with the present value of the net minimum lease payments comprised the following:

	2018	
In millions of tenge	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	**31,666**	**25,853**
Two to five years inclusive	**102,955**	**90,430**
After five years	**52,591**	**40,210**
Less: amounts representing finance costs	**(30,719)**	**–**
Present value of minimum lease payments	**156,493**	**156,493**
Less: amounts due for settlement within 12 months	**(31,666)**	**(25,853)**
Amounts due for settlement after 12 months	**124,827**	**130,640**

	2017 (restated)	
In millions of tenge	Minimum lease Payments	Present value of minimum lease payments
Within one year	24,599	19,755
Two to five years inclusive	80,335	69,777
After five years	56,539	50,314
Less: amounts representing finance costs	(21,627)	–
Present value of minimum lease payments	139,846	139,846
Less: amounts due for settlement within 12 months	(24,599)	(19,755)
Amounts due for settlement after 12 months	115,247	120,091

The Air Astana finance lease obligations are denominated in US dollars.

23. PROVISIONS

As at December 31 provisions comprised the following:

In millions of tenge	Asset retirement obligations	Provision for environ-mental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Provision at January 1, 2017 (restated)	128,218	50,134	48,048	69,786	103,468	399,654
Foreign currency translation	233	(53)	15	–	69	264
Change in estimate	17,619	(948)	–	–	(109)	16,562
Unwinding of discount	10,842	1,794	–	–	4,379	17,015
Provision for the year	3,735	10,999	7,783	28,452	13,499	64,468
Use of provision	(1,661)	(1,165)	(27,690)	(60,194)	(42,258)	(132,968)
Reversal of unused amounts	(175)	–	–	–	(1,568)	(1,743)
Provision at December 31, 2017	158,811	60,761	28,156	38,044	77,480	363,252
Foreign currency translation	**6,474**	**5,492**	**10**	**–**	**7,643**	**19,619**
Additions through business combinations	**4,820**	**–**	**–**	**–**	**–**	**4,820**
Transfer to liabilities associated with assets classified as held for sale	**(333)**	**–**	**(474)**	**–**	**(175)**	**(982)**
Change in estimate	**(1,619)**	**697**	**(1,861)**	**–**	**5,516**	**2,733**
Unwinding of discount	**13,626**	**2,483**	**–**	**–**	**192**	**16,301**
Provision for the year	**773**	**–**	**18,445**	**–**	**56,919**	**76,137**
Use of provision	**(745)**	**(3,319)**	**(25,802)**	**(4,374)**	**(20,996)**	**(55,236)**
Reversal of unused amounts	**(354)**	**(46)**	**–**	**–**	**(5,328)**	**(5,728)**
Provision at December 31, 2018	**181,453**	**66,068**	**18,474**	**33,670**	**121,251**	**420,916**

Current portion and non-current portion of provisions are presented as follows:

In millions of tenge	Asset retirement obligations	Provision for environ-mental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Current portion	1,668	6,017	28,156	38,044	42,082	115,967
Non-current portion	157,143	54,744	–	–	35,398	247,285
Provision at December 31, 2017 (restated)	158,811	60,761	28,156	38,044	77,480	363,252
Current portion	**2,220**	**6,199**	**18,474**	**33,670**	**91,230**	**151,793**
Non-current portion	**179,233**	**59,869**	**–**	**–**	**30,021**	**269,123**
Provision at December 31, 2018	**181,453**	**66,068**	**18,474**	**33,670**	**121,251**	**420,916**

Other provisions as at December 31, 2018 included provisions for aircraft maintenance for the amount of 33,516 million tenge (December 31, 2017: 24,516 million tenge), gas transportation provision of 28,083 million tenge (December 31, 2017: 24,291 million tenge) and provision of 36,633 million tenge by results of an environmental audit of Embamunaigas JSC (December 31, 2017: nil).

24. EMPLOYEE BENEFIT LIABILITY

State contribution scheme

The Group pays social tax according to the current statutory requirements in the Republic of Kazakhstan. Social tax and payroll are expensed as incurred.

In addition to that, the Group also withholds and contributes up to 10% limit on pension contributions, from salaries of its employees as the employee contribution to their cumulative pension funds. These amounts are expensed in the period they are incurred.

24. EMPLOYEE BENEFIT LIABILITY (continued)

Defined benefit plan

Employee benefit liabilities under various plans are payable in accordance with collective agreements concluded between certain subsidiaries of the Group (NC KMG, NC KTZh, Kazakhtelecom JSC, Samruk-Energy JSC, NAC KAP and Kazpost JSC) and employees of those subsidiaries represented by their labor unions.

As at December 31 total liability under the Group's defined benefit plan comprised the following:

In millions of tenge	**2018**	2017 (restated)
Present value of defined benefit obligation	**101,510**	88,055
Liability falling due within one year	**(7,267)**	(6,883)
Liability falling due after one year	**94,243**	81,172

A reconciliation of the present value of the defined benefit plan liability with specified payments for the years ended December 31 is as follows:

In millions of tenge	**2018**	2017 (restated)
Total liability at the beginning of the year	**88,055**	73,059
Actuarial loss recognized during the period in other comprehensive income	**7,577**	8,046
Interest cost	**7,405**	6,943
Current service cost	**4,407**	4,589
Past service cost	**2,470**	182
Discontinued operations	**(38)**	–
Foreign currency translation	**7**	3,807
Benefits paid during the year	**(8,381)**	(8,771)
Unrecorded past service cost	**(72)**	3
Actuarial (gain)/loss recognized during the period in profit and loss	**80**	197
Total liability at the end of the year	**101,510**	88,055

Total service cost, including current service cost, interest cost, past service cost, unrecorded past service cost and actuarial loss, of 21,868 million tenge was recognized in the consolidated statement of comprehensive income within respective line items in 2018 (2017: 19,959 million tenge).

Estimates of the Group's liabilities were made on the basis of published statistical data regarding mortality and actual Group's data on number, age, gender and years of employee service. Other principal assumptions at the reporting date, calculated as weighed average for all plans, were as follows:

	2018	2017 (restated)
Discount rate	**8.26%**	8.92%
Expected rate of increase of future annual financial assistance	**7.54%**	6.11%
Expected rate of increase of future annual minimum salary	**5.71%**	5.03%
Expected rate of increase of future annual railway ticket price	**4.60%**	6.60%

25. OTHER CURRENT LIABILITIES

As at December 31 other current liabilities comprised the following:

In millions of tenge	**2018**	2017 (restated)
Contract liabilities to customers	**211,703**	152,175
Other taxes payable	**147,787**	125,012
Due to employees	**111,930**	111,928
Advances received and deferred income	**28,117**	79,944
Obligations to the Shareholder on the financing of social projects	**50,072**	4,013
Amounts due to customers	**27,688**	24,777
Government grant liability	**11,784**	14,721
Obligations under quarantee agreements	**7,404**	10,378
Dividends payable	**4,030**	4,077
Payables for acquisition of additional interest in the North-Caspian project	**–**	272,148
Other financial liabilities	**93,682**	20,967
Other non-financial liabilities	**69,824**	45,823
	764,021	865,963

Payables for acquisition of additional interest in undividable stake of the North-Caspian project

On October 31, 2008 all participants of the North-Caspian project (the "NCP" or the "Project) signed an agreement according to which all project participants except for KMG Kashagan agreed to partially sell their interest in the project on proportional basis in order to increase the interest of KMG Kashagan in NCP from 8.33% to 16.81% retrospectively from January 1, 2008.

The purchase price of the undivided share of interest in NCP consists of a principal amount of 1.78 billion US dollars plus annual interest.

The principal amount together with interest was to be paid in three equal annual instalments after achieving Kashagan commercial production ("KCP") at Kashagan field.

On August 8, 2018, the Group paid the amount of the third tranche in the total amount of 844,012 thousand US dollars (equivalent to 294,258 million tenge), thus fully paying off its obligations under the contract.

26. REVENUE

Revenue comprised the following for the years ended December 31:

In millions of tenge	**2018**	2017 (restated)
Sales of crude oil	**3,757,436**	2,508,923
Sales of oil refined products	**2,603,428**	1,779,471
Railway cargo transportation	**857,847**	765,599
Sales of gas products	**783,070**	342,025
Sales of uranium products	**399,998**	233,878
Oil and gas transportation fee	**315,205**	333,007
Air transportation	**291,631**	255,331
Electricity complex	**277,865**	264,078
Sales of refined gold	**257,475**	193,797
Telecommunication services	**213,588**	200,484
Oil processing fees	**175,112**	128,535
Electricity transmission services	**144,543**	124,423
Railway passenger transportation	**85,453**	83,095
Interest income	**46,167**	153,443
Postal services	**42,537**	38,818
Less: Crude oil Quality Bank	**(18,118)**	(21,769)
Less: indirect taxes and commercial discounts	**(499,910)**	(399,479)
Other revenue	**383,100**	398,402
	10,116,427	7,382,061

27. COST OF SALES

Cost of sales comprised the following for the years ended December 31:

In millions of tenge	**2018**	2017 (restated)
Materials and supplies	**4,844,175**	3,142,080
Personnel costs, including social taxes and withdrawals	**786,597**	771,498
Depreciation, depletion and amortization	**698,317**	516,983
Fuel and energy	**343,189**	289,729
Production services rendered	**227,029**	189,816
Repair and maintenance	**190,570**	159,973
Mineral extraction tax	**158,867**	110,305
Interest expense	**84,051**	177,291
Taxes other than social taxes and withdrawals	**76,049**	58,717
Rent	**75,531**	63,251
Transportation expenses	**38,268**	27,048
Other	**275,932**	294,149
	7,798,575	5,800,840

28. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following for the years ended December 31:

In millions of tenge	**2018**	2017 (restated)
Personnel costs, including social taxes and withdrawals	**192,020**	212,555
Taxes other than social taxes and withdrawals	**47,031**	47,143
Consulting services	**38,117**	32,974
Fines and penalties	**33,448**	(6,795)
Depreciation and amortization	**30,911**	33,227
Allowance for expected credit losses for trade receivable and other assets	**12,407**	6,775
Rent	**10,987**	9,712
Business trips	**7,820**	7,104
Other services by third parties	**7,300**	4,714
Sponsorship and charitable donations	**7,298**	16,340
Repair and maintenance	**6,049**	7,022
Transportation services	**4,292**	2,537
Utilities expenses and maintenance of buildings	**4,070**	3,458
Professional education and advanced trainings	**3,719**	2,887
Bank services	**2,448**	2,630
Other	**80,716**	72,457
	488,633	454,740

29. TRANSPORTATION AND SELLING EXPENSES

Transportation and selling expenses comprised the following for the years ended December 31:

In millions of tenge	**2018**	2017 (restated)
Transportation	**361,092**	204,889
Rent tax	**145,523**	83,183
Custom duties	**132,063**	105,703
Personnel costs, including social taxes and withdrawals	**19,961**	19,323
Commission fees to agents and advertising	**13,627**	12,228
Depreciation and amortization	**12,112**	14,117
Other	**37,204**	30,913
	721,582	470,356

30. IMPAIRMENT LOSS

Impairment loss comprised the following for the years ended December 31:

In millions of tenge	**2018**	2017 (restated)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets	**166,723**	38,899
Impairment / (reversal of impairment) of assets held for sale	**30,497**	(10,385)
Expected credit losses on other financial assets	**14,000**	39,705
Impairment / (reversal of impairment) / of VAT receivable	**6,357**	(18,212)
Expected credit losses on cash and cash equivalents	**410**	–
(Reversal of) / accrual of expected credit losses on amounts in credit institutions	**(10,216)**	14,995
(Reversal of) / accrual of expected credit losses on loans issued	**(7,563)**	516
(Reversal of impairment) / impairment of investments in joint ventures and associates	**(6,488)**	19,313
Other	**14,706**	9,551
	208,426	94,382

31. FINANCE COSTS

Finance costs comprised the following for the years ended December 31:

In millions of tenge	**2018**	2017 (restated)
Interest on loans and debt securities issued	**412,009**	363,558
Interest for the early redemption of Eurobonds	**89,612**	–
Interest on oil supply agreement	**35,868**	40,756
Discount on provisions and other payables	**17,876**	19,235
Interest on payable for the acquisition of additional interest in North Caspian Project	**8,662**	19,202
Interest on finance lease liabilities	**6,135**	4,551
Discount on assets at rates below market	**2,397**	12,499
Other	**60,596**	22,578
	633,155	482,379

32. FINANCE INCOME

Finance income comprised the following for the years ended December 31:

In millions of tenge	**2018**	2017
Interest income on amounts due from credit institutions and cash and cash equivalents	**90,895**	116,997
Write-off of loan from ONGC Videsh *(Note 19)*	**53,263**	–
Income from loans and financial assets	**34,797**	44,468
Income from financial guarantees	**7,448**	7,412
Unwinding of discount on long-term receivables	**2,143**	10,876
Other	**17,974**	11,989
	206,520	191,742

33. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

Share in profit/(loss) of joint ventures and associates comprised the following for the years ended December 31:

In millions of tenge	**2018**	2017 (restated)
Tengizchevroil LLP	**439,149**	289,980
Mangistau Investments B.V.	**95,510**	49,605
Caspian Pipeline Consortium JSC	**57,965**	54,666
Kazzinc LLP	**46,637**	58,049
JV Kazgermunai LLP	**27,915**	17,713
Beineu Shymkent Gas Pipeline LLP	**16,710**	(669)
Petro Kazakhstan Ink	**14,591**	7,234
Tenizservice LLP	**13,897**	1,653
Forum Muider B.V.	**13,259**	10,481
JV KATCO LLP	**11,200**	9,495
Valsera Holdings B.V.	**(7,989)**	9,751
Ural Group Limited BVI	**(18,822)**	(1,877)
Other	**39,509**	25,601
	749,531	531,682

34. INCOME TAX EXPENSES

Income tax expenses comprised the following for the years ended December 31:

In millions of tenge	**2018**	2017 (restated)
Current income tax expenses		
Corporate income tax ("CIT")	**223,995**	157,829
Withholding tax on dividends and interest income	**31,900**	31,683
Excess profit tax	**(1,127)**	10,746
Deferred income tax expense/(benefit)		
Corporate income tax ("CIT")	**64,281**	33,419
Withholding tax on dividends and interest income	**92,617**	29,835
Excess profit tax	**(7,850)**	(1,275)
Income tax expenses	**403,816**	262,237

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2018 and 2017) to income tax expenses was as follows for the years ended December 31:

In millions of tenge	**2018**	2017 (restated)
Accounting profit before income tax from continuing operations	**1,650,574**	1,013,972
Accounting profit before income tax from discontinued operations	**(2,968)**	(10,038)
Income tax expenses on accounting profit	**329,521**	200,787
Tax effect of other items, which are not deductible or assessable for taxation purposes	**210,467**	172,078
Change in unrecognized deferred tax assets	**95,702**	(46,689)
Effect of different corporate income tax rates	**24,757**	622
Excess profit tax	**(8,978)**	9,471
Share in non-taxable profit of joint ventures and associates	**(90,051)**	(60,162)
Other differences	**(157,028)**	(14,070)
Total corporate income tax expenses	**404,390**	262,037
Add: income tax benefit attributable to discontinued operations	**(574)**	200
Income tax expense from continuing operations	**403,816**	262,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. INCOME TAX EXPENSES (continued)

Deferred tax balances, calculated by applying the statutory tax rates effective at the respective reporting dates to the temporary differences between tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, are comprised of the following at December 31:

	2018				2017 (restated)			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Deferred tax assets								
Property, plant and equipment	**38,348**	**(1,916)**	**–**	**36,432**	98,208	(2,214)	–	95,994
Tax loss carryforward	**784,066**		**–**	**784,066**	632,488	–	–	632,488
Employee related accruals	**13,417**	**–**	**–**	**13,417**	13,235	233	–	13,468
Allowance for expected credit losses of financial assets	**9,204**	**–**	**–**	**9,204**	6,327	–	–	6,327
Provision for environmental remediation	**25,555**	**–**	**–**	**25,555**	23,792	217	–	24,009
Other accruals	**7,974**	**–**	**–**	**7,974**	3,933	1,347	–	5,280
Other	**71,125**	**–**	**–**	**71,125**	55,153	–	–	55,153
Less: unrecognized deferred tax assets	**(556,289)**	**–**	**–**	**(556,289)**	(460,587)	–	–	(460,587)
Less: deferred tax assets offset with deferred tax liabilities	**(260,292)**	**–**	**–**	**(260,292)**	(202,852)	–	–	(202,852)
Deferred tax assets	**133,108**	**(1,916)**	**–**	**131,192**	169,697	(417)	–	169,280
Deferred tax liabilities								
Property, plant and equipment	**846,662**	**6,365**	**–**	**853,027**	640,575	15,712	–	656,287
Undistributed earnings of joint ventures and associates	**–**	**–**	**295,580**	**295,580**	–	–	202,904	202,904
Other	**27,100**	**–**	**–**	**27,100**	51,108	–	–	51,108
Less: deferred tax assets offset with deferred tax liabilities	**(260,292)**	**–**	**–**	**(260,292)**	(202,852)	–	–	(202,852)
Deferred tax liabilities	**613,470**	**6,365**	**295,580**	**915,415**	488,831	15,712	202,904	707,447
Net deferred tax liabilities	**(480,362)**	**(8,281)**	**(295,580)**	**(784,223)**	(319,134)	(16,129)	(202,904)	(538,167)

The movements in the net deferred tax liabilities were as follows for the years ended December 31:

	2018				2017 (restated)			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Balance at January 1 (restated)	**319,134**	**16,129**	**202,904**	**538,167**	247,619	17,407	173,069	438,095
Foreign currency translation	**2,112**	**2**	**59**	**2,173**	503	(3)	–	500
Charged to other comprehensive income	**(5,165)**	**–**	**–**	**(5,165)**	605	–	–	605
Acquisition of subsidiaries	**97,414**	**–**	**–**	**97,414**	–	–	–	–
Discontinued operations	**2,586**	**–**	**–**	**2,586**	36,988	–	–	36,988
(Credited)/charged to profit and loss	**64,281**	**(7,850)**	**92,617**	**149,048**	33,419	(1,275)	29,835	61,979
Balance at December 31	**480,362**	**8,281**	**295,580**	**784,223**	319,134	16,129	202,904	538,167

34. INCOME TAX EXPENSES (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax asset arising mainly from tax losses carry forward were equal to 556,289 million tenge as at December 31, 2017 (December 31, 2016: 460,587 million tenge).

Tax losses carryforwards as at December 31, 2018 in the Republic of Kazakhstan expire for tax purposes 10 (ten) years from the date they are incurred.

35. CONSOLIDATION

Subsidiaries included in the consolidated financial statements are presented as follows:

		Ownership percentage	
		2018	2017
1	National Company "KazMunayGas" JSC ("NC KMG") and subsidiaries	**90.43%**	90.09%
2	KMG Kashagan B.V.	**100.00%**	100.00%
3	National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh") and subsidiaries	**100.00%**	100.00%
4	National Atomic Company "Kazatomprom" JSC ("NAC KAP") and subsidiaries	**85.00%**	100.00%
5	Samruk-Energy JSC ("Samruk-Energy") and subsidiaries	**100.00%**	100.00%
6	Kazakhstan Electricity Grid Operating Company JSC ("KEGOC") and subsidiaries	**90% + 1**	90% + 1
7	Kazpost JSC and subsidiaries	**100.00%**	100.00%
8	Kazakhtelecom JSC ("KTC") and subsidiaries	**51.00%**	51.00%
9	Air Astana JSC ("Air Astana")	**51.00%**	51.00%
10	National Company "Kazakhstan Engineering" JSC ("Kazakhstan Engineering") and subsidiaries	**–**	100.00%
11	"Samruk-Kazyna Construction" JSC and subsidiaries	**100.00%**	100.00%
12	National Mining Company "Tau-Ken Samruk" and subsidiaries	**100.00%**	100.00%
13	United Chemical Company LLP ("UCC") and subsidiaries	**100.00%**	100.00%
14	Samruk-Kazyna Invest LLP and subsidiaries	**100.00%**	100.00%
15	Samruk-Kazyna Contract LLP	**100.00%**	100.00%
16	KOREM JSC	**100.00%**	100.00%
17	International Airport Atyrau JSC	**100.00%**	100.00%
18	International Airport Aktobe JSC	**100.00%**	100.00%
19	Airport Pavlodar JSC	**100.00%**	100.00%
20	SK Business Service LLP and subsidiaries	**100.00%**	100.00%
21	Qazaq Air JSC and subsidiaries	**100.00%**	100.00%
22	Kazakhstan nuclear electric plants JSC	**100.00%**	–
23	"MAEK-Kazatomprom" LLP	**100.00%**	–
24	"Aviation Company "Air Kazakhstan" JSC	**–**	53.55%

36. RELATED PARTY DISCLOSURES

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

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel and other entities controlled by the Government. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

36. RELATED PARTY DISCLOSURES (continued)

The following table provides the total amount of transactions, which have been entered into with related parties as at December 31:

In millions of tenge		Associates	Joint ventures	Other state-controlled entities
Due from related parties	**2018**	**20,592**	**36,243**	**22,794**
	2017	47,153	95,944	14,466
Due to related parties	**2018**	**40,171**	**133,759**	**11,822**
	2017	50,936	203,208	4,734
Sale of goods and services	**2018**	**63,550**	**324,313**	**319,208**
	2017	58,916	362,885	309,012
Purchase of goods and services	**2018**	**171,577**	**1,515,461**	**17,162**
	2017	180,523	1,069,770	12,981
Other income/(loss)	**2018**	**16,343**	**47,590**	**(50,629)**
	2017	1,994	1,448	8,246
Cash and cash equivalents, and amounts due from credit institutions (assets)	**2018**	**–**	**–**	**178,664**
	2017	–	–	334,546
Loans issued	**2018**	**139,749**	**400,254**	**5,203**
	2017	142,160	383,641	188,744
Borrowings	**2018**	**1,521**	**5**	**1,276,181**
	2017	–	5	1,442,348
Other assets	**2018**	**46,305**	**77,489**	**113,246**
	2017	18,148	90,459	23,173
Other liabilities	**2018**	**14,990**	**45,231**	**65,463**
	2017	12,838	13,388	60,499
Interest received	**2018**	**10,428**	**27,264**	**19,919**
	2017	11,610	26,475	34,624
Interest accrued	**2018**	**(1,280)**	**3,258**	**106,181**
	2017	108	10,770	179,550

As at December 31, 2018 some of the Group's borrowings of 65,423 million tenge were guaranteed by the Government of the Republic of Kazakhstan (December 31, 2017: 65,629 million tenge).

Total compensation to key management personnel included in general and administrative expenses in the consolidated statement of comprehensive income was equal to 6,145 million tenge for the year ended December 31, 2018 (December 31, 2017: 7,512 million tenge). Compensation to key management personnel mainly consists of contractual salary and other payments based on achievement of operating results.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of borrowings, loans from the Government of the Republic of Kazakhstan, finance lease liabilities, amounts due to the customers, derivatives, cash and cash equivalents, loans issued, amounts due from credit institutions, other financials assets, as well as accounts receivable and accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group also monitors the liquidity risk arising from all financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

The Group's exposure to interest risk relates primarily to the Group's long-term and short-term borrowings with variable interest rates *(Note 19)*.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity of the Group's profit before income tax (through the impact on variable rate borrowings) to a reasonably possible change in variable LIBOR interest rates, with all other variables held constant.

In millions of tenge	Increase/ (decrease) in basis points*	Effect on profit before income tax
2018		
US dollar	**50/(15)**	**(7,238)/2,171**
2017		
US dollar	70/(8)	(12,458)/1,424

* *1 basis point = 0.01%.*

Currency risk

As a result of significant borrowings, finance lease liabilities and trade accounts payable, cash and cash equivalents, amounts due from credit institutions and accounts receivable denominated in the US dollars, the Group's consolidated financial position can be affected significantly by movement in the US dollar / tenge exchange rates.

The following table demonstrates the sensitivity of the Group's profit before income tax to a reasonably possible change in the US dollar and euro, with all the variables held constant.

In millions of tenge	Increase/(decrease) in exchange rate	Effect on profit before income tax
2018		
US dollar	**14.00%/(10.00%)**	**(389,284)/278,060**
Euro	**14.00%/(10.00%)**	**(12,288)/8,742**
2017		
US dollar	10.00%/(10.00%)	(177,916)/177,916
Euro	13.50%/(9.50%)	(8,792)/8,792

Credit risk

Credit risk arising from the inability of a party to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group to that party. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by carrying amount of each financial asset.

The Group considers that its maximum exposure is reflected by the amount of loans issued *(Note 11)*, amount due from credit institutions *(Note 12)*, trade accounts receivable and other current assets *(Note 16)*, other financial assets *(Note 13)*, and cash and cash equivalents *(Note 17)*, net of allowances for expected credit losses recognized at the reporting date.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The Group has a policy that ensures enforcement of constant control procedures for sales to only be made to buyers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimised by the fact that the Group operates on a prepayment basis with the majority of its buyers.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table shown below summarizes the maturity profile of the Group's financial liabilities at December 31 based on contractual undiscounted payments.

In millions of tenge	On demand	Due later than 1 month but not later than 3 months	Due later than 3 months but not later than 1 year	Due later than 1 year but not later than 5 years	Due after 5 years	Total
At December 31, 2018						
Loans from the Government of the Republic of Kazakhstan	**13**	**24**	**24,295**	**171,370**	**2,298,494**	**2,494,196**
Borrowings	**177,910**	**133,163**	**826,506**	**3,281,022**	**6,867,754**	**11,286,355**
Finance lease liabilities	**1,338**	**7,926**	**23,826**	**114,923**	**95,864**	**243,877**
Due to customers	**27,682**	**–**	**5**	**79**	**–**	**27,766**
Financial guarantees	**27,032**	**21,193**	**40,676**	**414,018**	**311,325**	**814,244**
Trade and other payables	**463,087**	**482,877**	**48,825**	**13,764**	**956**	**1,009,509**
	697,062	**645,183**	**964,133**	**3,995,176**	**9,574,393**	**15,875,947**
At December 31, 2017						
Loans from the Government of the Republic of Kazakhstan	13	24	29,026	171,717	2,011,241	2,212,021
Borrowings	131,747	44,738	1,002,800	4,409,832	4,607,356	10,196,473
Finance lease liabilities	466	6,068	21,333	102,918	115,492	246,277
Due to customers	22,476	574	1,727	12	–	24,789
Financial guarantees	23,541	22,624	45,834	581,747	261,714	935,460
Trade and other payables	346,799	344,411	134,776	19,506	6,926	852,418
	525,042	418,439	1,235,496	5,285,732	7,002,729	14,467,438

Capital management

The Group manages its capital primarily through capital management of its subsidiaries while conducting its oversight function. Major objective of the capital management is to ensure that subsidiaries of the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary.

The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary. Key performance indicators ("KPI") used by the Group to manage capital of its subsidiaries are ratios of: Debt to Earnings before Interest, Taxes, Depreciation and Amortization, and Interest ("D/EBITDA") from continuing and discontinued operations; and Debt to Equity ("D/E"). Debt is considered to be equal to all borrowings, debt securities, guarantee and finance lease liabilities of relevant subsidiaries reduced by value of cash and cash equivalents. Equity is considered to be equal to the entire equity of the subsidiary attributable to majority shareholders.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Allowed maximum for the indicator is approved for each subsidiary based on the needs and specifics of its business and varies within following ranges (consolidated KPI's for the Group have been presented for reference purposes as the Group does not monitor KPI's on the consolidated level):

KPI	2018	2017
D/EBITDA	**3.00**	4.82
D/E	**0.61**	0.71

In billions of tenge	2018	2017
Borrowings *(Note 19)*	**6,853**	7,054
Loans from the Government of the Republic of Kazakhstan *(Note 20)*	**653**	782
Payable for the acquisition interest in NCP *(Note 25)*	**–**	272
Finance lease liabilities *(Note 22)*	**156**	140
Derivative instruments	**3**	–
Guaranteed principal amount of liabilities of entities outside the Group	**182**	147
Total debt	**7,847**	8,395
Less: cash and cash equivalents	**(2,488)**	(2,264)
Net debt	**5,359**	6,131
EBITDA	**2,619**	1,742
Total equity	**12,872**	11,824

Fair values of financial instruments and investment proprety

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2018 and 2017 the carrying amount of the following Group's financial instruments is a reasonable estimate of their fair value:

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2018
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	**–**	**263,427**	**23,619**	**287,046**
Financial assets measured at fair value through OCI	**3,626**	**10,851**	**55**	**14,532**
Financial assets at fair value through profit and loss	**–**	**24,165**	**23,391**	**47,556**
Derivative financial assets	**–**	**3,129**	**1,721**	**4,850**

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments and investment proprety (continued)

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2017 (restated)
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	–	–	20,302	20,302
Available-for-sale financial assets	3,611	11,702	1,364	16,677
Financial assets at fair value through profit and loss	–	–	21,274	21,274
Derivative financial assets	–	–	373	373

	December 31, 2018				
			Fair value by level of assessment		
In millions of tenge	**Carrying amount**	**Fair value**	**Quotations in an active market (Level 1)**	**From the observed market (Level 2)**	**Based on the significant amount of unobserved (Level 3)**
Financial assets					
Amounts due from credit institutions	**799,972**	**791,792**	**496,248**	**295,033**	**511**
Investment property	**42,388**	**54,981**	**–**	**32,360**	**22,621**
Financial liabilities					
Borrowings	**6,852,775**	**6,878,032**	**4,302,628**	**2,268,890**	**306,514**
Loans from the Government of the Republic of Kazakhstan	**653,406**	**533,935**	**–**	**533,935**	**–**
Guarantee obligations	**47,119**	**41,529**	**–**	**40,059**	**1,470**

	December 31, 2017 (restated)				
			Fair value by level of assessment		
In millions of tenge	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Amounts due from credit institutions	2,453,877	2,441,455	1,853,717	517,078	70,660
Investment property	11,601	26,130	–	12,101	14,029
Financial liabilities					
Borrowings	7,054,267	7,179,801	4,764,020	2,320,864	94,917
Loans from the Government of the Republic of Kazakhstan	782,048	596,584	–	596,584	–
Guarantee obligations	57,136	59,008	–	59,008	–

The fair value of the above financial instruments has been calculated by discounting the expected future cash flows at prevailing interest rates.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Changes in liabilities arising from financing activities

In millions of tenge	Borrowings*	Finance lease liability	Total liabilities from financing activities
January 1, 2018 (restated)	7,054,267	139,846	7,194,113
Received by cash	**1,843,437**	**–**	**1,843,437**
Interest accrued	**379,168**	**6,135**	**385,303**
Discount	**(5,727)**	**–**	**(5,727)**
Purchase of property plant and equipment financed by borrowings	**34,271**	**–**	**34,271**
Interest capitalized	**43,100**	**–**	**43,100**
Interest paid	**(430,708)**	**(5,623)**	**(436,331)**
Discontinued operations/transfer to assets classified as held for sale	**(22,758)**	**(492)**	**(23,250)**
Repayment of principal	**(3,010,630)**	**(19,335)**	**(3,029,965)**
Amortization of discount	**37,132**	**–**	**37,132**
Write-off of borrowings	**(53,714)**	**–**	**(53,714)**
Business combination	**107,506**	**–**	**107,506**
Interest for early redemption *(Note 31)*	**89,612**	**–**	**89,612**
Foreign currency translation	**799,007**	**16,267**	**815,274**
Additions of finance leases	**–**	**17,050**	**17,050**
Other	**(11,188)**	**2,645**	**(8,543)**
December 31, 2018	**6,852,775**	**156,493**	**7,009,268**

* *Cash proceeds and repayments of certain borrowings obtained by the Fund's Corporate Center are included within cash flows from operating activities because these borrowings are part of the Fund's main activity of assets management. These borrowings were not included within changes in financial liabilities.*

38. COMMITMENTS AND CONTINGENCIES

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries.

Prices may also be affected by government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices.

A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the consolidated financial results and cash flows of operations. The Group does not hedge significantly its exposure to the risk of fluctuations in the price of its products.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle.

38. COMMITMENTS AND CONTINGENCIES (continued)

Transfer pricing control (continued)

The new law on transfer pricing came into effect in Kazakhstan from January 1, 2009. The new law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest at December 31, 2018.

As at December 31, 2018 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Due to uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2018.

As at December 31, 2018, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

JSC "Embamunaigas" environmental audit (Embamunaigas)

On July 23, 2018 Embamunaigas, subsidiary of KMG EP, received a notification from the Department of Ecology of Atyrau region to pay a fine of 8,908 million tenge for violations of ecology law that were identified during the first environmental audit conducted during April–June 2018. The fine was related to emissions of harmful substances above the established norms as a result of gas flaring during the period from November 1, 2017 to June 12, 2018. On September 17, 2018 the Atyrau Regional Court made decision to reduce the amount of the fine to 6,681 million tenge. On October 19, 2018, KMG EP fully paid this fine to the Republican budget.

Also on September 24, 2018, Embamunaigas received an order from the Department of Ecology of the Atyrau region for damages to the environment following the above mentioned an environmental audit of 7,835 million tenge. On January 30, 2019, the Specialized Interdistrict Economic Court of Atyrau region ruled to satisfy the claim of the Department of Ecology of the Atyrau region to recover environmental damage of 7,835 million tenge.

On October 18, 2018, Embamunaigas received a notification from the Department of Ecology of the Atyrau region to pay a fine of 6,862 million tenge for violation of ecology law following the second environmental audit from June 12, 2018 to October 10, 2018. In addition, the authorities also have the ability to assess additional amounts for ecological damage and Embamunaigas expects the additional amount of 6,050 million tenge to be assessed.

Based on the results of two environmental audits, the Group has accrued a provision of 27,428 million tenge in these consolidated financial statements. Also, the Group has accrued a provision of 7 million tenge for the expected fine for the period from October to December 2018. At the moment, the Group is carrying out a claim related work regarding to appeal against fines and environmental damage.

Legal proceedings

KMG Drilling & Services LLP ("KMG D&S") litigations with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP

KMG D&S (subsidiary of the Group) is involved in arbitration proceedings with the Consortium of Ersai Caspian Contractor LLP and Caspian Offshore & Marine Construction Kazakhstan LLP (further – "Consortium" or "Plaintiff") on the issues arising from the contract for the purchase of integrated works on construction of jack-up floating drilling rig dated July 5, 2012. The claim amounts to 192,114 thousand US dollars (equivalent to 73,810 million tenge). This case is under arbitration of the London Court of International Arbitration.

38. COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings (continued)

KMG Drilling & Services LLP ("KMG D&S") litigations with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP (continued)

The Plaintiff's material requirements totalling 192,114 thousand US dollars consisted of:

- Compensation related to the increase in the cost of the contract (deficiencies in the project documentation and changes in the design solution) of 140,118 thousand US dollars (equivalent to 53,833 million tenge);
- A penalty of 1,383 thousand US dollars (equivalent to 531 million tenge);
- The amount of claims for currency adjustment of 50,613 thousand US dollars (equivalent to 19,446 million tenge). It should be noted that the Plaintiffs indicated a possible change in this amount at the date of payment of the claim.

During 2018, the Consortium submitted an amended Statement of Claim in which the total amount of claims was reduced. The amended Statement of Claim does not include new claims, and the amount of claims was reduced. The total amount of the Consortium's claims in the amended statement of claim is 140,019 thousand US dollars (equivalent to 53,795 million tenge). KMG D&S does not agree with the due claim. Legal and technical advisers, independent experts have been engaged to defend the KMG D&S's interests.

There is an uncertainty around the outcome of court proceedings. As at December 31, 2018, the Group have not recognised a provision for this case.

The proceedings initiated against Mr Stati and related parties on the suit of the Fund in connection with the arrest of the shares KMG Kashagan B.V. belonging to the Fund

On September 14, 2017 the pre-judgement attachment in respect of the Fund's rights on management of 50% KMG Kashagan B.V. shares was imposed with regard to the decision of Amsterdam Court (the "Pre-judgement Attachment").

The named Pre-judgement Attachment was imposed as part of the claim for recognition and enforcement of arbitral award on the matter of Anatolie Stati, Gabriel Stati, Ascom Group SA and Terra Raf Trans Trading Ltd. against the Republic of Kazakhstan issued in 2013 by the Arbitration Tribunal at the Arbitration Institute of the Stockholm Chamber of Commerce.

On March 13, 2019 the Appeal Court in Amsterdam held a hearing on the Fund's claim on cancellation of the decision of Amsterdam Court dated January 5, 2018. The decision of Appeal Court is pending.

Currently, the Fund makes all necessary arrangements to protect its interest in accordance with the established procedure and will continue to defend its rights.

Civil litigation (KMGI)

According to a Decree issued April 22, 2016, prosecutors of Romania with the General Headquarters of the Department for Fight Against Organized Crime and Terrorism (DIICOT) have ordered a reclassification and continued investigation of the case against 26 suspects under charges of organized crime (14 of them were employees of KMG I). In accordance to the same Decree, several civil responsible parties were added to the case, which include KMG I, SC Oilfield Exploration Business Solutions SA and SC Rompetrol Rafinare S.A. (KMG I subsidiaries). The amount of claims of the civil action is RON 1,724,168,825, USD 290,786,616 and EUR 34,941,924 (equivalent of 760 million US dollar or 291,992 million tenge). By Decree issued on May 6, 2016, the DIICOT have applied a prejudgment seizure on KMGI, SC Oilfield Exploration Business Solutions SA and SC Rompetrol Rafinare S.A. movable and immovable assets except for bank accounts, receivables and inventories.

Prescribed seizure does not impact the operational activity of the companies. KMG I appealed the seizure orders in domestic courts and international arbitration. The hearing of Supreme Court was on June 13, 2016. The Supreme Court rejected in full the appeal.

38. COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings (continued)

Civil litigation (KMGI) (continued)

On July 22, 2016 the Company and KMG I submitted to the Romanian authorities the Notice of Investment Dispute based on the Agreement between the Government of Romania and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania and the Energy Charter Treaty. The submission of the aforementioned Notice represents the first procedural step that might give rise to an arbitration dispute between an investor and the country where the investment was made. If a settlement between the Group and Romanian authorities fail to be reached, the case will be referred to and settled by the International Centre for Settlement of Investment Disputes under World Bank or to the Arbitration Institute of the Stockholm Chamber of Commerce.

A new ordinance was issued by DIICOT on November 9, 2018 which changes the legal framework for all deeds investigated in the case. KMGI legal representatives are currently in the process of reviewing the new Ordinance.

Management believes that until the completion of the investigation and presentation of information on claims, the creation of reserves is not required in these consolidated financial statements.

Disputes regarding the calculation of the proportion of profit oil sharing with the Republic (KMG Karachaganak LLP)

According to Karachaganak Final Production Sharing Agreement (FPSA), Karachaganak project profit oil sharing is regulated by the Fairness Index. In the second quarter of 2014, the economics of the Karachaganak project reached a level where the trigger on the Fairness Index "worked" and the proportion in the profit oil sharing changed in favour of the Republic of Kazakhstan.

In addition, from August 20, 2014 to the present, the Ministry of Energy of the Republic of Kazakhstan quarterly notifies the Contracting Companies, participants of FPSA, (Contracting Companies) of disagreement regarding the presented calculation of the proportion of the profit oil sharing.

On December 30, 2016, a legally non-binding Memorandum of Understanding was signed between the Republic of Kazakhstan and the Contracting Companies.

On September 29, 2017 the competent authority represented by PSA LLP, filed a request for arbitration in the name of the Contracting Companies (with the exception of KMG Karachaganak LLP) on the improper calculation of the Fairness Index. KMG Karachaganak LLP (KMG Karachaganak) was not involved in the arbitration process due to a conflict of interest.

On October 1, 2018, the Contracting Companies entered into a non-legally binding Agreement on Principles (hereinafter referred to as the "AOP"), providing for the following basic conditions:

- The Contracting Companies shall pay (including KMG Karachaganak) the amount of 1,111,111 thousand US dollars (equivalent to 426,889 million tenge) (hereinafter referred to as "Financial contribution") to the Republic of Kazakhstan, of which 111,111 thousand US dollars (equivalent to 42,689 million tenge) represents a share of KMG Karachaganak. The financial contribution represents a settlement of disputes and shall be paid in 3 (three) tranches: 400,000 thousand US dollars (equivalent to 153,680 million tenge) in 2019, 500,000 thousand US dollars (equivalent to 192,100 million tenge) in 2020 and 211,000 thousand US dollars (equivalent to 81,066 million tenge) in 2021, respectively;
- Making some changes in the methodology for calculating the fairness index starting from January 1, 2019 in accordance with the points specified in the AOP;
- The provision by the Contracting Companies (including KMG Karachaganak) of a loan to the Republic of Kazakhstan in the amount of 1,000,000 thousand US dollars (equivalent to 384,200 million tenge). The loan will be paid in 3 (three) tranches: 334,000 thousand US dollars (equivalent to 128,323 million tenge) in 2022, 333,333 thousand US dollars (equivalent to 127,939 million tenge) in 2023 and 333,333 thousand US dollars (equivalent to 127,939 million tenge) in 2024, respectively. Interest will be charged at a six-month LIBOR rate plus 3% per annum, and will be paid in accordance with schedule specified in the AOP. In the event that the final loan agreement is not concluded before a certain date (to be agreed in the AOP, but no later than July 1, 2022), the Republic of Kazakhstan may prefer to receive compensation in the form of cash. In this case, the Contracting Companies (including KMG Karachaganak) undertakes to pay the amount of 199,600 thousand US dollars (equivalent to 68,870 million tenge) the Republic of Kazakhstan (hereinafter, "Additional financial contribution").

38. COMMITMENTS AND CONTINGENCIES (continued)

Disputes regarding the calculation of the proportion of profit oil sharing with the Republic (KMG Karachaganak LLP) (continued)

In accordance with the terms of the AOP, the Financial Contribution and Additional Financial Contribution will not be considered as expenses for Oil and Gas operations or Reimbursable expenses under FPSA, will in no way be included in the calculation of the Fairness Index or profit oil sharing under FPSA and be considered as deductible expenses in determining taxable income under the applicable Kazakhstan tax laws.

Currently, the Republic of Kazakhstan and the Contracting Companies are negotiating the conclusion of a legally binding Settlement Agreement, which should reflect the principal agreements reached in the AOP.

KMG Karachaganak, together with the KMG and the Competent Authority, prepared comments on the draft AOP between the Contracting Companies and the Republic of Kazakhstan, relating to exclusion of KMG Karachaganak from participating in the payment of compensation and provision of a loan. In the opinion of the Group's Management, it is highly probable that KMG Karachaganak will be excluded from participation in the payment of compensation and provision of a loan. Accordingly, no provisions have been made under the terms of the AOP in these consolidated financial statements.

Cost recovery audits

Under the base principles of the production sharing agreements ("PSA"), the Government retains right to audit recovery costs. In accordance with the cost recovery audits completed prior to December 31, 2017 certain amounts of the costs incurred by contractors were assessed as non-recoverable. The parties to the PSA are in negotiations with respect to the recoverability of those costs.

As of December 31, 2018 the Group's share in the total disputed amounts of costs is 765,188 million tenge (December 31, 2017: 469,607 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

The Government requires oil companies in the Republic of Kazakhstan to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group's business, prospects, consolidated financial position and results of operations.

In 2018, in accordance with its obligations, the Group delivered 6,224,344 tons of crude oil (2017: 5,407,526 tons), including joint ventures, to the Kazakhstan market.

Oil supply commitments

As of December 31, 2018 the Group had commitments under the oil supply agreements in the total amount of 30.1 million ton (as at December 31, 2017: 33.8 million ton), including commitments of joint venture.

Commitments under oilfield and mining field licenses and subsurface use contracts

As at December 31, 2018 the Group had following commitments on fulfillment of minimal work programs with respect to the requirements of their oilfield and mining licenses and related subsurface use contracts with the Government (in millions of tenge):

Year	Capital expenditures	Operational expenditures
2019	314,794	135,961
2020	217,951	126,347
2021	131,246	120,962
2022	151,666	120,220
2023-2058	1,160,698	1,521,582
Total	**1,976,355**	**2,025,072**

38. COMMITMENTS AND CONTINGENCIES (continued)

Commitments to extend guarantees, letters of credit and other commitments related to settlement operations

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to 15 (fifteen) years.

Contracted amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

As at December 31 commitments to extend guarantees were as follows:

In millions of tenge	**2018**	2017
Guarantees	**342,158**	592,923

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The total outstanding contractual commitments to extend guarantee indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded. The Group could also request collateral for credit instruments.

Capital commitments

As at December 31, 2018 the Group, including its joint ventures and associates, had capital commitments of approximately 3,560,843 million tenge related to acquisition and construction of property, plant and equipment (as at December 31, 2017: 3,013,012 million tenge).

Commitments on use of anti-crisis funds

In accordance with the decision of the State commission on economy modernization issues of the Republic of Kazakhstan dated April 5, 2012, dated October 7, 2013 and dated July 3, 2017 the Fund has commitment to finance certain remaining investment projects of 102,315 million tenge as of December 31, 2018.

As at December 31, 2018 Fund's commitments included commitments to finance the program "Affordable housing – 2020" in the amount of 6,565 million tenge and commitments to finance investment projects of 95,750 million tenge, including the following:

- Financing the implementation of the investment project "Construction of an integrated gas and chemical complex in Atyrau region". The first phase in the amount of not greater than 92,316 million tenge, including using funds previously allocated for the implementation of the investment project "Construction of an integrated gas and chemical complex in Atyrau region". The second phase in the amount of 12,495 million tenge.
- Financing of the project "Creation of a special economic zone "Taraz Chemical Park" in the amount of 3,434 million tenge.

39. SEGMENT REPORTING

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for 2018:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	7,353,474	749,778	1,323,061	257,899	376,740	5,093	33,400	16,982	–	10,116,427
Revenues from sales to other segments	77,754	9,044	14,112	5,027	59,839	5,457	336,148	8,183	(515,564)	–
Total revenue	7,431,228	758,822	1,337,173	262,926	436,579	10,550	369,548	25,165	(515,564)	10,116,427
Gross profit	1,818,250	141,313	242,169	72,591	156,808	1,602	247,691	11,569	(342,924)	2,349,069
General and administrative expenses	(245,458)	(39,508)	(118,155)	(30,980)	(29,800)	(5,285)	(25,499)	(3,407)	9,459	(488,633)
Transportation and selling expenses	(696,895)	(11,598)	(9,157)	(4,689)	(14,631)	(437)	–	(7)	15,832	(721,582)
Finance income	161,400	6,365	7,069	5,039	7,297	1,031	131,439	2,547	(115,667)	206,520
Finance costs	(467,078)	(14,078)	(115,922)	(7,857)	(36,326)	(4,007)	(30,008)	(1,649)	43,770	(633,155)
Share in profits of joint ventures and associates	663,293	64,690	3,481	7,744	10,175	(51)	188	11	–	749,531
Foreign exchange gain/(loss), net	(37,274)	9,152	(118,109)	12,337	(14,641)	(18,624)	290,206	(1,479)	2,320	123,888
Depreciation, depletion and amortization	(466,936)	(42,484)	(130,528)	(42,123)	(65,536)	(4,916)	(345)	(634)	3,718	(749,784)
Impairment of property, plant and equipment and intangible assets	(163,985)	1,120	(451)	(1,110)	(2,144)	(153)	–	–	–	(166,723)
Impairment of other assets	(9,034)	830	(16,990)	(3,373)	(4,570)	(58)	(15,357)	(3,577)	10,426	(41,703)
Income tax expenses	(318,623)	(29,547)	(1,977)	(11,383)	(20,927)	(11,583)	(5,722)	(2,574)	(1,480)	(403,816)
Net profit/(loss) for the year from continuing operations	857,955	440,997	(19,006)	43,039	65,611	(41,281)	276,986	5,920	(383,463)	1,246,758
Net loss for the year from discontinued operations	–	–	–	–	–	(3,542)	–	–	–	(3,542)
Total net profit/(loss) for the period	857,955	440,997	(19,006)	43,039	65,611	(44,823)	276,986	5,920	(383,463)	1,243,216
Other segment information										
Total assets of the segment	16,464,564	2,075,224	3,437,049	875,317	1,456,134	462,137	7,467,849	305,170	(6,898,088)	25,645,356
Total liabilities of the segment	7,786,204	466,763	2,258,520	418,411	731,287	261,837	1,622,831	206,319	(978,701)	12,773,471
Allowances for expected credit losses for doubtful accounts	(609)	1,795	8,261	910	1,457	28	1,815	4	(1,254)	12,407
Investments in joint ventures and associates	2,841,824	612,444	32,359	76,071	89,309	1,279	43,883	69	(32,341)	3,664,897
Capital expenditures	664,188	82,217	220,714	56,791	75,302	47,167	19,439	3,115	(6,532)	1,162,401

39. SEGMENT REPORTING (continued)

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for 2017:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	4,914,376	525,201	1,174,320	240,420	358,305	3,288	152,212	13,939	–	7,382,061
Revenues from sales to other segments	75,979	17,630	11,390	4,633	59,319	9,329	207,107	4,004	(389,391)	–
Total revenue	4,990,355	542,831	1,185,710	245,053	417,624	12,617	359,319	17,943	(389,391)	7,382,061
Gross profit	1,123,995	73,825	235,678	64,826	151,533	7,121	174,530	11,616	(209,460)	1,633,664
General and administrative expenses	(223,299)	(35,812)	(102,959)	(29,084)	(27,518)	(5,284)	(35,352)	(3,319)	7,887	(454,740)
Transportation and selling expenses	(458,424)	(5,093)	(8,808)	(4,049)	(15,471)	(443)	–	–	21,932	(470,356)
Finance income	124,036	9,523	9,168	6,982	6,613	1,179	66,192	3,705	(35,656)	191,742
Finance costs	(324,938)	(9,698)	(109,513)	(8,257)	(33,569)	(5,756)	(29,553)	(1,550)	40,455	(482,379)
Share in profits of joint ventures and associates, net	425,159	102,181	2,138	1,098	1,412	(309)	–	3	–	531,682
Foreign exchange gain/(loss), net	24,491	(1,665)	(16,616)	(228)	(4,014)	(1,451)	(1,397)	(16)	24,792	23,896
Depreciation, depletion and amortization	(328,141)	(17,288)	(116,249)	(47,534)	(56,862)	(1,154)	(426)	(355)	1,855	(566,154)
Impairment of property, plant and equipment and intangible assets	(23,141)	(7,971)	(855)	(1,392)	(1,358)	(4,182)	–	–	–	(38,899)
Impairment of other assets	17,267	(18,106)	(12,792)	(175)	(31,249)	55	(6,925)	(3,558)	–	(55,483)
Income tax expenses	(194,258)	(17,517)	(9,830)	(8,614)	(18,667)	(425)	(9,948)	(1,670)	(1,308)	(262,237)
Net profit/(loss) for the year from continuing operations	477,682	198,823	(2,269)	25,980	24,266	17,079	153,988	5,569	(149,383)	751,735
Net loss for the year from discontinued operations	–	–	–	–	–	(9,838)	–	–	–	(9,838)
Total net profit for the period	477,682	198,823	(2,269)	25,980	24,266	7,241	153,988	5,569	(149,383)	741,897
Other segment information										
Total assets of the segment	15,734,021	1,554,570	3,364,637	560,848	1,398,224	507,658	7,547,077	261,143	(6,601,070)	24,327,108
Total liabilities of the segment	7,655,338	324,298	2,082,746	160,549	687,577	227,373	1,940,502	172,659	(748,304)	12,502,738
Allowances for expected credit losses for doubtful accounts	1,039	3,066	1,844	895	(1,307)	(6)	1,249	(60)	55	6,775
Investments in joint ventures and associates	2,080,134	619,312	27,404	69,246	86,010	6,945	–	57	(32,341)	2,856,767
Capital expenditures	668,278	53,304	261,967	40,141	108,825	67,241	3,671	748	(2,821)	1,201,354

40. SUBSEQUENT EVENTS

Changes in the structure of the Group

In January 2019, the purchase sales agreement on 100% stake in Kazakhstan-British University LLP (KBTU) between KMG and the Public Foundation “Nursultan Nazarbayev Education Fund” came into force. On February 6, 2019 the Group received a payment for 30% stake of 3,339 millon tenge.

On February 27, 2019, KMG sold a 100% share in KMG Retail LLP to PetroRetail LLP for 60,512 million tenge.

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