IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the Base Prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. NEITHER THE SECURITIES NOR ANY GUARANTEE IN RESPECT THEREOF HAS BEEN, OR WILL BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND NEITHER THE SECURITIES NOR ANY GUARANTEE IN RESPECT THEREOF MAY BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S 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 APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Base Prospectus or make an investment decision with respect to the securities, investors must be either (1) Qualified Institutional Buyers ("**QIBs**") (within the meaning of Rule 144A under the Securities Act) that are also Qualified Purchasers ("**QPs**"), as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended, or (2) persons that are not U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States. The Base Prospectus is being sent at your request and, by accepting the e-mail and accessing the Base Prospectus, you shall be deemed to have represented to us that (1) you are (or, if you are acting for the account of another person, such person is) either (a) a QIB that is also a QP or (b) not a U.S. person and that the electronic mail address that you gave us and to which the Base Prospectus has been delivered is (or, if you are acting for the account of another person, that such person is) not located in the United States and (2) you consent (and, if you are acting for the account of another person, such person consents) to delivery of the Base Prospectus by electronic transmission.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus to any other person.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor any sale of these securities in any jurisdiction in which such offer, solicitation or sale, would be unlawful. The Base Prospectus may be communicated solely to (A) persons outside the United Kingdom or (B) persons inside the United Kingdom who are (i) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order or (iii) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) in connection with the issue or sale of any securities of the Issuer or any member of its Group (as defined in the Base Prospectus) may otherwise lawfully be communicated or caused to be communicated (all such persons in (A) and (B) above being "**relevant persons**"). Any investment activity to which this communication relates will only be available to and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of JSC NC "KazMunayGas" or KazMunaiGaz Finance Sub B.V. (as the case may be) in such jurisdiction.

This Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Dealers (as defined in the Base Prospectus) nor any person who controls them nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from any such Dealer.

JSC NC "KazMunayGas"
(a joint stock company incorporated in the Republic of Kazakhstan)

and

KazMunaiGaz Finance Sub B.V.
(a limited liability company incorporated in the Netherlands)

in respect of Notes issued by KazMunaiGaz Finance Sub B.V. unconditionally and irrevocably guaranteed by
JSC NC "KazMunayGas"

US$10,500,000,000
Global Medium Term Note Programme

JSC NC "KazMunayGas" (the "**Company**" or "**KMG**"), and KazMunaiGaz Finance Sub B.V. ("**KMG Finance**") have established a US$10,500,000,000 Global Medium Term Note Programme (the "**Programme**"), pursuant to which the Company or KMG Finance, as the case may be (each in such capacity, an "**Issuer**"), may from time-to-time issue notes ("**Notes**") denominated in any currency agreed between the relevant Issuer, together, if applicable, with the Company and the relevant Dealer(s) (as defined below). The Notes will be constituted by and have the benefit of an amended and restated trust deed dated 3 April 2018 (as may be supplemented, amended or restated from time-to-time, the "**Trust Deed**"), amongst the Company, KMG Finance and Citicorp Trustee Company Limited (the "**Trustee**", which term shall include any successor trustee under the Trust Deed).

Where KMG Finance acts as the Issuer of Notes under the Programme, the payment of all amounts owing by KMG Finance in respect of such Notes will be unconditionally and irrevocably guaranteed by the Company (in such capacity, the "**Guarantor**") pursuant to a guarantee (the "**Guarantee**") contained in the Trust Deed.

This Base Prospectus supersedes the Base Prospectus dated 3 April 2018 relating to the Programme.

The Base Prospectus has been approved by the Financial Conduct Authority (the "**FCA**"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Application has been made (i) to the **FCA**, for Notes issued under the Programme during the period of twelve months from the date of this Base Prospectus to be admitted to the official list of the FCA (the "**Official List**") and (ii) 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 "**Regulated Market**"). References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Regulated Market. The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU ("**MiFID II**"). Notice of the aggregate nominal amount of, interest (if any) payable in respect of, the issue price of, and the completion of certain other terms and conditions which are applicable to, each Tranche (as defined below) of Notes will be set forth in a final terms (the "**Final Terms**"), which, in order for Notes to be admitted to the Official List and to be admitted to trading by the London Stock Exchange, will be delivered to the FCA and to the London Stock Exchange on or before the date of issue of the Notes of such Tranche. In addition, unless otherwise agreed with the relevant Dealer(s) (as defined below) and provided for in the Final Terms, the Company will use its reasonable endeavours to cause all Notes issued by the Company and KMG Finance under the Programme to be admitted to (i) the "bonds" category of the "debt securities" sector of the "main" platform of the official list of the Kazakhstan Stock Exchange (the "**KASE**") and/or (ii) the Astana International Exchange ("**AIX**"), in each case as from (and including) the date of issue of the relevant Notes (the "**Issue Date**"). Neither the Company nor KMG Finance can give any assurance that any such listing will be obtained. In addition, if the Notes are listed and offered for sale on the KASE, no Notes may be issued, placed or listed outside of Kazakhstan 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 "**ARDFM Permissions**").

Factors that may affect the ability of the Company and KMG Finance to fulfil their obligations under the Programme and factors that are material for the purposes of assessing the risks associated with Notes issued under the Programme are set out under "Risk Factors" beginning on page 1.

Neither the Notes nor the Guarantee has been or will be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. Notes may be offered and sold (i) within the United States to qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) that are also qualified purchasers ("**QPs**"), as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), in reliance on the exemption from registration provided by Rule 144A ("**Rule 144A Notes**") and (ii) outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S ("**Regulation S**") under the Securities Act ("**Regulation S Notes**" and, together with Rule 144A Notes, "**Notes**"). Prospective purchasers are hereby notified that sellers of Notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The minimum denomination of any Notes issued under the Programme shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). Subject thereto and in compliance with all applicable legal, regulatory or central bank requirements, Notes will be issued in such denominations as may be specified in the relevant Final Terms.

As at the date of this Base Prospectus, the long-term foreign currency debt of the Company has been rated BB by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), BBB- by Fitch Ratings Limited ("**Fitch**") and Baa3 by Moody's Investors Service Limited ("**Moody's**"). Each of S&P, Fitch and Moody's is established in the European Economic Area and is registered under Regulation (EU) № 1060/2009, as amended (the "**CRA Regulation**"). Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating assigned to the Company by the relevant rating agency. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable under the Notes may be calculated by reference to certain reference rates, which may constitute a benchmark under Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the relevant Final Terms will indicate whether or not the administrator thereof is included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Benchmarks Regulation. Not every reference rate will fall within the scope of the Benchmarks Regulation. Furthermore transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administers and benchmarks at the date of the relevant Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update any Final Terms to reflect any change in the registration status of the administrator.

Joint Arrangers and Dealers

J.P. Morgan	**MUFG**
Halyk Finance	**SkyBridge Invest**

The date of this Base Prospectus is 28 September 2020

This Base Prospectus should be read and construed together with any supplements hereto and, in relation to any Tranche of Notes, should be read and construed together with the relevant Final Terms. This Base Prospectus comprises a base prospectus (the Base Prospectus), for the purpose of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**").

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview—Overview of the Programme*" and any additional Dealer or Dealers appointed under the Programme from time-to-time by the Issuer and the Guarantor (if applicable) (each, a "**Dealer**" and, together, the "**Dealers**"), which appointment may be for a specific issue of Notes or an ongoing basis. In the context of a discussion of an issue of a particular Tranche of Notes, reference in this Base Prospectus to "**relevant Dealer**" or "**relevant Dealers**" shall be to the Dealer or Dealers agreeing to subscribe for the particular Tranche of Notes.

The language of this Base Prospectus and the Final Terms in respect of any Tranche of Notes 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 Company will furnish the KASE with Russian-language translations of this Base Prospectus and any Final Terms (the "**Translations**"). The Translations will be prepared by the Company solely for the purpose of listing the Notes described in this Base Prospectus on the KASE and obtaining the relevant consents and permissions of the KASE and the ARDFM. None of the Dealers nor any of their respective affiliates has verified or will verify, makes any representation or warranty or takes any responsibility for the accuracy or completeness of the Translations. Only the English-language version of this Base Prospectus and any Final Terms should be used in connection with any investment decision. In the event of any conflict or discrepancy between the English version of this Base Prospectus or any Final Terms and the Translations, or any dispute regarding the interpretation of any statement in the English version or the Translations, the English version shall prevail.

For the purpose of the listing of the Notes on the KASE and any subsequent offer and sale of Notes in Kazakhstan, JSC Halyk Finance and SkyBridge Invest will act as joint managers, and the other Dealers will not be involved in such process.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme, or any information supplied by the Company or KMG Finance, or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Company, KMG Finance, the Trustee or any Dealer or the Registrar, any Paying Agent, any Transfer Agent or the Calculation Agent (collectively, the "**Agents**").

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Company, KMG Finance, the Dealers, the Agents or the Trustee that any recipient of this Base Prospectus, or any other information supplied relating to the Programme or any Notes, should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Company and KMG Finance. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Company or KMG Finance or any of the Dealers, the Agents, the Trustee or any other person to any person to subscribe for or to purchase any Notes in any jurisdiction where such offer or invitation is prohibited.

No representation or warranty is made or implied by the Dealers, the Trustee, the Agents or any of their respective affiliates, and none of the Dealers, the Agents, the Trustee nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Company or KMG Finance since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the

Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Furthermore, none of the Company, KMG Finance, the Dealers, the Agents or the Trustee makes any representation about the treatment for taxation purposes of payments or receipts in respect of any Notes received by any Noteholder. Each investor contemplating acquiring Notes under the Programme must seek such tax or other professional advice as it considers necessary for the purpose.

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

- have sufficient knowledge and experience to make a meaningful evaluation of Notes, the merits and risks of investing in Notes and the information contained or incorporated by reference in this Base Prospectus and 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 Notes and the impact Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's home currency;
- understand thoroughly the terms of Notes and be familiar with the behaviour of any relevant indices and financial markets; 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.

Some Notes may be complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes, which are complex financial instruments, unless it has the expertise (either alone or with a financial advisor) to evaluate how such Notes will perform under changing conditions, the resulting effects on the value of Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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

The distribution of this Base Prospectus, any supplement and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus, any supplement or any Final Terms comes are required by the Company, KMG Finance and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus, any supplement or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

This Base Prospectus may be communicated solely to (A) persons outside the United Kingdom or (B) persons inside the United Kingdom who are (i) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) in connection with the issue or sale of any securities of the Issuer, or any member of its Group (as defined below) may otherwise lawfully be communicated or caused to be communicated (all such persons in (A) and (B) above being "**relevant persons**"). Any investment activity to which this communication relates will only be available to and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

NEITHER THE NOTES NOR THE GUARANTEE HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE GUARANTEE OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend entitled "MiFID II Product Governance", which will outline the target market assessment in respect of the Notes and which channels for distribution of Notes are appropriate. Any person subsequently offering, selling or recommending Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Notes whether, for the purpose of the product governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for purposes of the MiFID Product Governance Rules.

IMPORTANT – EEA AND UK RETAIL INVESTORS

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", the Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom (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 (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of IDD, where that customer would not qualify as a professional client, as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) № 1286/2014 (the "**PRIIPs Regulation**") for offering or selling any in-scope instrument or otherwise making such instruments available to retail investors in the EEA or in the UK has been prepared and offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the relevant Final Terms 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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation or over allotment must be conducted by the Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws, regulations and rules.

ADDITIONAL INFORMATION

Neither the Company nor KMG Finance is required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). For so long as neither the Company nor KMG Finance is a reporting company under Section 13 or 15(d) of the Exchange Act or exempt from reporting pursuant to Rule 12g3 2(b) thereunder, the Company and KMG Finance will, upon request, furnish to each holder of Notes that are "restricted securities" (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder upon request of such holder or prospective purchaser, in connection with a transfer or proposed transfer of any such Rule 144A Notes under the Securities Act, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. As long as the relevant Notes are represented by a Rule 144A Global Note, for the purposes of this paragraph the expression "holder" shall be deemed to include account holders in the clearing systems who have interests in the relevant Rule 144A Global Note.

U.S. INFORMATION

This Base Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs that are also QPs for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Notes may be offered or sold within the United States only to QIBs that are also QPs in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Notes is hereby notified that the offer and sale of any Notes to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes represented by a Rule 144A Global Note or any Notes issued in exchange or substitution therefor (together "**Legended Notes**") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale*" and "*Transfer Restrictions*".

PRESENTATION OF FINANCIAL, RESERVES AND CERTAIN OTHER INFORMATION

Financial Information

The independent auditors of the Company, Ernst & Young LLP, issued (i) an independent auditor's report dated 5 March 2020 relating to the Company's consolidated financial statements as at, and for the years ended, 31 December 2019 and 31 December 2018, and which includes comparative data as at and for the year ended 31 December 2017 (certain of which has been reclassified, see "*—Restatements and Reclassifications*" below) (the "**Financial Statements**") and (ii) a report on review of interim financial information dated 25 August 2020 relating to the Company's interim condensed consolidated financial statements as at and for the six months ended 30 June 2020, and which include comparative data as at and for the six months ended 30 June 2019 (certain of which has been reclassified, see "*—Restatements and Reclassifications*" below) (the "**Interim Financial Statements**").

Ernst & Young LLP's independent auditor's report in respect of the Financial Statements appears on page F-41 of this Base Prospectus, and Ernst & Young LLP's report on review in respect of the Interim Financial Statements appears on page F-1 of this Base Prospectus. The financial information set forth herein relating to the Company, unless otherwise indicated, has been extracted without material adjustment from the Financial Statements and the Interim Financial Statements and the notes thereto contained in this Base Prospectus beginning on page 45.

The financial information included in this Base Prospectus is derived from the Financial Statements and the Interim Financial Statements, and may differ from figures included in the Company's audited consolidated financial statements as at and for the years ended 31 December 2018 and 31 December 2017, and unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2019, each as published elsewhere.

Items included in the financial statements of each of the Company's subsidiaries and equity method investees are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Financial Statements and Interim Financial Statements contained elsewhere in this Base Prospectus are presented in Kazakhstan Tenge ("**Tenge**"). However, for convenience some financial information in this Base Prospectus is presented in U.S. Dollars, which information is based on the Tenge amounts contained in the Financial Statements as translated at the exchange rates indicated. Such translation should not be construed as a representation that the Tenge amounts have been or could be converted into U.S. Dollars at these rates or at any other rate.

Certain figures included in this Base 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 that precede them. For purposes of rounding adjustments made to percentages and percentage change calculations in respect of figures included in this Base Prospectus taken from the Financial Statements, rounding adjustments are made based on the figures included in the Financial Statements (which are presented in thousands of Tenge) rather than the already rounded figures included in this Base Prospectus.

Restatements and Reclassifications

The Company changed the method of presentation of its consolidated statement of comprehensive income, consolidated statement of financial position, and consolidated statement of cash flows included in the Financial Statements and the Interim Financial Statements from the method of presentation of the consolidated cash flow statement previously published elsewhere. The Company believes this re-presentation had no effect on the Group's net profit or comprehensive income for the year ended 31 December 2018 or 2017 or equity as at 31 December 2018 or 2017.

In addition, the consolidated statement of financial position included in the Financial Statements and the Interim Financial Statements have been revised to combine certain items of a similar nature, as discussed in Note 3 to the Financial Statements. Accordingly, the 2018 and 2017 consolidated statements of financial position that are derived from the Financial Statements and included in this Base Prospectus differ from the consolidated statements of financial position included in financial statements for the years ended 31 December 2018 and 2017 published elsewhere. The Company believes that the reclassifications made to the 2017 and 2018 consolidated statement of financial position included in the Financial Statements did not have a significant impact on the Company's consolidated financial statements and such presentation is more transparent as it better reflects the nature of such assets.

Presentation of Certain Information Relating to Subsidiaries, Joint Ventures and Associates

Subsidiaries are entities over which the Company directly or indirectly has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50 per cent. of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company or one of its subsidiaries. Unless otherwise indicated, in this Base Prospectus, information presented for the Company's direct and indirect subsidiaries relating to production and reserves and other similar information reflect the subsidiaries' total interest therein, irrespective of the Company's percentage ownership thereof.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities requires the unanimous consent of the parties sharing control. Joint arrangements of the Company exist in two forms: joint ventures and joint operations. 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. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

Under International Financial Reporting Standards ("**IFRS**") 11, which applies specifically to interests in joint ventures, and replaces IAS 31, joint ventures that meet the definition of a joint venture under IFRS 11 must be accounted for using the "equity method". The interests of the Company and its subsidiaries in joint ventures are accounted for in the Financial Statements and the Interim Financial Statements using the equity method of accounting. Under the equity method, the Company's consolidated statement of comprehensive income simply reflects the share of the Company and its subsidiaries' of the net profit or loss of the joint venture as a single line item.

Upon the acquisition of joint operations, the Company recognises in relation to its interest in such joint operations, including its share of any assets held jointly and assets and liabilities, its share of any liabilities incurred jointly. The Company also recognises 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 expenses arising from the joint operations, including its share of any expenses incurred jointly.

Associates are entities over which the Company directly or indirectly has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 per cent. of the voting rights. Investments in associates are accounted for using the equity method of accounting. The Company's and its subsidiaries' interests in associates are limited to their share of the net profit or loss of such associates and are reflected as a single line item in the Company's consolidated statement of comprehensive income of the Financial Statements and the Interim Financial Statements.

Unless otherwise indicated, information presented in this Base Prospectus with respect to production and reserves and other similar information of joint ventures of the Company or its subsidiaries reflects the Company's and/or the relevant subsidiaries' proportionate interests in the joint ventures. Similarly, information presented in this Base Prospectus relating to production and reserves and other similar information of associates reflects the Company's and its subsidiaries' proportionate interest in the associates. In certain sections of this Base Prospectus, the Company has provided information on production and reserves and other similar information of the Company and its subsidiaries and joint operations separately from the production and reserves and other similar information of joint ventures accounted for under the equity method in order to permit some correlation to the financial accounting for the respective entities.

In this Base Prospectus, "**A+B+C1 reserves**" refers to reserves of crude oil and gas classified as category A, B and C1 under Kazakhstan methodology, "**Company's A+B+C1 reserves**" refers to the A+B+C1 reserves of crude oil and gas of the Company and its subsidiaries, and the Company's and the Company's subsidiaries' proportionate share in the A+B+C1 reserves of crude oil and gas of their respective joint ventures and associates, collectively, and "**Company's production**" refers to the crude oil and gas production of the Company and its subsidiaries and the Company's and the Company's subsidiaries' proportionate share in the crude oil and gas production of their respective joint ventures and associates, collectively. See "*Management's Discussion and*

Analysis of Results of Operations and Financial Performance—Main Factors Affecting Results of Operations—Acquisitions, Discontinued Operations, Disposals and Loss of Control" and "*The Oil and Gas Industry in Kazakhstan—Reserve Classifications*".

See Notes 7, 19 and 33 of the Financial Statements and Notes 5 and 15 of the Interim Financial Statements for additional information regarding how the Company accounts for its subsidiaries, joint ventures and associates.

Certain Reserves Information

The Company calculates its reserves using both PRMS (as defined below) and Kazakhstan methodology. The reserves data contained in this Base Prospectus are, unless otherwise stated, taken from reserves analyses prepared in accordance with Kazakhstan methodology by the Company's professional engineering staff.

- **Kazakhstan Methodology:** The Company calculates its reserves using Kazakhstan methodology, which is based on a system employed in the former Soviet Union, which differs significantly from both (i) the internationally accepted reserve estimation standards under PRMS and (ii) the reserves classifications permitted by the SEC (the "**SEC Standards**"), in particular with respect to the manner in which and the extent to which commercial factors are taken into account in calculating reserves. Whilst Kazakhstan methodology permits the inclusion of highly speculative reserve quantities attributable to highly speculative acreage, for the reserves figures calculated using Kazakhstan methodology included in this Base Prospectus, the Company has elected to include only A+B+C1 reserves.

- **PRMS**: The Company also calculates its reserves in accordance with the internationally accepted reserve estimation standards under the Petroleum Resources Management System sponsored by the Society for Petroleum Engineers, the American Association of Petroleum Geologists, World Petroleum Council and the Society for Petroleum Evaluation Engineers (the "**PRMS**"). The Company first publicly reported reserves under PRMS in its annual report for the year ended 31 December 2019, and certain reserves information in accordance with PRMS is included in this Base Prospectus (see "*Business—Reserves—PRMS*").

Estimates derived according to Kazakhstan methodology may be substantially higher than those derived in accordance with PRMS and the SEC Standards because Kazakhstan methodology differs in significant ways from those standards. Effective from 1 January 2010, the SEC Standards were revised to be more consistent with PRMS, including allowing for the voluntary disclosure of probable and possible reserves in addition to proven reserves. However, differences persist: Kazakhstan methodology focuses on the actual physical presence of hydrocarbons in geological formations, and reserves are estimated based on the likelihood of such physical presence, whilst, by comparison, the PRMS classification system also focuses on the physical presence of hydrocarbons in geological formations, but also takes into consideration the economic efficiency of the extraction of these reserves (including factors such as exploration and drilling costs, operating costs, transportation costs, taxes, prevailing product prices and other factors affecting the economic viability of a given deposit).

Reserves are measured only on an annual basis and, accordingly, as at the date of this Base Prospectus, no reserve information is available as at any date subsequent to 31 December 2019. For a detailed discussion of each reserve classification used in the methodology employed by the Company, see "*The Oil and Gas Industry in Kazakhstan—Reserve Classifications*".

The depreciation, depletion and amortisation data in the Financial Statements are prepared in accordance with IFRS, based on reserves estimates in accordance with PRMS, and were taken from published audited financial statements of certain of the Company's and its subsidiaries' joint ventures.

Hydrocarbon Data

References in this Base Prospectus to "**tonnes**" are to metric tonnes. One metric tonne equals 1,000 kilograms.

For informational purposes only, certain estimates in this Base Prospectus are presented as follows:

- oil and condensate in barrels and barrels per year. Barrel figures are converted from the Company's internal records presented in tonnes at a rate of 7.6 barrels per tonne. Barrel per day figures have been obtained by dividing annual figures by 365; and
- plant products, which include butane, propane, liquefied petroleum gas ("**LPG**") and liquid hydrocarbons, in barrels. Barrel figures are converted from the Company's internal records presented in tonnes at a rate of 7.6 barrels per tonne. Barrel per day figures have been obtained by dividing annual figures by 365.

For internal record keeping purposes, the Company's information relating to production, transportation and sales of crude oil and gas condensate is recorded in tonnes, a unit of measure that reflects the mass of the relevant hydrocarbon. For convenience, such information is presented in this Base Prospectus as both tonnes and in standard 42 U.S. gallon barrels ("**barrels**" or "**bbl**"), converted from tonnes as described above. The actual number of barrels of crude oil produced, shipped or sold may vary from the barrel equivalents of crude oil presented herein, as a tonne of heavier crude oil will yield fewer barrels than a tonne of lighter crude oil. The conversion rates for other companies for converting tonnes into barrels and for converting cubic feet into cubic metres may be at different rates.

Third Party Information Regarding the Company's Market and Industry

Statistical data and other information appearing in this Base Prospectus relating to the oil and gas industry in the Republic of Kazakhstan ("**Kazakhstan**") have, unless otherwise stated, been extracted from documents and other publications released by the Statistics Committee of Kazakhstan (the "**Statistics Committee**"), the Ministry of Finance of Kazakhstan, the Ministry of Energy (the "**Ministry of Energy**"), the National Bank of Kazakhstan ("**NBK**") and other public sources in Kazakhstan, including the NBK's Annual Report, the World Bank and International Monetary Fund, as well as from Kazakhstan press reports and publications, decrees and resolutions of the government of Kazakhstan (the "**Government**") and estimates of the Company (based on its management's knowledge and experience of the markets in which the Company 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 Base Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information. See "*Risk Factors—Risk Factors Relating to the Republic of Kazakhstan—The Company cannot ensure the accuracy of official statistics and other data in this Base Prospectus published by Kazakhstan authorities*".

The information described above has been accurately reproduced and, as far as the Company and KMG Finance are aware and are able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Base Prospectus, the source of such information has been identified.

The Company's estimates have been based on information obtained from the Company's subsidiaries, joint ventures, associates, customers, suppliers, trade and business organisations and other contacts in the markets in which the Company operates. The Company believes these estimates to be accurate in all material respects as at the dates indicated. However, this information may prove to be inaccurate because of the method by which the Company obtained some of the data for these estimates or because this information cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other inherent limitations and uncertainties.

This Base Prospectus contains illustrations and charts derived from the Company's internal information, as well as the internal information of the Company's subsidiaries, joint ventures and associates, which have not been independently verified unless specifically indicated.

Certain Definitions and Terminology

Certain defined terms are used in this Base Prospectus. See Appendix I for a glossary of frequently used defined terms. Additionally, see Appendix II for a glossary of measurement and technical terms used in this Base Prospectus.

Presentation of Alternative Performance Measures

In this Base Prospectus, the Group uses the following metrics in the analysis of its business and financial position, which the Company considers to constitute Alternative Performance Measures ("**APMs**"), as defined in the ESMA Guidelines on Alternative Performance Measures dated 5 October 2015.

Set out below is a summary of the APM metrics used, the definition, bases 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
EBIT	Calculated as profit before income tax *plus* finance cost.	Performance measure
EBITDA	Calculated as net profit *plus* depreciation, depletion and amortisation; finance income; finance costs; impairment of property, plant and equipment, intangible assets, exploration and evaluation assets; income tax expenses.	Performance measure
Interim LTM EBITDA	Interim LTM EBITDA for the twelve months ended 30 June 2020 is calculated as EBITDA for the year ended 31 December 2019 *minus* EBITDA for the six months ended 30 June 2019 *plus* EBITDA for the six months ended 30 June 2020.	Performance measure
Free cash flow	Calculated as Net cash flow from/(used in) operating activities *minus* decrease in prepayment for TCO's crude oil *minus* Payment for property, plant and equipment, intangible assets, investment property and exploration and evaluation assets *plus* Proceeds from the Kazakhstan Note (the loan previously provided to Caspian Pipeline Consortium).	Liquidity measure
Debt (including current portion)	Calculated as the current portion of borrowings *plus* the non-current portion of borrowings.	Liquidity measure
Capitalisation	Calculated as Debt *plus* equity.	Liquidity measure
Capital expenditures	Calculated as additions of property, plant and equipment, exploration and evaluation assets, investment property and intangible assets	Performance measure
Net Capitalisation	Calculated as Net Debt *plus* equity.	Liquidity measure
Net Debt	Calculated as Debt *minus* cash and cash equivalents.	Liquidity measure
Net Debt/EBITDA	Calculated as the ratio of consolidated Net Debt divided by EBITDA.	Performance measure
Net Debt/Interim LTM EBITDA	Calculated as the ratio of consolidated Net Debt divided by Interim LTM EBITDA.	Performance measure
Net Debt/Net Capitalisation	Calculated as the ratio of Net Debt divided by Net Capitalisation.	Liquidity measure
Cash and deposits (including long-term)	Calculated as the sum of cash and cash equivalents, short-term bank deposits with maturities of less than 12 months and long-term bank deposits with maturities over 12 months.	Liquidity measure
Debt/Equity	Calculated as the ratio of Debt divided by total equity	Liquidity measure
Current Liquidity	Calculated as current assets as at 31 December of the relevant year divided by current liabilities	Liquidity measure
EBIT/Finance Cost	Calculated as the ratio of EBIT divided by finance cost	Performance measures

The above APMs have been included in this Base 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 Base 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 Base Prospectus to the Financial Statements, see "*Alternative Performance Measures*".

FORWARD-LOOKING STATEMENTS

This Base Prospectus, any supplement thereto and any Final Terms may contain certain "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act which relate to, without limitation, the financial condition, results of operations and business of the Company and certain of the plans, intentions, expectations, assumptions, goals and beliefs of the Company regarding such items. These statements include all matters that are not historical fact and generally, but not always, may be identified by the use of words such as "believes," "expects," "are expected to," "anticipates," "intends," "estimates," "should," "will," "shall," "may," "is likely to," "plans" or similar expressions, including variations and the negatives thereof or comparable terminology.

Prospective investors should be aware that forward looking statements are not guarantees of future performance and that the Company's actual results of operations and financial condition and the development of the industry in which it operates may differ significantly from those made in or suggested by the forward-looking statements contained in this Base Prospectus. In addition, even if the Company's results of operations, financial condition and business and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Factors that could cause actual results to differ materially from the Company's expectations are contained in cautionary statements in this Base Prospectus and include, amongst other things, the following:

- price fluctuations in crude oil, gas and refined products markets and related fluctuations in demand for such products;
- overall international and domestic economic and business conditions, including commodity prices;
- the Company's ability to develop, replace and grow its current oil and gas reserves;
- economic and political conditions in Kazakhstan and international markets, including governmental changes;
- delays and cost over-runs in development projects and operations;
- environmental risks and sustainability concerns;
- changes in government regulations, including regulatory changes affecting the availability of permits, and governmental actions that may affect the Company's operations or planned expansion;
- asset disposals by the Company, including, *inter alia*, those in line with the Government's privatisation plan;
- changes in the corporate organisation of the Company, its subsidiaries, joint ventures or associates;
- operational limitations, including equipment failures, labour disputes and processing limitations;
- the availability or cost of transportation routes and fees charged for arranging transportation;
- spread of contagious illnesses such as Covid-19;
- the Company's ability to increase market share for its products and control expenses;
- fluctuations in the KZT/US$ and other exchange rates;
- unplanned events or accidents affecting the Company's operations or facilities;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- the effects of instability and unrest in countries in the same region as Kazakhstan, including but not limited to the Russian Federation ("**Russia**") and Ukraine;

- incidents or conditions affecting the export of crude oil and gas;
- reservoir performance, drilling results and the implementation of the Company's oil and gas expansion plans;
- an inability to implement any potential acquisition or an inability to acquire such interests on terms proposed by the Company; and
- the timing, impact and other uncertainties of future actions.

The sections of this Base Prospectus entitled "*Risk Factors*" and "*Management's Discussion and Analysis of Results of Operations and Financial Performance*" contain a more complete discussion of the factors that could affect the Company's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward looking events described in this Base Prospectus may not occur.

Neither the Company nor KMG Finance undertakes any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or KMG Finance or to persons acting on their behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

RESPONSIBILITY STATEMENT

This Base Prospectus comprises a base prospectus for the purposes of the Prospectus Regulation and for the purpose of giving information with regard to the Company and KMG Finance, which, according to the particular nature of the relevant Issuer, together, if applicable, with the Company and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the relevant Issuer, together, if applicable, with the Company and of the rights attaching to the Notes. Where third party information has been used in this Base Prospectus, the source of such information has been identified. Such information has been accurately reproduced and, as far as the Company and KMG Finance are aware and are able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company and KMG Finance accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Company and KMG Finance, the information contained in this Base Prospectus is in accordance with the facts and the Base Prospectus makes no omission likely to affect the import of such information.

SUPPLEMENTS TO THIS BASE PROSPECTUS

Following the publication of this Base Prospectus, supplements may be prepared by the Company and KMG Finance and approved by the FCA in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Company and KMG Finance will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus that is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

The relevant Issuer together, if applicable, with the Company may agree with any Dealer that a Series of Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event a supplemental Base Prospectus will be published, if appropriate, which will describe the effect of the agreement reached in relation to such Series of Notes.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published and approved by, filed with or notified to the Financial Services Authority (now the Financial Conduct Authority) (the "**FCA**") shall be incorporated in, and form part of, this Base Prospectus and, for so long as the Programme remains in effect and (in the case of any of the referenced Terms and Conditions of the Notes) Notes to which such Terms and Conditions of the Notes are applicable shall be outstanding, copies of each such document may be inspected during normal business hours at the specified office of the Paying Agent and such documents may also be viewed electronically and free of charge at: http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

- the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 3 April 2018 (pages 213-242 inclusive) prepared by the Company and KMG Finance in connection with the Programme;
- the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 5 April 2017 (pages 199-232 inclusive) prepared by the Company and KMG Finance in connection with the Programme;
- the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 23 October 2014 (pages 214-247 inclusive) prepared by the Company and KMG Finance in connection with the Programme;
- the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 15 April 2013 (pages 177-210 inclusive) prepared by the Company and KMG Finance in connection with the Programme;
- the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 1 November 2010 (pages 181-213 inclusive) prepared by the Company and KMG Finance in connection with the Programme;
- the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 15 April 2010 (pages 157-190 inclusive) prepared by the Company and KMG Finance in connection with the Programme; and
- the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 18 June 2008 (pages 166-203 inclusive) prepared by the Company and KMG Finance in connection with the Programme.

The non-incorporated parts of a document listed above are either not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus. Any documents themselves incorporated by reference in any document incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a joint stock company organised under the laws of Kazakhstan, and all of its officers and certain of its directors and other persons referred to in this Base Prospectus are residents of Kazakhstan. All or a substantial portion of the assets of the Company and most of such persons are located in Kazakhstan. As a result, it may not be possible (i) to effect service of process upon the Company or any such person outside Kazakhstan, (ii) 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 (iii) to enforce against any of them, in Kazakhstan courts, judgments obtained in jurisdictions other than Kazakhstan, including judgments obtained in respect of the Notes or the Trust Deed 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.

KMG Finance is incorporated under the laws of the Netherlands and its managing directors are residents of the Netherlands and Kazakhstan. A substantial portion of the assets of KMG Finance and of its managing directors are located in the Netherlands and Kazakhstan. As a result, it may not be possible (i) to effect service of process upon KMG Finance or any such person outside the Netherlands or Kazakhstan, as the case may be, (ii) to enforce against any of them, in courts of jurisdictions other than the Netherlands or Kazakhstan, as the case may be, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (iii) to enforce against any of them, in the courts of the Netherlands or Kazakhstan, as the case may be, judgments obtained in jurisdictions other than the Netherlands or Kazakhstan, respectively, including judgments obtained in the United States predicated upon the civil liability provisions of the federal securities laws of the United States. KMG Finance has been advised by its legal counsel in the Netherlands, DLA Piper Nederland N.V., that the Netherlands does not currently have a treaty with the United States providing for reciprocal recognition and enforcement of judgments (other than arbitral awards) in civil and commercial matters.

Consequently, a judgment for the payment of an amount of money rendered by any federal or state court in the United States will not be recognised and enforced by the Dutch courts. However, if a person has obtained a final and conclusive judgment for the payment of money rendered by any federal or state court in the United States and files his claim with the competent Dutch court, the Dutch court will generally give binding effect to the judgment of any federal or state court in the United States, insofar as it finds that the jurisdiction of any federal or state court in the United States has been based on grounds which are internationally acceptable and that proper legal procedures have been observed and unless the foreign judgment contravenes Dutch public policy.

Accordingly, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not be directly enforceable in the Netherlands. If the party in whose favour such final judgment is rendered brings a new suit in a competent court in the Netherlands, however, such party may submit to a Dutch court the final judgment that has been rendered in the United States. If the Dutch court finds that the jurisdiction of the federal or state court in the United States has been based on grounds which are internationally acceptable and that proper legal procedures have been observed, the Dutch court will, in principle, give binding effect to the final judgment which has been rendered in the United States unless such judgment contravenes public policy in the Netherlands. The enforcement in a Dutch court of judgments rendered by any federal or state court in the United States is subject to Dutch rules of civil procedure.

The Notes and the Trust Deed are governed by the laws of England, and the Company and KMG Finance have agreed in the Notes and the Trust Deed that disputes arising thereunder are subject the non-exclusive jurisdiction of English courts or, at the election of the Trustee, to arbitration in London. See Condition 22(b) under "*Terms and Conditions of the Notes*". 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 United Kingdom (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 United Kingdom 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 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 and the Trust Deed. 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. Both the Company and KMG Finance fall under the definition of a quasi-sovereign company. More specifically, Article 8.8 provides that a dispute between two quasi-sovereign companies cannot be resolved by arbitration. Whilst there is no established practice in relation to Article 8.8 of the Arbitration Law, 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 and the Trust Deed.

- 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. Both the Company and KMG Finance fall under the definition of a state-controlled company. Although, there is no established practice in relation to Article 8.10 of the Arbitration Law, 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 (as defined below) is required for the Company or KMG Finance to enter into arbitration agreements under the Notes and the Trust Deed.

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 Company and/or KMG Finance in arbitral proceedings in London under English law would be enforced in Kazakhstan. See "*Risk Factors—Risk Factors Relating to the Notes—It may be difficult to effect service of legal process and enforce judgments obtained outside of Kazakhstan against the Company 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. Whilst companies, such as the Company, are not considered to be government entities and, thus, do not have such immunity, arbitral awards and foreign court decisions in respect of the Company, including in relation to the issuance of Notes under the Programme, 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 Trust Deed, the Company has, to the full extent permitted by applicable laws, waived any immunity that may be attributed to it in respect of the Notes or, if applicable, the Guarantee.

In addition, certain of the assets owned by the Company or its subsidiaries, as well as certain of the shares in the Company'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).

TABLE OF CONTENTS

RISK FACTORS

Each of KMG Finance and the Company believes the following factors may affect its ability to fulfil its obligations under Notes and the Guarantee, as applicable.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes are also described below. If any of the risks described below materialise, the Company's business, prospects, financial condition, cash flows or results of operations may be materially adversely affected and may impact the ability of the Company to pay amounts due under the Notes. If that were to happen, the trading price of the Notes may decline, the relevant Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes, and the Company may be unable to honour the Guarantee, if applicable, and investors may lose all or part of their investment. Furthermore, Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. 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.

Each of KMG Finance and the Company believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the relevant Issuer or the Company (as the case may be) to pay interest, principal or other amounts on, or in connection with, any Notes, or otherwise perform its obligations under any Notes or the Guarantee, if applicable, may occur for other reasons that may not be considered significant risks by KMG Finance and the Company based on information currently available to them or for reasons that they may not currently be able to anticipate or currently consider relevant. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Risk Factors Relating to the Company's Industry

The Company's revenue and net profits fluctuate significantly with changes in crude oil prices, which are historically volatile and are affected by a variety of factors beyond the Company's control.

Crude oil sales are the Company's largest source of revenue, and the price of crude oil and the revenue realised by the Company from the sales of crude oil are affected by a variety of factors beyond the Company's control, including:

- global and regional supply and demand, and expectations regarding future supply and demand, for crude oil and petroleum products;
- the impact of economic conditions on the Company's customers, including any reductions in demand for crude oil and petroleum products;
- global and regional socioeconomic and political conditions and military developments, government policies and influence, particularly in countries in the same region as Kazakhstan (including, but not limited to, Russia) and in the Middle East and other oil-producing regions;
- weather conditions, natural disasters and public health threats and global pandemics, such as the outbreak of novel coronavirus in 2019 ("**Covid-19**");
- access to pipelines, railways and other means of transporting crude oil and petroleum products;
- prices and availability of alternative fuels;
- the ability of the members of the Organisation of Petroleum Exporting Countries ("**OPEC**"), of which Kazakhstan is not a member and over which it has limited influence, and other crude oil producing nations to set and maintain specified levels of production and prices;
- Kazakhstan and foreign governmental regulations and actions, including export restrictions, standards on content of crude oil and petroleum products, and taxes; and
- market uncertainty and speculative activities.

Historically, world crude oil prices have been highly volatile and are generally characterised by significant fluctuations that are determined by the global balance of supply and demand, which is entirely outside of the Company's control. Further, certain geopolitical activities including regional conflicts and tensions in the Middle East have in the past also affected oil prices. For example, in the first quarter of 2020, world crude oil prices dropped significantly in connection with a price war and sell-off in crude oil following the failure of OPEC to strike a deal with its allies, led by Russia, on oil production cuts. In connection with this, the Company curtailed production in the first half of 2020.

According to statistics published by the U.S. Energy Information Administration (the "**EIA**"), the average monthly spot price of Brent crude oil was US$39.89 per barrel in the first six months of 2020, ranging from a high monthly average of US$64.65 per barrel in January 2020 to a low monthly average of US$18.38 per barrel in April 2020. Also in April 2020, the price of a certain type of crude oil temporarily went below US$0. As at the date of this Base Prospectus, the price of crude oil remains considerably below the record high average monthly price of US$132.72 per barrel recorded in July 2008. As at 14 September 2020, the spot price for Brent crude oil was US$38.57 per barrel, according to U.S. Energy Information Administration data. Largely as a result of low crude oil prices in the first half of 2020, the Company's profit before income tax was down 93.2 per cent. year-on-year, at KZT 52.0 billion for the six months ended 30 June 2020 as compared to KZT 765.1 billion for the six months ended 30 June 2019.

The Company's profitability derived from crude oil sales is determined in large part by the difference between the income received for the crude oil the Company produces and its operating costs, as well as costs incurred in transporting and selling its crude oil. The Company's business, prospects, financial condition, cash flows and results of operations are heavily dependent on prevailing crude oil prices. Historically, high oil prices have had a considerable positive impact on the Company's business, whilst lower crude oil prices have reduced, and may continue to reduce, the amount of crude oil that the Company is able to produce economically, including, in particular, by negatively affecting the economic viability of the production levels of specific wells or of projects planned or in development where production costs would exceed anticipated income from such production.

There can be no assurance that the price per barrel of crude oil will not fall further, increase or be maintained in the future. Any decline in the price per barrel for crude oil currently received by the Company (even a relatively modest decline) or any resulting curtailment in the Company's overall production volumes may result in a reduction in revenue and net profits, impair the Company's ability to make planned capital expenditures or to incur costs necessary for the development of the Company's fields and may materially adversely affect the Company's business, prospects, financial condition, cash flows or results of operations. In particular, if the price per barrel falls below certain budgeted amounts for a sustained period of time, the Company may need to revise its capital allocation and may not meet its production plans or continue with certain exploration projects.

Oil and gas is a capital intensive industry, and the Company's business 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. Although capital expenditures for the projects of the Company's joint ventures are financed at the level of the relevant joint venture, some of these joint ventures may require capital injections if the price of oil decreases below budgeted levels. In addition, historically, the Company has had significant levels of capital spending and investment for its wholly-owned assets, primarily in connection with its refinery modernisation programme which was completed in 2019 and cost approximately KZT 1.5 trillion. In connection with this programme, the Company completed a number of projects, including the construction of three new compressor stations on the Beineu-Bozoi-Shymkent Gas Pipeline to China in 2018 and 2019 (with work on a fourth new compressor station ongoing and scheduled to be completed in 2023), the modernisation projects at the Atryau Refinery in Western Kazakhstan and the Pavlodar Refinery in Eastern Kazakhstan 2017, as well as additional modernisation works at projects with its joint ventures, including Kashagan Field, Karachaganak Field, Tengiz Field and the Asian Gas Pipeline. See "*Management's Discussion and Analysis of Results of Operations and Financial Performance—Total Capital Expenditures*". The Company currently expects that the majority of its capital expenditure commitments in the short-to-medium term will be in respect of projects aimed at maintaining the current level of production at existing fields. However, the Company may engage in further capital intensive projects in future. If the Company is unable to raise necessary funding either from Samruk-Kazyna, the government, international or domestic banks or capital markets, it may be forced to reduce planned capital expenditures or curtail, delay or abandon certain projects, which could adversely affect the Company's ability to expand its business and, if the reductions or curtailments are severe enough, could adversely affect its ability to maintain its production or operations at current levels.

The oil and gas industry in general and the Company in particular may be exposed to delays and cost over-runs in development projects and operations.

Similar to other oil and gas companies, the Company's operations involve the development and operation of complex projects which are subject to a number of risks. The Company's projects have in the past and may in the future face equipment failures, development curtailments, shutdowns, delays and cost over-runs.

For example, the Company's joint venture Tengizchevroil LLP ("**TCO**") (with joint venture partners Chevron Overseas Company, ExxonMobil Kazakhstan Ventures Inc. and LukArco B.V.) has faced cost over-runs and delays in the implementation of the future growth expansion project and wellhead pressure management project at Tengiz Field in western Kazakhstan. Although originally TCO publicly stated the projects would cost up to US$36.8 billion, in 2019 it subsequently announced it expects the project will cost up to US$46.5 billion (including a contingency reserve of US$ 1.3 billion). TCO also announced the projects are expected to be completed in 2023 rather than 2022 as originally intended. TCO has publicly advised it will deliver the projects within the new budget and timing and anticipates any cost overruns could be funded out of its own cash flows and, to the extent necessary, through non-recourse external financing, however, further overruns or delays may impact or delay payment of dividends by TCO to its shareholders, including the Company. See "*Business—Significant Production Fields of Other Joint Ventures and Associates—TCO—Tengiz Expansion Projects*".

In addition, NCPC, in which the Company has interest through KMG Kashagan B.V., faced delays to the commencement of commercial production in 2012 and halted production in October 2013 following the detection of leaks. In connection with the related pipe replacement works and delays to commercial production, NCPC increased total capital expenditure for the first phase of the North Caspian Project from US$38.7 billion to US$45.6 billion, later increasing further to US$54.4 billion.

Other equipment failures, development curtailments, shutdowns, delays or cost over-runs that materially affect the operations of the Group or its joint venture partners could affect production or amounts of oil and gas the Company is able to transport or refine, and could require the Company to provide additional capital or affect the Company's ability to accurately budget, which could, in turn, have a material adverse effect on the Company's business, financial position and results of operations.

The Group's operations are subject to environmental risk, and the Group is required to comply with environmental laws and regulations which may continue to develop and change.

The Company's operations are subject to the environmental risks inherent in virtually all aspects of its business, including oil and gas exploration, production, transportation and refining. There are environmental issues with current and past sites of operations caused by the Company's subsidiaries, joint ventures and associates and their predecessors. The Company's primary environmental liabilities include land contamination, gas flaring, the disposal of waste water and oil spills.

The Company is subject to environmental regulation in Kazakhstan and the Eurasian Economic Union of Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan (the "**EEU**"). For example, in November 2016, Kazakhstan ratified the Paris Agreement under the United Nations Framework Convention on Climate Change (the "**Paris Agreement**"). Kazakhstan's intended nationally determined contribution to the Paris Agreement is to reduce the country's greenhouse gas emissions by 15 per cent. (at a minimum) compared to the 1990 base year or by 25 per cent. (subject to certain conditions) by 2030.

On 30 December 2019, the Kazakhstan Government approved the draft of a new environmental code (the "**2020 Environmental Code**"). The draft Environmental Code and Law have not yet been adopted by the Parliament as of the date of this Base Prospectus. Meetings of the relevant working groups in the Parliament of the Republic of Kazakhstan had been suspended for extended periods in connection with the quarantine and state of emergency during the Covid-19 pandemic, though such meetings restarted from September 2020.

The 2020 Environmental Code targets entities that contribute most heavily to pollution, including those in the oil and gas sector, and will impose charges on such entities which will increase gradually and substantially. The 2020 Environmental Code will require certain enterprises to transition to the "best available technics" from

2025, including two of the Group's refineries, Atyrau Refinery and Pavlodar Refinery and two of the Group's joint ventures, KazakhOil Aktobe and PetroKazakhstan Oil Products. The remainder of Kazakhstan companies, including the rest of the Group's subsidiaries, joint ventures and associates, will have until 2031 to transition to the "best available technology". The Company expects these innovations will require significant financial investments and has commenced work on conducting comprehensive technological audits to understand the current state of production facilities. The 2020 Environmental Code will require the Company to implement certain operational changes and make certain investments to achieve compliance, and if the Group is audited and found to have any breaches of the 2020 Environmental Code it could lead to the imposition of high fines, each of which could in turn have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations. Further, as the 2020 Environmental Code has not yet been formally adopted by the Parliament as of the date of this Base Prospectus, there can be more assurance there will not be further changes to this legislation which could have a material adverse affect on the Company.

There can be no assurance that either Kazakhstan or the EEU will not impose additional, more stringent environmental requirements on the Company. Compliance with such environmental requirements may be costly and may make it necessary for the Company to undertake new measures in connection with the storage, handling, transport, treatment or disposal of hazardous materials and wastes and the remediation of any contamination.

The costs of environmental compliance in the future and potential liability due to any environmental damage that may be or may have been caused by the Company could be material. Moreover, the Company could be adversely affected by future actions and fines imposed on a subsidiary, joint venture or associate of the Company by the environmental authorities, including the potential suspension or revocation of one or more of the Company's subsoil licences or environmental permits. For example, the Company's subsidiary Embamunaigas was fined by the Department of Ecology of Atyrau related to emissions and gas flaring without a permit in 2018 in the amount of KZT 34.2 billion, including taxes (US$89.8 million). By court order, the penalties charged were recalculated for the entire period to KZT 8.1 billion (US$22.9 million). Whilst the Company has established provisions for environmental remediation obligations, to the extent that any provision in the Company's accounts relating to remediation costs for environmental liabilities proves to be insufficient, this could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Although the Company is obliged to comply with all applicable environmental laws and regulations, it cannot, given the changing nature of environmental regulations, guarantee that it will be in compliance at all times. Any failure to comply with these environmental requirements could subject the Company to, amongst other things, civil liabilities and penalty fees and the temporary or permanent shutdown of affected operations. Any imposition of environmental fines, increase in the costs associated with compliance or suspension or revocation of licences or contracts could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Climate change and sustainability concerns and impacts could require the Company to incur costs or invest additional capital, could reduce global demand for oil and gas and could negatively affect the Company's ability to obtain financing.

Climate change and sustainability concerns manifested in public sentiment, investor sentiment, government policies, laws and regulations, international agreements and treaties and other actions may reduce global demand for crude oil and propel a shift to lower carbon intensity fossil fuels or alternative energy sources. The Company may be required to incur costs, invest additional capital or make changes to the way it does business to address the impacts of climate change. For example, the Company began disclosing information on its greenhouse gas emissions from 2018.

In particular, increasing pressure on governments to reduce greenhouse gas emissions has led to a variety of actions that aim to reduce the use of fossil fuels, including, amongst others, carbon emission cap and trade regimes, carbon taxes, increased energy efficiency standards and incentives and mandates for renewable energy and other alternative energy sources. See also "*—The Group's operations in the ordinary course of business subject it to environmental and operational health and safety laws and regulations which may continue to develop and change*". Existing and future climate change concerns and impacts, and related laws, regulations, treaties, protocols, policies and other actions could shift demand to other fuels, reduce demand for the Group's products and have a material adverse effect on the Company's business, financial position and results of operations.

In addition, investor sentiment toward investing in oil and gas companies may be negatively affected by the recent focus on climate change amongst the public and governments. For example, the World Bank announced plans to stop financing upstream oil and gas projects from 2019 onwards, unless under exceptional circumstances. Similarly, certain financial institutions, funds, asset managers and investors including, for example, asset manager Blackrock, are considering or have begun limiting their exposure to certain fossil fuel projects and phasing out their investments in fossil fuel companies that fail to align with the Paris Agreement.

Risk Factors Relating to the Company's Business

A number of the Company's production fields are mature, and the Company may be unable to successfully develop, replace and grow its current oil and gas reserves.

KMG's portfolio consists primarily of mature fields, which prioritises exploration as part of the long-term strategy to maintain stable production levels. This requires a focus on execution and operational excellence, the search for resource replenishment solutions and unlocking new reserves and bringing them online both at new and mature fields, based on the results of further exploration activities. As of the date of this Base Prospectus, about 80 per cent. of total oil production at the Company's operating assets comes from seven key fields: Uzen and Karamandybas (JSC Ozenmunaigas), Kalamkas and Zhetybai (JSC Mangistaumunaigaz), S. Nurzhanov and East Moldabek (JSC Embamunaigas), and Karazhanbas (JSC Karazhanbasmunai). The Company has undertaken projects to maintain production levels, including various field development and rehabilitation projects, including the drilling of new wells, the completion of well workovers and the introduction of secondary enhanced oil recovery and well stimulation techniques. Such activities typically involve significant levels of capital expenditures in new technologies and alternative methods of extracting reserves from such fields. For certain fields, the Government provides a tax incentive for undertaking such projects to make those fields more profitable. In 2019, such a tax incentive was granted at JSC Ozenmunaigaz, lowering the mineral extraction tax rate for certain of its horizons to 2.6 per cent. from 13 per cent. This tax incentive was introduced on a temporary basis, and if the Group fails to act in a cost-effective manner once this tax incentive ceases, it may negatively affect the profitability of the related fields.

The Company also intends to increase overall production levels by replacing reserves through new discoveries over the long-term and making new acquisitions of producing oil and gas fields. A draft State Geological Exploration Programme for 2021-2025 was considered by the Government in the first half of 2020 in connection with cost optimisations in 2020 as a result of Covid-19, outlining a range of measures to improve legislation, attract investment by offering tax incentives and simplify the regulation of subsoil use. However, the Company's crude oil and gas exploration programme may result in unproductive wells or wells that are not economically feasible to produce. The Company may be required to curtail, delay or cancel any of its drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, premature declines in reservoirs, blowouts, uncontrollable flows of crude oil, natural gas or well fluids, pollution and other environmental risks, adverse weather conditions, compliance with governmental requirements, restrictions related to the Covid-19 pandemic and shortages or delays in the availability of drilling rigs and the delivery of equipment. The economic viability of such activities also depends upon the minimum price per barrel of crude oil being sufficient to allow the Company to continue to conduct its operations and capital expenditure and exploration projects, in accordance with its budget. See "*—The Company's revenue and net profits fluctuate significantly with changes in crude oil prices, which are historically volatile and are affected by a variety of factors beyond the Company's control.*"

No assurance can be given that such activities will achieve the desired results, particularly in geographically and technically challenging areas. Any failure of the Company to implement these activities in part or at all or in a cost-efficient manner could result in decreases in production or the profitability of such production, which could, in turn have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

The Group has a complex ownership and corporate structure, is largely dependent on dividends from its subsidiaries, joint ventures, joint operations and associates and does not in all instances control decision making at the subsidiary level.

Whilst the Group has recently simplified its structure to integrate and reduce the layers of management, the Group still has a complex structure which consists of numerous subsidiaries, joint ventures, joint operations and associates, many of which may be material to the Group's operations. The Company itself has limited direct access to cash flows and is largely dependent on dividends from its subsidiaries, joint ventures, joint operations or associates. Whilst the Company approves the budget and business plan for each of its subsidiaries, the Company's subsidiaries ultimately act as independent companies run by their boards of directors (including independent non-executive directors) and have control of their own bank accounts. Whilst the Company achieved positive free cash flow in 2019 (before taking into account debt repayment) based on the corporate structure changes it implemented, the Company 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 Company in the future. If the Company does not receive dividends in line with its expectations, it could in turn have an adverse impact on the Company's business, prospects, financial condition, cash flows or results of operations.

The Company has large interests in joint ventures in which it has a non-controlling interest.

The Company directly, or through its subsidiaries, is party to several joint ventures, some of which are a significant part of the Company's current and prospective net profit. The Company may, in the future, enter into additional joint ventures as a means of conducting its business. These joint ventures and associates include, amongst others, TCO, KazRosGas LLP ("**KazRosGas**"), North Caspian Project Consortium ("**NCPC**"), "JV Kazgermunai" LLP ("**Kazgermunai**"), JSC Mangistaumaigas ("**MMG**") and Karachaganak Petroleum Operating B.V. ("**KPO**"), a consortium operating under a joint operating agreement in which the Company (through its wholly-owned subsidiary KMG Karachaganak LLP) has a 10.0 per cent. 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 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 Company's ability to cause such entities to take action that would or might be in the best interests of the Company or, in limited cases, to refrain from taking action that would or might be materially adverse to the interests of the Company.

Even though the vast majority of them are global majors or national champions, the Company 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 Company'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. Further, the Company generally is not able to exercise control over the standards, operations and compliance of its joint venture partners. The Company may be affected by any material damage to the business reputation of a joint venture partner, which could, in turn, adversely affect the Company's own reputation and/or lead to legal proceedings and/or regulatory risks.

Although relations between the Company and its joint venture partners are generally positive and the Company's management does not foresee any deterioration in its relationship with its joint venture partners, the Company cannot be sure that relations will remain so in the future. Any deterioration in the Company's relationship with its 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 Company's business.

The Company has conducted and is considering further internal reorganisations.

The Company 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 Company'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 the Company has not yet anticipated. Failure to successfully implement any such reorganisations may materially adversely affect the Company's business, prospects, financial condition, cash flows or results of operation.

The Company's natural gas transportation revenue is heavily dependent upon the volumes of natural gas transported by Gazprom, which volumes are, in turn, dependent on international demand for natural gas, natural gas prices and certain other factors beyond the Company's control.

Although the Company has made efforts to expand its customer base, the Company's natural gas transportation subsidiary, JSC Intergas Central Asia ("**ICA**"), is heavily dependent on the volumes of natural gas that it transports through Kazakhstan's natural gas transportation system for Gazprom (the Russian state owned oil and gas company). Gazprom has been ICA's single largest customer in all recent periods, accounting for 23.4 per cent., 33.0 per cent., 30.2 per cent., and 32.9 per cent. of the gas transportation fees of ICA for the six months ended 30 June 2020 and the years ended 31 December 2019, 2018 and 2017, respectively. In connection with the instability and unrest in Ukraine since 2014, the United Kingdom, Member States of the European Union (the "**European Union**" or "**EU**"), the United States and Canada have imposed sanctions on certain individuals and companies in Russia, including Gazprom. If these sanctions are extended, they could adversely affect Gazprom's ability to sell natural gas, reducing the volumes of gas it transports through ICA, and impairing the Company's ability to service its key natural gas transit customer. See also "*—Certain of the Company's customers and business associates are subject to U.S. and EU sanctions, and the ongoing or future impact of such sanctions may have an adverse effect on the Company*".

In addition, the volume requirements for the Company's gas and that of the Group's customers for gas transit are determined by demand for gas in China, Russia, Ukraine, Eastern Europe and, to a lesser extent, Western Europe. Factors affecting natural gas consumption in these countries, including weather (demand increases in winter months), electricity generation from gas and other end uses of gas, may have a significant effect on demand from these countries and, therefore, the amount of natural gas transported through the Company's system. Natural gas prices may also have an effect on demand for natural gas. More generally, international natural gas prices have in the past been typically linked to global prices for oil products, which fluctuate and have been low in recent years. 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. A decline in global prices for gas products, a change in international demand or a change in any customer's demand for natural gas, as a result of changes in a customer's arrangements with its suppliers in Turkmenistan, Uzbekistan or Kazakhstan or otherwise, a change in the terms of contracts with customers, a change in the ability of the Company to service a customer as a result of sanctions or otherwise, or a failure of the Company to diversify its customer base, including through increased gas deliveries to China, could, each individually or in combination, have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

The Company relies heavily on oil and gas transportation systems to transport its products and its customers' products to markets outside Kazakhstan and any disruption or unavailability of such transportation systems would adversely affect the Company's ability to deliver its products.

The Company's crude oil for export is transported primarily through international pipelines and, to a lesser extent, by rail and sea routes through other countries. The Company currently exports its crude oil to Europe through Russian pipelines to Black Sea ports and through Azerbaijan by rail to the Batumi oil terminal in Georgia on the Black Sea. The Company also exports crude oil to China through international pipelines. Therefore, the Company is largely dependent upon intergovernmental agreements between Kazakhstan and other countries to transport its oil to markets outside Kazakhstan and upon such governments' adherence to such agreements, both of which are outside of the Company's control.

In addition, any reduction or cessation in the availability of the Company's export routes, whether due to maintenance breakdowns, contamination, security issues, political developments, natural disasters, public health threats and global pandemics or disagreements with the Company's partners, amongst other things, would materially adversely affect exports, which, in turn, would have a material adverse impact on the Company's business, prospects, financial condition, cash flows or results of operations. Significant transportation disruptions could also result in reductions in, or interruptions of, production, which, together with the costs of resuming production and restoring production to pre-reduction or interruption levels, could have a material adverse impact on the Company's business, prospects, financial condition, cash flows or results of operations.

Users of the gas transportation network operated by the Company's international natural gas transportation subsidiary ICA and its international natural gas joint venture JSC Asian Gas Pipeline ("**AGP**"), are also dependent upon connections to third-party pipeline networks in China, Turkmenistan, Uzbekistan and Russia to receive and deliver natural gas. Accordingly, a reduction in the allocation of usage rights capacity of third-party pipelines located in China, Turkmenistan, Uzbekistan or Russia due to maintenance breakdowns, security issues, disputes, political developments, natural disasters or otherwise, could result in the reduction of volumes of gas transported by ICA and/or AGP and have a corresponding material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

The Group engages in business activities in furtherance of social objectives, some of which are as required by the Government through laws, regulations or other mandates.

As one of the largest companies in Kazakhstan, the Group fulfils certain social roles through investing in and implementing social projects and initiatives to support the communities and the environment in which it operates and leverages its know-how, operational capabilities and financial resources in furtherance of these projects. For example, the Group is currently constructing a desalination plant which will provide a long-term source of drinking water to the population of Zhanaozen, in the semi-desert Mangystau region in southwest Kazakhstan. The project is estimated to be completed in 2022 and will be built at the Group's expense. In addition, the Group sponsored a contribution to national medical institutions in Kazakhstan for medical equipment during the Covid-19 pandemic. The Group intends to continue to engage in additional corporate social projects and initiatives in future.

In addition to projects undertaken on its own initiative, the Government has directed, and may in the future direct, the Company to undertake projects or provide assistance for initiatives. The Government, for example, may require the Group to manage and operate businesses outside of its core business competencies, make certain social investments and accept below market prices. For example, in the year ended 31 December 2019, the Company allocated KZT 22.7 billion to develop infrastructure at Turkistan for the construction of a 7,000 seat stadium, a congress hall and a 1,000 seat amphitheatre. The Government may also impose other social duties, such as construction of social and recreational infrastructure, charitable activities and implementation of community development programmes on the Company, which will increase the Company's capital expenditures and could, in turn, have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

Company's subsidiaries, joint ventures and associates are in many regions of Kazakhstan the largest employers in cities in which they operate. Whilst the Company does not have any specific legal obligation or responsibilities with respect to these regions, its ability to reduce the number of its employees may nevertheless be subject to political and social considerations. Any inability to reduce the number of employees or make other changes to the Group's operations in such regions could have an adverse effect on the Group's business, prospects, financial condition or results of operations.

The Company's controlling shareholder Samruk Kazyna is able to exercise significant influence over the Company, its management and its affairs.

Through its ultimate control of the Company, Samruk-Kazyna is in a position to influence the Company's activities and exercise control over all matters requiring shareholder approval, including the ability to appoint and remove, or influence the appointment and removal of, the members of the Boards of Directors and management of the Company and its subsidiaries and approval of significant corporate transactions, including related party transactions. The interests of Samruk Kazyna may not always be aligned with those of the Noteholders and therefore the decisions taken by Samruk Kazyna with respect to the Company may not reflect the interests of the Noteholders. For example, the Company is party to trust management agreements with United Chemical Company LLP (a 100 per cent. subsidiary of Samruk-Kazyna) pursuant to which the Company manages the stakes of United Chemical Company LLP in "Kazakhstan Petrochemical Industries Inc." (Казахстан Петрокемикал Индастриз Инк.) Limited Liability Partnership, KLPE LLP, Silleno LLP in exchange for a nominal fee. See "*Business—Trust Management Agreements*". The Company may enter into similar arrangements from time to time. Any trust management arrangements may require significant time from senior management and divert technical staff from the core business of the Company, as well as raise potential liability to the Company for any third party losses or damages caused by gross negligence or willful misconduct. There can be no assurance that Samruk-Kazyna will not cause the Company to engage in business practices that may materially affect the Company's ability to operate on a commercial basis or in a way that is consistent with the best interests of the Noteholders.

The rapid spread of contagious illnesses such as Covid-19 can have a material adverse effect on the Group's business and results of operations.

The ongoing Covid-19 pandemic emanating from China at the end of 2019 had a significant impact on the world economy and negatively affected the price of oil globally. The Covid-19 pandemic also resulted in travel restrictions and extended shutdowns of and disruptions to certain businesses in Asia and globally and negatively affected global markets. In addition, the World Health Organisation, the government of Kazakhstan, the People's Republic of China or the governments of other countries may recommend or impose other measures that could adversely affect Kazakhstan's economy or demand for the Company's products locally and abroad and in turn could cause significant interruption to the Group's business operations.

In April and May 2020, there was a Covid-19 outbreak at the Tengiz Field resulting in the suspension of construction work on the FGP and WPMP expansion projects to protect employees from the disease, and TCO reports that over 30,000 contractor employees were evacuated and furloughed from March through June 2020. Whilst the production at Tengiz Field was not materially affected and the situation at Tengiz Field has stabilised as of the date of this Base Prospectus, any further or worsening outbreaks may result in project schedule overruns, which could in turn have a material adverse effect on the Group's business, results of operations or financial condition.

These or any further political or governmental developments or health concerns in Kazakhstan or other countries in which the Company operates or relies on for export and transportation could result in lower oil prices, lower global economic growth or other social, economic and labour instability, any of which could have a material adverse effect on the Group's business, results of operations or financial condition.

Labour disputes may materially adversely affect the Group's business.

The Group's industry is labour intensive. The Company's management is focused on social responsibility and its efforts to improve employee relationships, but work slowdowns, work stoppages, strikes or other labour disputes have occurred in the past and there can be no assurance that they will not occur in the future. In the event of a strike there may not be sufficient alternative staff and employees to run production activities which may result in ongoing reductions in production or a need to devote financial resources to restore production. As of 30 June 2020, approximately 25 to 30 per cent. of the Group's employees are represented by trade unions. The Group may become subject to material cost increases or additional work rules imposed by agreements with such labour unions. This could increase costs in absolute terms and/or as a percentage of revenue. Labour disputes materially affecting any of the Group's operations or the operations of any third party which the Group utilises for its business, may adversely affect the Group's business, prospects, financial condition, cash flows or results of operations.

The Group faces competition from other suppliers of oil and gas.

The sale of crude oil and gas internationally is very competitive. The Company's primary competitors for the sale of crude oil include international oil companies, many of which have substantial crude oil reserves and financial resources. The primary factors driving competition are global crude oil supply and demand and the quality of the crude oil produced, which impacts the relative value of the crude oil to be used in the production of diesel, gasoline and other refined products. Other factors that could affect competition in the crude oil marketplace include additional discoveries of crude oil reserves by the Company's competitors, new technologies that increase the viability of reserves or reduce production costs, political and economic factors and other factors outside of the Company's control. Increased competitive pressures could have a material adverse impact on prices at which the Company can sell crude oil and its regional and global market share and could also impact the Company's bargaining power when negotiating with counterparties. Further, many of the Group's products compete in commodity-type markets where product differentiation poses a significant challenge. Where competitiveness is principally driven by price, the importance of cost efficiency is critical to maintaining and growing the Company's market share. If the Company fails to adapt its strategy and improve its cost-control measures, it may be unable to compete effectively in certain markets.

In addition, the Company's refineries in its downstream segment are subject to competition in the geographies to which they sell refined products or petrochemicals. Competition is primarily from other refineries located in, or in close proximity to, the relevant market, and in the case of refineries that are net importers, from other international producers. Operating efficiencies and production costs are the key factors affecting competition in the refined products and chemicals markets. Accordingly, if the operating efficiencies and production costs of the Company's refineries in its downstream segment are not sufficiently competitive in the geographical markets they serve, the Company's business, financial position and results of operations could be materially and adversely impacted.

The reported quantities or classifications of the Company's 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.

There are numerous uncertainties inherent in estimating the quantity of reserves and in projecting future rates of production, including many factors beyond the Company's control. Estimating the quantity of reserves is a subjective process, and estimates made by different experts often vary significantly. In addition, the results of drilling, testing and production subsequent to the date of an estimate may result in revisions to that estimate. Accordingly, reserves estimates may be different from the quantity of crude oil and natural gas that is ultimately recovered, and, consequently, the revenue therefrom could be less than that currently expected. The significance of such estimates is highly dependent upon the accuracy of the assumptions on which they are based, the quality of the information available and the ability to verify such information against industry standards.

The Company calculates its reserves using both PRMS and Kazakhstan methodology. The reserves data contained in this Base Prospectus is, unless otherwise stated, taken from reserves analyses prepared in accordance with Kazakhstan methodology by the Company's professional engineering staff, whilst the reserves data used to calculate the Company's consolidated depreciation, depletion and amortisation expenses for financial reporting purposes is taken from reserves reports prepared in accordance with PRMS prepared by independent petroleum engineering consultants.

Estimates derived using Kazakhstan methodology may differ substantially from those derived using PRMS, SEC Standards and other international standards, in particular, with respect to the manner in which, and the extent to which, commercial factors are taken into account in calculating reserves. In particular, to the extent that reserves data contained in this Base Prospectus is based on Kazakhstan methodology rather than PRMS or SEC Standards, such data may, by international standards, significantly overstate the Company's recoverable reserves. In any case, all reserves data comprises estimates only and should not be construed as representing exact quantities. These estimates are based on production data, prices, costs, ownership, geological and engineering data and other information assembled by the Company's subsidiaries, joint ventures and associates, and assume, amongst other things, that the future development of the Company's oil and gas fields and the future marketability of the Company's oil and gas products will be similar to past development and marketability. These assumptions may prove to be incorrect. Moreover, the reserves data used to calculate the Company's consolidated depreciation, depletion and amortisation expenses for financial reporting purposes may differ substantially from the reserves data contained in this Base Prospectus as a result of the differences between Kazakhstan methodology and PRMS and SEC Standards. Potential investors should not place undue reliance on the forward looking statements contained herein concerning the Company's reserves or production levels.

If the assumptions upon which the Company's or any consultant's estimates of reserves of crude oil or gas have been based are incorrect, the Company may be unable to produce the estimated levels of crude oil or gas set out in this Base Prospectus and the Company's business, prospects, financial condition, cash flows or results of operations could be materially adversely affected.

Certain of the Company's customers and business associates are subject to U.S. and EU sanctions, the Company may in future be subject to sanctions, and the ongoing or future impact of such sanctions may have an adverse effect on the Company.

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. The Group has business relationships with each of Transneft, Lukoil and Gazprom and, in particular, generates significant revenues from the volumes of natural gas transported by Gazprom through the Company's pipelines. In addition, the Company is party to a joint venture Zhenis Operating LLP, which is shared 50/50 with Lukoil, for exploration of oil and gas in Kazakhstan territory. Whilst the Company does not believe it or the joint venture are subject to sanctions as of the date of this Base Prospectus, there is a risk this could change in the future should the sanctions regime change.

Whilst the Company has not been sanctioned by any relevant authority, there can be no assurance that the Company will not be sanctioned in the future. For example, the Company is currently a party to a joint venture with an entity controlled by Lukoil and Gazprom for deepwater exploration in Russian territory. The joint venture is the result of inter-governmental agreements between Kazakhstan and Russia. To date, the Company has not made any significant investments in this joint venture and the funding has been provided by its Russian partners. In addition, the joint venture is immaterial to the Company's consolidated operations. 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. If the Company were to be sanctioned in the future, some of its investors, in the U.S., in the EU 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 Company, both U.S. and non-U.S. and including various sources of funding for the Company, may be required, or may decide for reputational reasons or otherwise, to cease their business relationships with, or divest their investments in, the Company. Any of these factors could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Furthermore, the EU and U.S. have imposed sectoral sanctions on entities operating in certain sectors of the Russian economy, in particular in the financial, oil and gas, defence and related materials sectors. With respect to the financial sector, under these sectoral sanctions the EU and U.S. imposed prohibitions on transactions by EU and U.S. persons or within the EU or U.S. with respect to transacting in, providing financing for, or otherwise dealing in debt with a prescribed maturity or equity, if that debt or equity is issued on or after prescribed dates by, or on behalf of, or for the benefit of named persons, their property, or their interests in property. The Company and its affiliates have in the past borrowed under a number of loan agreements with Russian banks, certain of which, including PJSC Sberbank, are included on the list of sanctioned entities. Whilst borrowing from these banks is not currently restricted, as a result of the imposition of sanctions on certain Russian financial institutions, the Company's continued and future access to funding from Russian banks may be limited as such banks may be unable to offer funds, particularly in U.S. Dollars, to companies at an acceptable cost, if at all. Accordingly, the Company's available funding sources may become more limited and there can be no assurance that the Company will be able to find alternative available funding on the same or better terms, if at all.

The operations of the Company's 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.

The Company is subject to legal, regulatory and contractual obligations in the normal course of its business. For example, the Company's operations must be carried out in accordance with the terms of its subsoil use contracts and annual working programmes and budgets as set forth in the subsoil use contracts. Such subsoil use contracts are in turn regulated by certain Kazakhstan laws and regulations.

Since the mid-2000s, legislation applicable to oil and gas exploration and production in Kazakhstan has been amended several times. On 29 June 2018, a new subsoil regulation (the "**Subsoil Code**") entered into force and replaced the Law "On Subsoil and Subsoil Use" (No. 291-IV, dated 24 June 2010) (as amended, the "**Subsoil Law**"). The Subsoil Code regulates the natural resources industry, including oil and gas production. In particular, the Subsoil Code sets out certain circumstances in which subsoil use contracts may be suspended or terminated early or fines may be imposed against subsoil users, such as the Company. The Subsoil Code also gives the Government the opportunity to unilaterally review the terms of subsoil use contracts, including production sharing agreements ("**PSAs**"), in the event of a threat to the economic interests of Kazakhstan with respect to deposits of strategic importance. See "*Regulation in Kazakhstan—Regulation of Mineral Rights in Kazakhstan—New Regulation of Subsoil Use Rights under the Subsoil Code—The State's Pre-Emptive Righ and Strategic Deposits*".

Government agencies can, and do from time-to-time, inspect the Company's compliance with its subsoil use contracts and applicable laws and regulations. There can be no assurance that the views of the Government agencies regarding the development of the Company's fields or compliance with the terms of its subsoil use contracts will coincide with the Company's views, which might lead to disagreements that cannot be resolved. The suspension, revocation or termination of any of the Company's subsoil use contracts, as well as any delays in the continuous development of or production at the Company's fields caused by these disagreements, could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Laws applicable to the Company's operations are subject to change, and the Company must achieve and maintain compliance with new regulations, which could involve significant management time and expense and could adversely impact its business. The oil and gas industry can be expected to be the focus of continuing attention from a regulatory perspective. In other developing countries, petroleum companies have faced the risks of expropriation, breach or abrogation of project agreements, application of laws and regulations from which such companies were intended to be exempt, denials of required permits and approvals, increases in royalty rates and taxes that were intended to be stable, application of exchange or capital controls and other risks and any such actions or events in Kazakhstan could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Government policies and regulations on the oil and gas sector, including in respect to pricing and domestic supply requirements, may affect the Group's business.

The Government requires all oil producers in Kazakhstan, including the Company, to supply some of their crude oil production to domestic refineries to meet domestic energy requirements, primarily in the agriculture sector. The Government decides the volume of crude oil that needs to be supplied to the domestic market on a monthly basis. As domestic consumption of oil and refined oil products rises, the Company may be compelled by the Government to sell a larger portion of its production in furtherance of socially-mandated policies. If the Government does increase the Group's domestic supply quota over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less upstream 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 addition, the Company is required to supply natural gas to the domestic market at prices which are regulated by the Government, are lower than export prices and have in the past been lower than the cost of production of such natural gas. As a result, whilst the Government and utilities are moving toward a market-based user-pay system, the Company currently incurs losses on its domestic supply of gas at current prices and domestic supply takes precedence over gas available to the Company to put back into production or for export opportunities.

Between June 2008 and June 2015, the Government instituted a number of temporary bans on the export of gasoline and diesel fuel from Kazakhstan in order to stabilise the prices of oil products in the domestic market. There can be no assurance that additional bans will not be imposed in the future.

When the Company supplies crude oil and gas and produces oil and gas products pursuant to socially-mandated policies or a request by the Government or is subject to an export ban, its sales of the relevant products usually generate substantially less revenue than sales of such products in the export market at international market prices and the Company's business, prospects, financial condition, cash flows or results of operations may be materially adversely affected.

The Group faces risks associated with regulated oil and gas transportation tariffs, some of which have been and may be set by the Government at below cost.

The Company's domestic and transit transportation tariffs for oil and natural gas are subject to regulation and approval. Such tariffs may be set at rates unfavourable to the Company, and it may be difficult for the Company to make a profit if such tariffs are set below cost.

Domestic transportation tariffs for oil and gas currently require the approval of the Committee for Regulation of Natural Monopolies under the Ministry of the National Economy of the Republic of Kazakhstan (the "**Natural Monopolies Committee**"). The Natural Monopolies Committee has set capped tariffs for such domestic transportation of oil and gas. The Company's oil transportation subsidiaries KTO and KCP and the Company's oil transportation joint venture Munaitas charge (through their respective subsidiaries) the Company's subsidiaries, joint ventures and associates and other shippers fixed tariffs for domestic shipments of oil through their pipeline systems, and the Company's gas transportation subsidiaries ICA and KTG-Aimak Trunk Pipeline and its gas transportation joint ventures AGP and BSGP each charge costs *plus* a fixed profit for domestic transportation of gas through their pipeline systems. KTO has submitted a five year tariff to the Natural Monopolies Committee for review, and KCP has a tariff in place which has been approved until 2024, whilst ICA, AGP, BSGP and KTG-Aimak Trunk Pipeline have each received approvals from the Natural Monopolies Committee until 2021. The tariffs set by the Natural Monopolies Committee for the domestic transportation of oil are currently set at a rate below the Group's cost. To the extent that the Natural Monopolies Committee caps domestic oil transportation tariffs, or any other regulated tariffs, below cost, this would have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

The Company's transportation subsidiaries KTO and KCP also charge fixed tariffs for the transit of Russian crude oil through their pipeline systems to China. Whilst tariffs for the export of crude oil and for the transport and export of gas were deregulated in 2015, tariffs for the transit of crude oil by a trunk pipeline are subject to approval by the Ministry of Energy. The Ministry of Energy has set capped tariffs for such transit oil transportation. Each of KTO and KCP have received approval from the Ministry of Energy for their current crude oil transit tariff levels until 2023. To the extent that the Ministry of Energy were in the future to cap tariffs at rates unfavourable to the Company, this would have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

The Group's domestic and transit transportation tariffs may be affected by social and political considerations and have historically been subject to both upward and downward revisions. No assurance can be given that any actions of the Natural Monopolies Committee or the Ministry of Energy, such as setting domestic and transit oil and gas transportation tariffs at lower than cost, will not have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

The Company is dependent on senior management and key personnel.

Whilst the Company currently has a strong senior management team, such senior management and key personnel may voluntarily terminate their employment with the Company or leave their positions due to reasons beyond the Company's control. The Company's success depends upon its ability to identify, hire, develop, motivate and retain highly-qualified senior management and key personnel. If the Company experiences a large number of retirements or departures of its oil and gas experts in a relatively short period of time, attracting and retaining a sufficient number of replacement personnel may be challenging. If the Company 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 Company's business, prospects, financial condition of results of operations.

The Group is subject to legal proceedings from time-to-time.

In common with many large companies, the Group is subject to legal proceedings, regulatory investigations and examinations and other forms of litigation brought by third parties relating to, amongst other things, civil, administrative, environmental, labour and tax claims. These claims could involve a wide range of issues and in certain instances substantial amounts have been or could be claimed. See "*Business—Litigation*". Due to the nature of these proceedings, the Company is not able to forecast or determine the final results of such proceedings. Resolution of these types of matters against the Group may result in it having to pay significant fines, judgments or settlements, which, if uninsured, or if the fines, judgments and settlements exceed insured levels, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

The Government, Samruk Kazyna and NBK, the indirect and direct shareholders of the Company, are also subject to legal proceedings from time to time, which may, in turn, impact upon the Company's business. For example, in January 2018, the Amsterdam District Court issued a judgment in which it upheld an earlier ex parte attachment granted to Anatolie Stati, Gabriel Stati, Ascom Group S.A. and Terra Raf Trans Traiding Ltd with respect to the Republic of Kazakhstan's 50 per cent. shareholding in KMG Kashagan B.V., which is held through Samruk Kazyna and under trust management for Samruk Kazyna by the Company (the "**Stati case**"). On 7 May 2019, the Amsterdam Court of Appeal confirmed this attachment order. Samruk Kazyna has publicly stated that the attachment has no effect on the day to day management of its stake in KMG Kashagan B.V., save for imposing a restriction on the payment of dividends by KMG Kashagan B.V. to Samruk Kazyna. Whilst the attachment does not relate to the 8.44 per cent. interest the Company holds in NCPC through its 50 per cent. interest in KMG Kashagan B.V. and the Company is not currently a party to the Stati case, the Company is unable to exercise its call option to purchase Samruk Kazyna's shareholding in KMG Kashagan B.V. whilst the case is pending so will not benefit from greater ownership of Kashagan Field. Further, there can be no assurance that current or future proceedings brought against the Government or Samruk Kazyna will not seek to attach assets held either directly or indirectly by the Company or otherwise adversely affect the Company's business, prospects, financial condition, cash flows or results of operations.

The Group is leveraged and is required to comply with certain financial and other restrictive covenants.

As a result of the Company's acquisition-driven growth strategy and large capital expenditures programme over the last several years, the Company is leveraged, with total borrowings of KZT 3,967 billion as at 30 June 2020 (both in Notes previously issued under the Programme and its syndicated and bilateral debt facilities). Furthermore, the Company may acquire businesses that are leveraged which, in turn, may result in an increase in the overall debt burden and leverage of the Group.

Further, certain of the Company's subsidiaries are subject to financial and other restrictive covenants under the terms of their indebtedness. Such covenants may in turn impose obligations on the Company as a material subsidiary under such indebtedness. For example, the Company's wholly-owned subsidiary KTG has a leverage covenant in place under the terms of its indebtedness, which, if breached, would put the Company in cross-default. In the past, the Company has assisted its subsidiaries in achieving compliance with their financial and other restrictive covenants as needed, particularly in times of negative market conditions. Compliance with these covenants may affect the flexibility of the Group to operate and the flexibility of the Company to pay dividends.

On 23 September 2020, the Company launched a tender offer and consent solicitation (the "**Liability Management Transaction**") inviting holders to tender certain series of Notes issued under the Programme (which include restrictive covenants which differ to those contained in the "*Terms and Conditions*" set out in this Base Prospectus) and concurrently to consent to amend the relevant conditions to provide for mandatory early redemption of each such series of Notes. If successful, the settlement date of the Liability Management Transaction is expected to be on or around 30 October 2020.

In addition, certain of the Company's subsidiaries have issued unsecured or guaranteed debt. For example, in September 2017, KTG issued Eurobonds in an aggregate principal amount of US$750 million, which are guaranteed by ICA. Notes issued under the Programme are structurally subordinated to debt issued or incurred by the Company's subsidiaries, due to the fact that in an insolvency the creditors of subsidiary debt will have access to the assets of such subsidiaries before creditors of the Company.

Whilst the Company's subsidiaries are currently in compliance with all financial covenants applicable to them, the Company's management cannot give any assurance that the Company's subsidiaries will be able to meet the tests imposed by the financial and other restrictive covenants under the terms of its respective indebtedness or that they will be able to obtain consents to amend or waivers in respect of such covenants in the future. If the Company or its subsidiaries are unable to comply with the restrictions and covenants in its existing or future debt and other agreements, a default under the terms of those agreements may result. In the event of a default under these agreements, the parties may terminate their commitments to further lend to the Company or the relevant subsidiaries or accelerate the debt and declare all amounts borrowed due and payable triggering events of default in other finance agreements, including pursuant to the Term and Conditions of the Notes. If any of these events occurs, the Company cannot guarantee that available assets would be sufficient to repay in full all of the affected indebtedness, or that the Company would be able to secure alternative financing. Even if the Company could obtain alternative financing, the Company's management cannot guarantee that such financing would be on terms that are favourable or acceptable to the Company.

The Company's insurance coverage may not cover all potential losses arising from operational hazards and unforeseen interruptions.

The Company has a unified insurance programme for substantially all of its subsidiaries and affiliates. This insurance programme covers property damage and natural catastrophes, well control, third-party liability coverage, including sudden and accidental pollution, and directors' and officers' liability insurance. The extent of such insurance coverage may, however, be limited and may not include for example machinery business interruption cover, which has been maintained in respect of only certain of the Company's processing assets. There are a number of mandatory statutory insurance covers maintained for employer's liability insurance, environmental liability and hazardous object owner's liability insurance. Overall, the insurance programme does not mandate and the Company does not carry dedicated insurance against environmental damage caused by its own operations, cyber attacks, war, sabotage or terrorist attacks. See "*Business—Insurance*". The Company can give no assurance that the proceeds of insurance are adequate to fully cover increased costs and expenses relating to potential losses or liabilities. Accordingly, the Company may suffer losses from uninsurable or uninsured risks or insufficient insurance coverage, particularly if they arise at a time when the Company is facing material cost increases as a result of a significant operational event which could put pressure on the Company's liquidity and cash flow.

The Company faces drilling, exploration and production risks and hazards.

The Company's production operations are subject to risks associated with natural disaster, fire, explosion, blowouts, encountering formations with abnormal pressure, the level of water cut, cratering and crude oil spills, traffic accidents, safety incidents and other accidents each of which could result in substantial damage to the crude oil wells, production facilities, other property, the environment or result in personal injury or death. Any of these risks could result in loss of crude oil and gas or could lead to environmental pollution and other damage to the Company's properties or surrounding areas and increased costs or claims against the Company's subsidiaries, joint ventures or associates, as well as cause reputational damage. For example, whilst in 2019 the Company reduced the overall injury rate by four per cent., reduced the number of major (critical) accidents by 11 per cent., and reduced the number of traffic accidents and fires by 33 and 17 per cent., respectively, year-on-year from 2018 to 2019, in the second half of 2019 the Company lost two employees in a highway traffic accident and a fire in living quarters. Any of these drilling, production and exploration accidents, risks and hazards could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

The Company is exposed to risks related to concentration of its cash accounts and deposits.

As at 30 June 2020, the majority of the Company's deposits is kept in Kazakhstan in local banks and banks with foreign participation (64 per cent. of the total amount or US$2,184 million). Of this, 97 per cent. (US$2,115 million) is placed within four banks in Kazakhstan whose S&P credit rating is at least BB. For a breakdown of the cash balances at each bank as of 31 December 2019, see Note 32 to the Financial Statements. Whilst the Company regularly analyses banks on their credit risks and the need to change the allocation of cash accounts and deposits in banks, in the event that the Kazakhstan banking sector and specifically any of the banks at which the Company maintains deposits encounters difficulties, it could result in the freezing of all or a portion of the Company's cash, adversely affecting the Company's liquidity and ability to pay its obligations, which could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

The Company may be subject to exchange and interest rate risk.

The Company's principal exchange rate risk involves changes in the value of the U.S. Dollar relative to the Tenge and, to a lesser extent, relative to other currencies. Most of the Company's cash inflows, as well as its accounts receivable balances, are denominated in U.S. Dollars, whilst a significant amount of the Company's costs of sales are denominated in Tenge. On the revenue side, all of the Company's export revenue, including the exports of crude oil and refined oil products, are denominated in U.S. Dollars or are correlated with U.S. Dollar-denominated prices for crude oil and refined oil products. Because most of the Group's revenue is denominated in U.S. Dollars, whilst 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.

As at 30 June 2020, KZT 3,671.4 billion of the Company's indebtedness was denominated in U.S. Dollars (representing 92.5 per cent. of the Company's total indebtedness of KZT 3,967.3 billion as at that date). 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, including in the second quarter of 2020 when the Tenge depreciated in value against the U.S. Dollar in connection with worsening global economic conditions.

The Company is also exposed to interest rate risk on its indebtedness. The Company's policy is to manage its interest rate cost using a mix of fixed and variable rate borrowings. As at 30 June 2020, the Company had loans and borrowings outstanding in an aggregate amount of KZT 3,967.3 billion, of which KZT 3,338.8 billion bears interest at fixed rates and KZT 628.5 billion bears interest at floating rates. The Company incurs debt for general corporate purposes including financing capital expenditures, financing acquisitions and working capital needs. Upward fluctuations in interest rates increase the cost of new debt and the interest cost of any outstanding variable rate borrowings which could have a material adverse effect on the Group's business, financial condition or results of operations or prospects.

There can be no assurance that the framework around being a national company or national operator will not change or that the benefits of being a national company or national operator will not change.

Under current legislation, a Kazakhstan company is designated a national company where it is at least 50 per cent. owned by the Government or by a national holding company. In accordance with the Decree of the President of the Republic of Kazakhstan No. 811 dated 20 February 2002, the Company was established as a national company, with the purpose of increasing the level and protection of the Government's interests in the oil and gas sector of Kazakhstan's economy. Furthermore, the Company was included as a national company in the list of national companies under the Decree of the Government of the Republic of Kazakhstan No. 376 dated 6 April 2011, which confirmed its legal status in compliance with law. The Subsoil Code provides that the Ministry of Energy of the Republic of Kazakhstan may exercise the state priority right through a national company or national management holdings. As such, the Company is able to exercise a priority right in the oil and gas sector, as the national company for oil and gas. There can be no assurance, however, what terms and conditions may be imposed on the Company in its capacity as a national company. In particular, there can be no assurance that the Subsoil Code or other relevant implementing legislation will not be amended to alter the rights to which a national company is entitled. For example, previously, the legal framework *provided that* the national oil and gas company had a pre-emptive right with regard to all oil and gas deposits in Kazakhstan, but this was amended in 2014 so the national oil and gas company now only has a pre-emptive right with regard to strategic oil and gas deposits in Kazakhstan. See "*Regulation in Kazakhstan—Regulation of Mineral Rights in Kazakhstan—New Regulation of Subsoil Use Rights under the Subsoil Code—State's Pre-Emptive Right and Strategic Deposits*".

The Law "On Gas and Gas Supply" (Law No. 532-IV, dated 9 January 2012) (the "**Gas Law**") introduced the concept of a "national operator" with wide powers and functions representing state interests in the sphere of gas and gas supply in Kazakhstan, including in particular the transportation of gas. Under the Gas Law, a national operator is entitled, *inter alia*, to exercise the pre-emptive right of the State on purchase of raw and commercial gas, acquire units of unified commercial gas supply system and carry out the wholesale trade of commercial gas. Hence, in accordance with the Decree of the Government of the Republic of Kazakhstan No. 914 dated 5 July 2012, KTG, a fully owned subsidiary of the Company, was appointed as the national operator. As a result, KTG has been given a priority right to purchase all associated gas produced in Kazakhstan at a regulated price, which it then can sell on the domestic market at a premium, with a view to using a significant portion of the premium to modernise and extend the domestic network. There can be no assurance what terms and conditions will continue to be imposed on KTG in its capacity as national operator by the Government or the Gas Law, as a new decree may be adopted or new amendments to the Gas Law may be introduced in the future.

The Company may or may not undertake strategic acquisitions or disposals, may fail to complete prospective acquisitions or may fail to successfully integrate recent or future acquisitions.

The Company has expanded its operations significantly through acquisitions and may continue to do so in the future. In addition, the Company has streamlined its business and corporate structure through disposals in the past and may continue to do so in the future. The Company continually assesses strategic acquisition targets or disposals. Further, the Company may be required by its shareholders to acquire certain businesses that may not be strategic or profitable. For example, the Company may acquire one or more of the petrochemical businesses under trust management in the short- to medium- term. See "*Business—Refining, Marketing and Trading—Trust Management Agreements in petrochemical projects*". Any acquisition or disposal entails various risks, including that the Company may not be able to complete a strategic acquisition, accurately assess the value, strengths and weaknesses of the target business, effectively integrate the business, achieve the expected synergies or recover the purchase costs of the acquisition.

For example, the Company is considering the potential disposal of its subsidiary JSC KazTransGas ("**KTG**"), the "national operator" for the transportation of gas. There can be no assurance that KTG will be disposed of successfully or at all. Any such spin-off would be subject to necessary approvals, and it is not excluded that such disposal could take place without fair compensation. KTG contributed 22 per cent. of revenue and 35 per cent. of EBITDA to the Company in the six months ended 30 June 2020. If the Company disposes of KTG, it could decrease efficiencies in and revenues from the Company's midstream operations and may have a significant adverse effect on the Company's financial performance, results of operations and could negatively impact the Company's credit ratings.

On 16 October 2015, Coöperatieve KazMunaiGaz U.A., which had been the sole shareholder of KMG Kashagan B.V., sold 50 per cent. of its shares to Samruk-Kazyna for US$4.7 billion, with a call option to buy back all or part of the shares at any time between 1 January 2018 to 31 December 2020. In January 2018, the exercise period for the call option was extended to between 1 January 2020 and 31 December 2022. The Company may exercise its right to buy back shares pursuant to this call option. However, no assurance can be made that such a buy back will occur successfully or at all. See "*—The Group is subject to legal proceedings from time to time*" above.

The integration of acquired businesses and/or the sale of businesses requires significant time and effort on the part of the Company's senior management and any acquisition may require additional capital expenditures. Furthermore, the Company may acquire businesses that are leveraged which may in turn result in an increase in the overall debt burden of the Group and could negatively impact the Company's credit ratings. Moreover, such assets businesses may be loss-making which may have a negative financial impact on the Group's performance. Integration of new businesses can be difficult because the Company's operational and business culture may differ from the cultures of the businesses it acquires, cost cutting measures may be required (which can result in initial cash expenditures) and internal controls may be more difficult to maintain, including control over cash flows and expenditures. Moreover, even if the Company is successful in integrating newly-acquired businesses, asset appraisals, expected synergies and cost savings may not materialise, resulting in lower than expected profit margins. The Company may also incur unanticipated costs or assume unexpected liabilities and losses in connection with any acquisition or disposal, including in relation to the retention of key employees, legal contingencies and risks relating to the acquired business. Any failure to undertake or complete strategic acquisitions or disposals, successfully integrate past or future acquisitions, to recruit and retain qualified staff to oversee such acquisitions or to realise synergies or control costs could adversely affect the Company's business, prospects, financial condition, cash flows or results of operations.

The Company operates in a number of remote areas that are difficult to access.

Because of the remote location of many of the Company's operations, the Company generally does not have immediate access to equipment or facilities to address problems such as equipment breakdowns and failures and delays may occur in accessing required materials or supplies in order to carry out necessary repairs or maintenance. Similarly, operating in remote areas exposes the Company's operations to risks caused by poor infrastructure, such as power outages, which can reduce oil production. Further, Kazakhstan's climate is characterised by harsh winters and hot summers. A large number of the Company's facilities and large segments of its networks are located in areas that experience severe weather conditions, particularly in winter, and extreme variability in winter and summer weather, which can accelerate wear and tear on pipelines and related equipment. For example, in the part of Kazakhstan where the Kashagan Field is located, winter temperatures can drop to -40°C, whilst summer temperatures can reach +40°C. Extremely harsh weather conditions paired with the remoteness of certain of the Company's facilities may make it difficult to gain access to conduct repair or maintenance quickly or to reach drilling sites and other facilities. The remote location of many of the Company's operations also makes its assets and infrastructure susceptible to targeted attacks, as the infrastructure is less easily monitored or protected. As a result, the Company may not be able to immediately respond to or repair damage resulting from such acts, which could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

The Company relies on the services of third parties.

The Company relies to a large extent on external contractors and sub-contractors to carry out maintenance of the Company's assets and infrastructure who are responsible for the adequacy of the resources and capabilities they bring to a project. For example, although the Company is actively seeking to perform certain of these services internally, a significant majority of the maintenance work relating to upstream and midstream operations performed by the Company is carried out by external contractors and sub-contractors and, in line with the Company's strategy and its goal of headcount optimisation in the Company's upstream activities, work related to non-core assets is expected to continue to be outsourced. The Company relies on external contractors and sub-contractors in all regions of Kazakhstan to perform major works, such as wells workovers and maintenance, repairs and maintenance of equipment, drilling systems, pumping units, pipe isolation systems and electrochemical protection systems, maintenance and replacement of pipes and maintenance of other general buildings and structures. As a result, the Company is largely dependent on the satisfactory performance by its external contractors and sub-contractors and the fulfilment of their obligations, and any non-performance may result in operational, financial and safety risks as well as legal liability and reputational damage. If an external contractor or sub-contractor fails to perform its obligations satisfactorily, this may lead to delays or curtailment of the production, transportation, refining or delivery of oil and gas and related products, which could have an adverse effect on the Company's results of operations. Further, if any safety incidents occur, such contractors and sub-contractors may be unwilling or unable to fully compensate the Company against costs incurred on their behalf.

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

The oil and gas industry is subject to fast evolving risks from cyber threat actors, including criminals, terrorists, activists and insiders. The Company relies on the security of critical information and operational technology systems for, amongst other things, the exploration, development, production, storage and distribution of its 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 the Company, a breach or failure of the Company's IT systems due to intentional actions such as attacks on its cyber security, power outages, disruptions or other factors, could seriously disrupt the Company'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 the Company's assets, legal or regulatory breaches and potentially legal liability. Breaches of other Group companies or joint ventures could also result in significant costs or reputational consequences. For example, in 2017, NCPC was one of the organisations affected by the "WannaCry" ransomware attack (in which the devices of many well-known organisations were infected with ransomware, which encrypted these organisations' files and threatened to delete them unless the hackers were paid a bounty), although oil production was not affected, there were no safety issues and data was recovered and the systems were back to normal in a short time. Any future disruptions, breaches or failures could result in significant costs or reputational consequences and could adversely affect the Company's business, prospects, financial condition, cash flows and results of operations.

Risks Factors Relating to the Region in which the Company Operates

The Company exports a substantial portion of its crude oil and gas to customers in certain regions, and adverse economic, political or legal developments in these regions could impact the Company's results of operations.

The Group's results of operations are subject to economic, political and legal developments in the regions in which its customers are located, including the Commonwealth of Independent States, Romania and other European countries, and China. For the year ended 31 December 2019, 70 per cent. of the Group's oil sales were exports (primarily to Europe and China), 39 per cent. of the Group's gas sales were exports (with 81 per cent. exported to China and 11 per cent. exported to Russia) and 26 per cent. of the Group's petroleum product sales were exports (primarily to Europe, China, Russia and Tajikistan), and the Group expects that a significant portion of the Group's sales will continue to be attributable to customers based in these regions. Accordingly, the economic, political and social conditions, as well as government policies, of these countries may affect the Group's business in many respects, including amongst others: (i) degree of government involvement; (ii) growth rate; (iii) control of foreign exchange and investment and (iv) allocation of resources. Changes in political, economic and social conditions, laws, regulations and policies, or the Group's inability to sell its products into these regions on commercially viable terms or at all, could result in, for example, the Group incurring additional transport costs to ship its products to customers further afield or the Group otherwise needing to sell its products via brokers to new markets, each of which could result in lower margins for the Group. This could turn could have a material adverse effect on the Group's business, prospects, financial condition, cash flows, results of operations and/or the price of the Notes.

The Group is largely dependent on the political, economic and geopolitical conditions prevailing in Kazakhstan.

A majority of the Group's assets and operations are located in Kazakhstan. As a result of this geographic concentration, the Group is particularly sensitive to any change in the political environment in Kazakhstan as well as any weakness in the economy, including specifically the local oil and gas markets.

Kazakhstan became an independent sovereign state in 1991, as a result of the dissolution of the former Soviet Union. Since 1992, Kazakhstan has 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. However, as with any transition economy, there can be no assurance that such reforms will continue or that such reforms will achieve all or any of their intended aims. Following the resignation of Kazakhstan's first President Nazarbayev, who led Kazakhstan since its independence in 1991 until 2019, Mr. Tokayev was elected as president of Kazakhstan in June 2019. Any changes in policy which might result from the change in leadership may impact the political and economic situation in Kazakhstan, and its geopolitical relations more broadly, which might impact the investment climate in the country.

Kazakhstan depends on neighbouring states to access world markets for a number of its major exports, including oil and natural gas. Thus, Kazakhstan is dependent upon good relations with its neighbours to ensure its ability to export. Should access to these export routes be materially impaired, this could adversely impact the economy of Kazakhstan. Moreover, adverse economic factors in regional markets may adversely impact Kazakhstan's economy, which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

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 — "*Risks relating to the Company's business—The Group is subject to legal proceedings from time to time*".

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 Company's business, financial condition or results of operations.

The Government adopted its budget for 2020-2022 on 4 December 2019 (as subsequently adjusted by the Decree of the President of the Republic of Kazakhstan On the updated republican budget for 2020, No. 299, dated 8 April 2020), which allocates funds for the implementation of key Government projects and economic reform programmes. Kazakhstan's economy and finances have and continue to experience slower levels of growth since the global financial crisis which began in 2008. According to Government statistics, real GDP growth was 4.1 per cent. in 2017, 4.1 per cent. in 2018 and 4.5 per cent. in 2019. The International Monetary Fund forecasts real GDP to shrink by 2.7 per cent. in 2020.

In September 2020, 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 Company'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 Company's prospects, business, financial condition and results of operations.

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

The Law of Kazakhstan "On Currency Regulation and Currency Control" dated 2 July 2018, as amended, empowers 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 may impose other requirements and restrictions on currency transactions when the economic stability of Kazakhstan is threatened.

In order for Kazakhstan to remain in compliance with its membership obligations under the charter of the International Monetary Fund, the currency regime cannot restrict residents from repaying foreign currency-denominated obligations. As at the date of this Base Prospectus, the Government has not invoked the aforesaid statutory provisions. Accordingly, it is unclear how any implementation of the new currency regime would ultimately impact the Company. However, any imposition of significant restrictions on the Company's foreign currency dealings could have a material adverse effect on the Company's business, prospects, financial condition 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. Kazakhstan was ranked 113th out of 198 countries in Transparency International's 2019 Corruption Perceptions Index. Kazakhstan's score in the 2019 index was 34 (with 1 the most corrupt score and 100 being the least corrupt). 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 Economic Forum 2019 Global Competitiveness Index, Kazakhstan was ranked 55th out of 141 countries.

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 and on the Company's business, prospects, financial condition, cash flows or results of operations.

Moreover, the Company has developed controls to identify and investigate potential corruption and violations of anti-corruption laws, but has in the past experienced instances in which its employees have been accused of or arrested on charges of corruption. For example, in each of 2018 and 2019, general directors of certain subsidiaries of the Company were arrested on accusations of bribery by anti-corruption authorities. The Company continues to work with law enforcement and anti-corruption agencies to strengthen its oversight and controls to avoid instances of bribery or corruption, but there can be no assurance that the Company will not in the future experience instances in which its employees are subject to allegations or investigations from time to time. Whilst there are no current material investigations or accusations pending against the Company's senior management, future accusations of or arrests of the Company's employees for corruption, or perception of corruption on the part of its employees, could have a material adverse effect upon the reputation of the Company, which could, in turn, have a material adverse impact on the Company's business, prospects, financial condition, cash flows or results of operations.

The Company 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 or Holders of the Notes 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 and for Holders of Notes.

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 Company cannot ensure the accuracy of official statistics and other data in this Base 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. Neither the Issuer nor the Company has independently verified such official statistics and other data and any discussion of matters relating to Kazakhstan in this Base 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 Base Prospectus has been extracted from official Government sources and was not prepared in connection with the preparation of this Base Prospectus.

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

Risk Factors Relating to Taxation

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 amongst 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, whilst 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 Base 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 Relating to KMG Finance

KMG Finance's ability to fulfil its obligations, if any, in respect of Notes issued by it under the Programme is entirely dependent on the Company and, in turn, the Company is dependent on receipt of funds from its shareholders, subsidiaries, joint ventures and associates.

KMG Finance's principal purpose is to provide funding, through the international capital markets, to the Company. Accordingly, KMG Finance's ability to fulfil its obligations under any Notes issued by it is entirely dependent on the performance of the Company and, in turn, the Company is dependent upon its subsidiaries, joint ventures and associates as a source of revenue. As a result, in considering the risks that may affect KMG Finance's ability to fulfil such obligations, potential investors should focus on the risk factor analysis set out below in respect of the Company and its ability to fulfil its obligations under the Guarantee in respect of Notes issued by KMG Finance, which analysis is equally applicable to KMG Finance's ability to fulfil its obligations, including payments of interest and repayment of principal, under the Notes. If a prospective investor purchases Notes, it is relying on the creditworthiness of the Company and no other person. In addition, an investment in any Notes involves the risk that subsequent changes in the actual or perceived creditworthiness of the Company may adversely affect the market value of Notes.

The Company's subsidiaries, including KMG Finance, joint ventures and associates are separate and distinct legal entities and they have no obligation to pay any amounts due under the Notes or the Guarantee or, necessarily, to make funds available for that purpose. In recent years, a significant proportion of the Company's cash flow has been derived from dividends paid to the Company by its subsidiaries, joint ventures and associates; however, future dividends to the Company may decrease. The Company can give no assurance that future dividends from the Company's subsidiaries, joint ventures and associates, if forthcoming, will be of a similar magnitude as those received in recent years. In addition, the Company's right to receive assets of any of the Company's subsidiaries, joint ventures or associates upon their liquidation or reorganisation, and consequently the right of the holders of the Guarantee to participate in those assets, will be subordinated to the claims of that subsidiary's, joint ventures' or associates' creditors, including trade creditors. Further, even if the Company were a creditor of any of its subsidiaries, joint ventures or associates, the Company's rights as a creditor would be subordinate to any security interest in the assets of the Company's subsidiaries, joint ventures or associates and any indebtedness of those entities senior to that held by the Company. In the event that dividends from the Company's subsidiaries, joint ventures and associates significantly decrease, the Company may not be able to fulfil its obligations under the Guarantee in respect of Notes issued by KMG Finance.

The Company has in the past also received funds from Samruk-Kazyna or the Government. There can be no assurance, however, that the Company will continue to benefit from loans and other financing from Samruk-Kazyna, the Government or Government-affiliated entities.

Risk Factors Relating to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features, which contain particular risks for potential investors. Set out below is a description of the most common such features:

The Company's payment obligations under the Notes and Guarantee, if applicable, will be structurally subordinated to the creditors of the Company's subsidiaries, joint ventures and associates.

In a case where KMG Finance is the Issuer, such Notes are required to, and will, be, guaranteed by the Company under the Guarantee. The Guarantee is exclusively an obligation of the Company. The Company's subsidiaries, joint ventures and associates are separate and distinct legal entities and they have no obligation to pay any amounts due under the Notes or the Guarantee or to necessarily make any funds available for that purpose, whether by dividends, distributions, loans or other payments.

In recent years, a significant amount of the Company's cash flows has been derived from dividends paid to the Company by its subsidiaries, joint ventures and associates; however, future dividends to the Company may decrease to the extent the subsidiaries, joint ventures and associates of the Company are required to fund capital expenditures or meet other costs or fines, including environmental fines, amongst other things, out of cash. The Company can give no assurance that future dividends from the Company's subsidiaries, joint ventures and associates, if forthcoming, will be of a similar magnitude as those received over the past few years.

Additionally, the Company's right to receive any assets of any of the Company's subsidiaries, joint ventures or associates upon their liquidation or reorganisation, and therefore the right of the holders of the Guarantee to participate in those assets, will be effectively subordinated to the claims of that subsidiary, joint ventures or associate's creditors, including trade creditors. In addition, even if the Company were a creditor of any of its subsidiaries, joint ventures or associates, the Company's rights as a creditor would be subordinate to any security interest in the assets of the Company's subsidiaries, joint ventures or associates and any indebtedness of those entities senior to that held by the Company.

Notes subject to optional redemption by the relevant Issuer.

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Inverse floating rate Notes.

Inverse floating rate Notes have an interest rate equal to a fixed rate *minus* a rate based upon a reference rate (LIBOR or EURIBOR). The market values of these Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of such Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/floating rate Notes.

Fixed/floating rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the fixed/floating rate Notes may be less favourable than then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

Interest rate risks exist because Notes have a fixed rate and the prevailing interest rates in the future may be higher than the fixed rate.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Regulation and reform of "benchmarks", including LIBOR, EURIBOR, the CMS Rate and other interest rate benchmarks may cause such "benchmarks" to perform differently than in the past, or to be discontinued, or have other consequences which cannot be predicted

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**"), the Constant Maturity Swap Rate ("**CMS Rate**") and other interest rates and indices which are deemed to be "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to be discontinued, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any notes linked to such a "benchmark".

On 17 May 2016, the Council of the European Union adopted the EU Regulation on Indices used as benchmarks and financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmarks Regulation**"). The Benchmarks Regulation entered into force on 30 June 2016 and, subject to certain transitional provisions, took effect from 1 January 2018. The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as LIBOR, EURIBOR and the CMS Rate will apply to many other interest rate indices which may be referenced in the Notes. The Benchmarks Regulation could have a material impact on "benchmark" rates or indices. In particular, the methodology or other terms of a "benchmark" could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Notes.

The Benchmarks Regulation and any other international, national or other proposals for reform or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuation of certain "benchmarks". The discontinuation of a "benchmark" or changes in the manner of administration of a "benchmark" could result in adjustment to the Conditions, early redemption, delisting or other consequence in relation to Notes linked to such "benchmark". Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a "benchmark".

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forward. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot be predicted.

In order to address the risk of a possible discontinuance of LIBOR (referred to above) and other reference rates, the Conditions include certain fallback provisions. These provisions apply to "Relevant Rates Benchmarks" (which will include LIBOR, EURIBOR, other similar interbank rates and any CMS Rate). The fallback provisions will be triggered if the Issuer determines that (i) the administrator or regulatory supervisor (or other applicable regulatory body) in connection with such Relevant Rates Benchmark announces that the administrator has ceased or will cease permanently or indefinitely to provide such Relevant Rates Benchmark and there is no successor administrator that will continue to provide the Relevant Rates Benchmark, or (ii) unless otherwise specified in the relevant Final Terms, an Administrator/Benchmark Event occurs in relation to such Relevant Rates Benchmark.

Following the occurrence of any of these events the Issuer may replace the Relevant Rates Benchmark with any "Alternative Pre-nominated Reference Rate" which has been specified in the relevant Final Terms or if no Alternative Pre-nominated Reference Rate is specified in the relevant Final Terms, with an alternative rate that is consistent with accepted market practice for debt obligations such as the Notes. If an Alternative Pre-nominated Reference Rate or other alternative rate is used then the Issuer may also make other adjustments to the Notes, including to the new rate and to the Margin, which are consistent with accepted market practice. In this respect, the Conditions provide that the Trustee shall agree to such amendments, to the extent it receives a certificate signed by two authorised signatories of the relevant Issuer certifying that each change which the relevant Issuer requires the Trustee to approve is a Benchmark Amendment (as defined in the Conditions) and that the effect of the required drafting of such change is solely to implement a Benchmark Amendment, irrespective of the effect thereof on affected Noteholders; provided, however, that the Trustee shall not be obliged to agree to any Benchmark Amendment which, in its sole opinion, would have the effect of (i) exposing the Trustee to any liabilities in respect of which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections of the Trustee in the Trust Deed, the Agency Agreement and/or the Conditions (as applicable).

If the Issuer is unable to identify an alternative rate and determine the necessary adjustments to the terms of the Notes then the Issuer may redeem the Notes.

The application of any of these fallbacks may adversely affect the value of the Noteholder's investment in the Notes. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should note that the Issuer, acting in good faith and commercially reasonable manner, may determine that a spread adjustment is required to be applied to the successor rate. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Noteholder, that any such adjustment will be favourable to each Noteholder.

Administrator/Benchmark Events

Where any variable by reference to which interest, principal or other amounts payable under the Notes is a "**Relevant Rates Benchmark**" for the purposes of the Conditions, the administrator or sponsor (or the Relevant Rates Benchmark) may be required to be authorised, registered, recognised, endorsed or otherwise included in an official register in order for the Issuer or the Calculation Agent to be permitted to use the Relevant Rates Benchmark and perform their respective obligations under the Notes. If the Issuer determines that such a requirement applies to the administrator or sponsor (or the Relevant Rates Benchmark) but it has not been satisfied then an "Administrator/Benchmark Event" will occur and the Issuer may then apply certain fallbacks.

In the case where the Notes reference a Relevant Rates Benchmark, the fallbacks summarised in the risk factor entitled "*Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR*" above will apply.

KMG Finance and the Company 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*".

Risk Factors Relating to the Notes

Trading in the clearing systems.

The Terms and Conditions of the Notes provide that Notes shall be issued with a minimum denomination of €100,000 (or its equivalent in another currency) and integral multiples of an amount in excess thereof in the relevant Specified Currency. Where Notes are traded in a clearing system, it is possible that the clearing systems may process trades, which could result in amounts being held in denominations smaller than the minimum denominations specified in the relevant Final Terms related to an issue of Notes. If Definitive Notes are required to be issued in relation to such Notes in accordance with the provisions of the terms of the relevant Global Notes, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of Definitive Notes unless and until such time as its holding becomes an integral multiple of the minimum denomination.

An active trading market for Notes may not develop.

Notes issued under the Programme may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. 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. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. 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 Regulated Market of the London Stock Exchange. In addition, unless otherwise agreed with the relevant Dealer(s) and provided for in the Final Terms, the Company will cause all Notes issued by the Company and KMG Finance under the Programme to be admitted to either (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/or (ii) the Astana International Exchange ("**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 AIX was launched in July 2018 and therefore has a very short history of operations. There may be no assurance that the AIX will attract a sufficient number of market participants and issuers to ensure acceptable trading volumes in the foreseeable future or at all. Moreover, the technological platform of AIX remains relatively untested given the early stages of its operations. Accordingly, market participants, issuers and other involved parties may experience technical difficulties with various aspects of AIX's operations, such as quotation and trading information and settlement. Any of these events could adversely affect the price of the Notes to the extent they are listed on the AIX.

The market price of Notes may be volatile.

The market price of Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Company's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Company operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors, including the trading market for notes issued by or on behalf of Kazakhstan as a sovereign borrower. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of Notes without regard to the Company's business, prospects, financial condition, cash flows or results of operations. Factors including increased competition, fluctuations in commodity prices or the Company's operating results, the regulatory environment, availability of reserves, general market conditions, natural disasters, terrorist attacks and war may have an adverse effect on the market price of Notes.

Financial turmoil in emerging markets may lead to unstable pricing of Notes.

The market price of Notes is influenced by economic and market conditions in Kazakhstan and, to a varying degree, economic and market conditions in other CIS countries and emerging markets generally. Financial turmoil in other emerging markets in the past has adversely affected market prices in the world's securities markets for companies that operate in those and other developing economies. Even if Kazakhstan's economy remains relatively stable, financial turmoil in other emerging markets could materially adversely affect the market price of Notes.

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 Company is organised in Kazakhstan and is subject to the bankruptcy law of Kazakhstan. Kazakhstan bankruptcy law may prohibit the Company from making payments pursuant to the Guarantee under certain circumstances. 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. Contractual provisions, such as those contained in the Guarantee, which would accelerate the payment of the debtor's obligations upon the occurrence of certain bankruptcy events, would accelerate the amount due but each accelerated amount becomes part of the total liabilities within the proper priority class.

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 institution of 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. Since Kazakhstan's courts are not experienced with complex commercial issues, there is no way to predict the outcome of a bankruptcy proceeding.

Exchange rate risks exist to the extent payments in respect of Notes are made in a currency other than the currency in which an investor's activities are denominated.

The relevant Issuer will pay principal and interest on the Notes and the Guarantor, if any, will make any payments under the Guarantee in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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. In addition, such risks generally depend on economic and political events over which the relevant Issuer and the Guarantor, if any, have no control. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payable on the Notes; and (iii) 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 well as the availability of a specified foreign currency at the time of payment of principal or interest, if any, on Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. Dollars would not be available at the maturity of a series of Notes. In that event, the relevant Issuer or the Guarantor, if any, as the case may be, would make required payments in U.S. Dollars on the basis of the market exchange rate on the date of such payment, or if such rate of exchange is not then available, on the basis of the market exchange rate as at the most recent practicable date.

Credit ratings do not reflect all risks.

The Company's credit ratings are an assessment by the relevant rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of the Notes. One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure and marketing of Notes issued under this Base Prospectus, and other factors that may affect the value of the Notes. Further, the credit ratings assigned to the Company or the Notes may change in future. 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.

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

The Company 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 Company 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 United Kingdom and many other countries. As a result, recognition and enforcement in Kazakhstan of judgments of a court in the United States, the United Kingdom and many other jurisdictions in relation to any matter may be difficult. See "*Enforcement of Civil Liabilities*".

In February 2010, the Parliament passed legislation amending Kazakhstan law to provide for certain immunities to government entities, including national companies, such as the Company, in the context of arbitration and foreign court judgments. Whilst 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 under the Programme should be considered a commercial activity (and, under the Trust Deed, the Company has, to the full extent permitted by applicable laws, waived any immunity that may be attributed to it in respect of the Notes or the Guarantee, if any), 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 below) in respect of the arbitration provisions contained in the Notes and the Trust Deed. 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 Civil Liabilities*" and that an award against the Company and/or KMG Finance in arbitral proceedings in London under English law would be enforced in Kazakhstan. If the Arbitration Law applies to disputes under the Notes and the Trust Deed, there is a risk that an LCIA award in a proceeding related to the Notes and the Trust Deed may not be recognised and enforced in Kazakhstan as being contrary to Kazakhstan public order and/or a dispute under the Notes and the Trust Deed cannot be resolved by arbitration. Furthermore, an event of default could occur under the Notes and the Trust Deed to the extent that the Company's and/or KMG Finance's obligations under the Notes and/or the Trust Deed to settle disputes by arbitration in the LCIA and/or under English law become illegal or unenforceable.

Return on an investment in Notes will be affected by charges incurred by investors.

An investor's total return on an investment in any Notes will be affected by the level of fees charged by any Agent, nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest and principal. Potential investors are, therefore, advised to investigate the basis on which any such fees will be charged on the relevant Notes.

English law governs Notes and all agreements under the Programme.

Prospective investors should note that each Series of Notes will be governed by and construed in accordance with the laws of England and that the courts of England or arbitration proceedings in accordance with the Rules of the LCIA (solely for the purpose of any legal action or proceeding brought to enforce the relevant Issuer's or the Guarantor's, if any, obligations under this Base Prospectus) shall have exclusive jurisdiction in respect of any disputes involving the Notes. English law may be materially different from the equivalent law in the home jurisdiction of prospective investors in its application to the Notes. If a prospective investor is in doubt as to the implication of English law being the governing law in respect of the Notes, such investor should consult its legal advisors.

No assurance can be given as to the impact of any possible judicial decision or changes in English law or administrative practice after the date of this Base Prospectus. See "*—It may be difficult to effect service of legal process and enforce judgments obtained outside of Kazakhstan against the Company and its management*".

Provisions of Notes permit defined majorities to bind all Noteholders and the Trustee to take certain action without Noteholder consent.

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to: (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes; (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such; or (iii) the substitution of the Guarantor or any of their Subsidiaries as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15(c).

The protection afforded by the negative pledge contained in the Terms and Conditions of the Notes is limited, which may adversely affect the value of investments in the Notes.

The Company has agreed in Condition 4 of the Terms and Conditions of the Notes not to, and not to permit any Material Subsidiary (as defined in the Terms and Conditions of the Notes) to, create, incur, assume or suffer to exist any Security Interest other than a Permitted Security Interest (each as defined in the Terms and Conditions of the Notes) upon the whole or any part of its undertaking, property, assets or revenues, present or future, to secure for the benefit of the holders of any Relevant Indebtedness (as defined in the Terms and Conditions of the Notes) any payment in any sum due in respect of any Relevant Indebtedness without procuring that the notes (x) are secured equally and rateably with such Relevant Indebtedness or (y) have the benefit of such other guarantee, indemnity or other like obligations or such other security (in each case) as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or (z) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders. The application of this negative pledge and the protection that it affords to holders of the notes, however, is limited. For example, the definition of Relevant Indebtedness is limited to present or future Indebtedness (as defined in the Terms and Conditions of the Notes) in the form of, or represented by, notes, debentures, bonds or other similar capital market instruments which is ordinarily quoted, listed or purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market. In addition, pursuant to an exemption from the negative pledge, the Company will be permitted to secure an aggregate amount of Relevant Indebtedness not exceeding 20 per cent. of the value of consolidated total assets, as determined by reference to the most recently available consolidated financial statements prepared in accordance with IFRS of the Company, without any obligation to afford any equal and ratable security to holders of the Notes. As a result, the Company will be permitted to secure a range of other forms of Indebtedness and may also create security in respect of a significant amount of Relevant Indebtedness without, at the same time, being obliged to grant equal and ratable security in respect of the Notes or the Guarantee, as the case may be, which may adversely affect the value of an investment in the Notes and/or cause holders of the Notes to rank in terms of priority behind such secured creditors.

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 relevant Issuer or the Guarantor (as the case may be) would reduce such payments by the amount of such withholding, the relevant Issuer or the Guarantor (as the case may be) 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 tax indemnity provisions and indemnities for costs or expenses that may include taxes payable in connection therewith 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.

Payments under the Notes may be subject to withholding tax pursuant to FATCA.

With respect to (i) Notes issued after the date that is six months after the date the term "foreign passthru payment" is defined in regulations published in the U.S. Federal Register (the "**Grandfather Date**") or (ii) Notes issued on or before the Grandfather Date but materially modified after such date, the Issuer may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**FATCA**") to withhold U.S. tax at a rate of 30 per cent. on all or a portion of payments of principal and interest which are treated as "foreign passthru payments" made on or after the date that is two years after final regulations defining the term "foreign passthru payment" are published in the U.S. Federal Register, to an investor or any other financial institution through which payment on the Notes is made that is a non-U.S. financial institution that is not in compliance with FATCA. However, if additional Notes (as described under "*Terms and Conditions of the Notes—Condition 19 Further Issues*") are issued after the Grandfather Date and are subject to withholding under FATCA, and such additional notes are not distinguishable from previously issued Notes, then withholding agents may treat all such Notes, including any such Notes offered prior to the Grandfather Date, as subject to withholding under FATCA. As of the date of this Base Prospectus, regulations defining the term "foreign passthru payment" have not yet been published.

The Netherlands and the United States have entered into an intergovernmental agreement (an "**IGA**") to help implement FATCA for certain Netherlands entities. Under the IGA, payments of U.S. source income to Netherlands "financial institutions," as defined under the IGA (which may include KMG Finance), would not be subject to FATCA withholding *provided that* they are in compliance with the IGA. However, Netherlands financial institutions would be required to report certain information regarding their respective U.S. account holders to the government of the Netherlands, which information may ultimately be reported to the U.S. Internal Revenue Service. The IGA does not currently require withholding on "foreign passthru payments" (which may include payments on the Notes). Kazakhstan has entered into an intergovernmental agreement with the United States. If applicable, FATCA will be addressed in the relevant Final Terms with respect to Notes issued after the Grandfather Date.

The application of FATCA to interest, principal or other amounts paid on or with respect to the Notes is not currently clear. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

OVERVIEW

Overview of the Company

The Company is the national oil and gas company of Kazakhstan with vertically-integrated upstream, midstream and downstream operations. The Company is one of the largest crude oil and condensate producers in Kazakhstan in terms of production volume as at 30 June 2020. As at 30 June 2020, the Company also operates the largest crude oil and gas pipeline networks in Kazakhstan in terms of length and throughput capacity. In addition, the Company operates each of the three principal refineries in Kazakhstan, as well as a major refinery in Romania.

The Company'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**"), with 18.5 per cent. of revenues from exploration and production of oil and gas, 7.6 per cent. of revenues from oil transportation, 22.4 per cent. of revenues from gas trading and transportation and 70.0 per cent. of revenues from refining and trading of crude oil and refined products in the six months ended 30 June 2020. In the year ended 31 December 2018, the Group achieved its highest historical levels of production and refining.

The Company's net profit for the year ended 31 December 2019 was KZT 1,158.5 billion compared to KZT 693.5 billion for the year ended 31 December 2018, reflecting an increase of KZT 465.0 billion, or 67.1 per cent. from 2018 to 2019, and KZT 525.4 billion for the year ended 31 December 2017, reflecting an increase of KZT 168.0 billion, or 32.0 per cent. from 2017 to 2018. The Company's net profit for the six months ended 30 June 2020 was KZT 20.7 billion, reflecting a significant decrease as compared to KZT 622.4 billion in the six months ended 30 June 2019. The Company's net profit for the six months ended 30 June 2020 and the years ended 31 December 2019, 2018 and 2017 represented 0.9 per cent., 16.9 per cent., 9.9 per cent. and 11.0 per cent., respectively, of the Company's revenue for such years.

As at 30 June 2020, the Company had total assets of KZT 14,068.5 billion, as compared to total assets of KZT 14,081.9 billion, KZT 14,015.3 billion and KZT 13,550.0 billion as at 31 December 2019, 2018 and 2017, respectively.

Upstream

The Company's upstream portfolio includes three megafields operated by joint ventures in addition to over 100 additional fields operated by the Company.

In the year ended 31 December 2019, the Company's production was 485 kbopd (23.6 million tonnes) of crude oil and condensate and 8,455 mcm of gas (including the proportionate share of the Company and its subsidiaries in joint ventures and associates). In the year ended 31 December 2018, the Company's production was 484 kbopd (23.6 million tonnes) of crude oil and condensate and 8,137 mcm of gas (including the proportionate share of the Company and its subsidiaries in joint ventures and associates). Based on the Company's internal information and information obtained from the Statistics Committee, the Company's production of crude oil and condensate (including the proportionate share of the Company and its subsidiaries in joint ventures and associates) represented 26 per cent. of the total crude oil and condensate production in Kazakhstan in 2019 whilst the Company's production of gas (including the proportionate share of the Company and its subsidiaries in joint ventures and associates) represented 15 per cent. of the total gas production in Kazakhstan in 2019.

The Company calculates its reserves using the Kazakhstan methodology, which differs significantly from the internationally accepted classifications and methodologies established by PRMS and SEC Standards, in particular with respect to the manner in which and the extent to which commercial factors are taken into account in calculating reserves. According to Kazakhstan methodology, as at 31 December 2019, the Company's A+B+C1 reserves of crude oil were 639.7 million tonnes, the Company's A+B+C1 reserves of gas condensate were 40.9 million tonnes and the Company's A+B+C1 reserves of gas were 409.7 bcm. In 2019, the Company's A+B+C1 reserves replacement ratio for crude oil (calculated by comparing net new proved crude oil reserves additions in tonnes to yearly crude oil production in tonnes) was 162 per cent. compared to 38 per cent. in 2018. See "*The Oil and Gas Industry in Kazakhstan—Reserve Classifications*" and "*Presentation of Financial, Reserves and Certain Other Information—Certain Reserves Information*".

The Company links the growth of its reserves with the success of exploration projects onshore and in the Kazakhstan sector of the Caspian Sea as well as with further exploration of licence blocks belonging to its subsidiaries.

Additionally, the Company also believes it can sustainably grow its reserve base by, amongst other methods, exercising its rights as beneficiary of the State's pre-emptive rights to acquire interests in Subsoil use contracts and entities that are party to Subsoil use contracts offered for sale. See "*Regulation in Kazakhstan—Regulation of Mineral Rights in Kazakhstan—New Regulation of Subsoil Use Rights under the Subsoil Code—The State's Pre-Emptive Right and Strategic Deposits*".

Midstream

The Company's midstream segment consists of the largest crude oil and gas transportation pipeline in Kazakhstan. As at 31 December 2019, the total length of the crude oil pipeline networks that the Company owns and operates was 9,096 km and the total length of the gas pipeline networks that the Company owns and operates was 17,851 km (primarily through its subsidiary KTO, which transports oil, and its subsidiary KTG, which transports gas, respectively). In addition, as at 31 December 2019, the Company had an interest in a further 1,510 km of crude oil pipeline network and 1,295 km of gas pipeline network as part of its joint-venture network (primarily through its joint venture CPC, which transports crude oil). Through its pipeline networks, the Group transported 78.1 million tonnes of crude oil and 103,494 mcm of gas in the year ended 31 December 2019.

The Company's midstream segment also engages in gas trading primarily through KTG, which exercises the Government's pre-emptive right to purchase raw and/or commercial gas from subsoil users/suppliers. In the year ended 31 December 2019, the Company completed 22.8 bcm of commercial gas sales.

Downstream

The Company's downstream segment includes a controlling or significant interest in all major refineries in Kazakhstan. The Company controls the Atyrau Refinery in western Kazakhstan and the Pavlodar Refinery in north-eastern Kazakhstan and holds a 49.72 per cent. interest in the Shymkent Refinery in southern Kazakhstan and a 50 per cent. interest in CaspiBitum. In addition, the Company has an integrated European downstream platform comprising refining, marketing and trading business through its 54.63 per cent. interest in Rompetrol Rafinare, which owns and operates the Petromidia Refinery in Romania and the Vega Refinery in Romania and also has a retail network of 834 petrol stations across Romania, Georgia, Moldova and Bulgaria. The Group undertook a refinery modernisation programme from 2017 to 2018, including projects at the Atryau Refinery, the Shymkent Refinery and the Pavlodar Refinery.

In the year ended 31 December 2019, in Kazakhstan, the Company produced a total of 12.5 million tonnes of refined oil products (net to the Company, including the proportionate share of the Company and its subsidiaries in joint ventures and associates), as compared to 12.2 million tonnes in 2018 and 11.3 million tonnes in 2017 (each as net to the Company, including the proportionate share of the Company and its subsidiaries in joint ventures and associates). In Romania, the Company produced 6.6, 6.2 and 5.9 million tonnes of refined oil products in 2019, 2018 and 2017, respectively.

Shareholder and Relationship with the State

The State indirectly (through Samruk-Kazyna and NBK) wholly owns the Company. See "*Share Capital, Shareholders and Related Party Transactions—Samruk-Kazyna*". Accordingly, the Government has a strong influence over decisions at the Company and is able to determine the Company's strategy, make policy decisions in relation to the Company's business (including investments, borrowings, risk management and asset allocation) and supervise the implementation of such decisions.

As the national oil and gas company, the Company has been designated by the Government to represent interests of the State in new oil and gas projects, as well as to be the beneficiary of the State's pre-emptive right (the "**State's Pre-Emptive Right**") to acquire interests in various exploration and production licences and contracts (since 1999 subsoil operations have been based on contracts only) and PSAs related to deposits of strategic importance, as well as shares (participation interests) in subsoil users and their controlling entities, when such agreements are offered for sale (collectively, the "**Subsoil Use Agreements**") or when the shares in such entities are offered for sale. Pursuant to the Gas Law, KTG has been appointed as the national operator for the transportation of gas and, as the "national operator", KTG has been given a priority right to purchase all associated gas produced in Kazakhstan (on behalf of the State) at a regulated price.

Credit Ratings

The Company has been assigned long-term foreign currency ratings of Baa3 by Moody's, BB by S&P and BBB- by Fitch.

In August 2019 Moody's affirmed the Company's rating at Baa3 (positive).

In March 2019, Fitch confirmed the Company's rating at BBB- with a Stable Outlook, and on 27 March 2020, Fitch affirmed this rating.

In November 2018, S&P upgraded the Company's rating to BB from BB-. On 27 March 2020, S&P revised the outlook on the Company from Stable to Negative, and affirmed the rating at BB, followed by its revision of oil price assumptions.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. The credit ratings included or referred to in this Base Prospectus will be treated for the purposes the CRA Regulation as having been issued by Moody's, S&P and Fitch, respectively. Each of Moody's, S&P and Fitch are established in the European Union and registered under the CRA Regulation.

See "*Risk Factors—Risk Factors Relating to the Notes—Credit ratings do not reflect all risks*".

Overview of KMG Finance

KMG Finance was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid* or B.V.) under, and subject to, the laws of the Netherlands on 9 June 2006 for an unlimited duration. KMG Finance has its corporate seat in Amsterdam. KMG Finance is a direct, wholly-owned subsidiary of Coöperatieve KazMunaiGaz U.A., registered in the Netherlands. The Company is a member of Coöperatieve KazMunaiGaz U.A., together with LLP KMG KumKol, a wholly-owned subsidiary of the Company. As set out in Article 3 of its Articles of Association, KMG Finance was incorporated for the purpose of, amongst other things, borrowing and/or lending moneys, entering into industrial, financial and commercial activities (including but not limited to oil trading) and all such things as are incidental or conducive to the objects listed in Article 3 of its Articles of Association. KMG Finance has been established as a special purpose vehicle and has no employees or subsidiaries.

Overview of the Programme

The following general description does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in "Overview of the Provisions Relating to the Notes in Global Form" or "Terms and Conditions of Notes" below shall have the same meanings in this general description.

Issuer	JSC NC "KazMunayGas" or KazMunaiGaz Finance Sub B.V., as specified in the relevant Final Terms.
Legal Entity Identifier (LEI)	JSC NC "KazMunayGas": 2138001H1M69RFJCSH88 KazMunaiGaz Finance Sub B.V: 549300BEWT28HI0FK026
Guarantor (*in respect of Notes issued by KMG Finance*)	JSC NC "KazMunayGas".
Arrangers	J.P. Morgan Securities plc, MUFG Securities EMEA plc, JSC Halyk Finance and SkyBridge Invest.
Dealers	J.P. Morgan Securities plc, MUFG Securities EMEA plc, JSC Halyk Finance and SkyBridge Invest appointed in accordance with the Dealer Agreement.
Trustee	Citicorp Trustee Company Limited.
Principal Paying Agent, Transfer Agent and Calculation Agent	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Europe AG.
Paying Agent and Transfer Agent	Citibank Europe plc.
Programme Size	US$10,500,000,000 (or its equivalent in other currencies calculated in accordance with the provisions of the Dealer Agreement) outstanding at any time. The Issuer may increase the amount of the Programme at any time in accordance with the Dealer Agreement.
Issuance	Notes will be issued on a syndicated or non-syndicated basis. Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations. Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, completes the Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Conditions of the Notes as completed by the relevant Final Terms. See "*Terms and Conditions of the Notes—Condition 1. Form, Denomination and Title" and "Form of Final Terms*".

AIX Authorisations	If the Notes are listed on the AIX, the Issuer needs to obtain (i) AIX approval of the Base Prospectus and/or summary of the Base Prospectus or similar offering document as required by the AIX rules, as the case may be and (ii) AIX consent to admit the Notes to the official securities list of the AIX
ARDFM Permissions......................	For Notes listed and offered for sale on the KASE, no such Notes may be issued, placed or listed outside Kazakhstan without the prior permissions of the ARDFM for issuance and placement of the Notes outside of Kazakhstan.
Forms of Notes................................	Each Series of Notes will be issued in registered form only. The Regulation S Notes and the Rule 144A Notes will initially be represented by the Regulation S Global Note and the Rule 144A Global Note, respectively. The Global Notes will be exchangeable for Definitive Notes (as defined herein) in the limited circumstances specified in the Global Notes. See "*Terms and Conditions of the Notes—Condition 1. Form, Denomination and Title*".
Clearing Systems	Unless otherwise agreed, DTC (in relation to any Rule 144A Notes) and Clearstream, Luxembourg and Euroclear (in relation to any Regulation S Notes) and such other clearing system as may be agreed between the relevant Issuer, and, if the relevant Issuer is KMG Finance, the Company, the Principal Paying Agent, the Trustee and the relevant Dealer(s). See "*Overview of the Provisions Relating to the Notes in Global Form*".
Currencies.......................................	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, as specified in the relevant Final Terms. Payments in respect of Notes may, subject to such compliance, be made in, and/or linked to, any currency or currencies other than the currency in which such Notes are denominated. See "*Form of Final Terms*".
Status of the Notes..........................	The Notes will constitute direct, general, unconditional and (subject to Condition 4) unsecured obligations of the Issuer which rank and will rank *pari passu* amongst themselves and *pari passu* in right of payment with all other present and future unsubordinated obligations of the relevant Issuer together, if applicable, with the Company, save only for such obligations as may be preferred by mandatory provisions of applicable law. See "*Terms and Conditions of the Notes—Condition 3(a). Status of the Notes*".

Status of the Guarantee	Where KMG Finance is the Issuer of the Notes, the Notes will be unconditionally and irrevocably guaranteed by the Company as Guarantor. The obligations of the Company under the Guarantee in respect of the relevant Notes will constitute direct, general, unconditional and (subject to Condition 4(a)) unsecured and will rank *pari passu* amongst themselves and *pari passu* in right of payment with all other present and future unsubordinated obligations of the Company save only for such obligations as may be preferred by mandatory provisions of applicable law. See "*Terms and Conditions of the Notes—Condition 3(b). Status of the Guarantee*".
Issue Price	Notes may be issued at any price, as specified in the relevant Final Terms. See "*Form of Final Terms*".
Maturities	Any maturity, as specified in the relevant Final Terms, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. See "*Terms and Conditions of the Notes—Condition 10. Redemption, Purchase and Options*" and "*Form of Final Terms*".
Redemption	Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Final Terms. Notes may also be redeemable on such dates as may be specified in the relevant Final Terms. See "*Terms and Conditions of the Notes—Condition 10. Redemption, Purchase and Options" and "Form of Final Terms*".
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) or the Noteholders to the extent (if at all) specified in the relevant Final Terms. Notes may also be redeemed at the option of the Noteholder upon the occurrence of a Change of Control (as defined in Condition 10(d)). The Issuer may at its option redeem Notes in any Series in whole but not in part in accordance with Condition 10(f) (*Make-Whole Redemption at the Option of the Issuer*) and in whole or in part in accordance with Condition 10(g) (*Optional Redemption at Par*). See "*Terms and Conditions of the Notes—Condition 10. Redemption, Purchase and Options*" and "*Form of Final Terms*".
Tax Redemption	Except as described in "*Optional Redemption*" above or following an Event of Default, early redemption will only be permitted for taxation reasons as described in Condition 10(c). See "*Terms and Conditions of the Notes—Condition 10(c). Redemption for Taxation Reasons*".

Denominations	The Notes will be issued in such denominations as may be agreed between the relevant Issuer together, if applicable, with the Company and the relevant Dealer(s) save that the minimum denomination of each Note will be such amount as may be allowed or required from time-to-time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant specified currency and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than Euros, the equivalent amount in such currency). However, for so long as the Notes are represented by a Global Note, and the relevant clearing system(s) so permit, the Notes shall be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of any smaller amount specified in the relevant Final Terms. In addition, interests in the Rule 144A Notes shall be held in amounts of not less than US$200,000 or its equivalent in another currency. Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 or its equivalent in another currency. See "*Terms and Conditions of the Notes—Condition 1. Form, Denomination and Title*".
Interest...	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate. See "*Terms and Conditions of the Notes—Condition 9. Interest and other Calculations*" and "*Form of Final Terms*".
Ratings...	Tranches of Notes may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Fixed Rate Notes............................	Fixed interest will be payable in arrear on such date or dates as may be agreed between the relevant Issuer together, if applicable, with the Company and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s). See "*Terms and Conditions of the Notes—Condition 9(a). Interest on Fixed Rate Notes*" and "*Form of Final Terms*".

Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions or the 2006 ISDA Definitions (as specified in the relevant Final Terms and as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of the Notes of the relevant Series), or on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service (as specified in the relevant Final Terms). The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each series of Floating Rate Notes (as indicated in the relevant Final Terms). Interest on Floating Rate Notes in respect of each Interest Period will be payable on the first business day of the next Interest Period and on redemption or repayment, and will be calculated using the Day Count Fraction specified in the relevant Final Terms. If the Issuer determines that a benchmark discontinuance event has occurred, then the Issuer shall, as soon as reasonably practicable and using reasonable endeavours, determine an Alternative Pre-nominated Reference Rate or Alternative Rate and Spread Adjustment. See "*Terms and Conditions of the Notes—Condition 9(b). Interest on Floating Rate Notes*" and "*Form of Final Terms*".
Interest Periods for Floating Rate Notes	Such period(s) as the Issuer and the relevant Dealer(s) may agree (as indicated in the relevant Final Terms).
Other provisions in relation to Floating Rate Notes	Floating Rate Notes may also have a maximum rate of interest, a minimum rate of interest or both. Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the relevant Final Terms).
Negative Pledge...............................	The Notes will have the benefit of a negative pledge. See "*Terms and Conditions of the Notes—Condition 4. Negative Pledge*".
Covenants.......................................	The Notes will have the benefit of the following covenants: (i) limitation on sales of assets; (ii) financial information; (iii) reorganisations; and (iv) change of business. See "*Terms and Conditions of the Notes*".
Cross Default..................................	The Notes will have the benefit of a cross default clause. See "*Terms and Conditions of the Notes—Condition 14(c). Cross—acceleration*".

Taxation..	All payments in respect of Notes will be made free and clear of withholding taxes of the Netherlands and Kazakhstan unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 12) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required. Where KMG Finance acts as the Issuer of Notes under the Programme, all payments by the Issuer under the Notes will be made without the imposition of any Dutch withholding taxes. Where the Company acts as the Guarantor of Notes issued by KMG Finance under the Programme, payments of interest from the Guarantor to the Issuer to fund the Issuer's obligations to make payments under the Notes will be subject to Kazakhstan withholding tax at a rate of 15 per cent. unless reduced by an applicable double taxation treaty. Payments under the Guarantee in relation to the Notes will be subject to Kazakhstan withholding tax at a rate of 20 per cent. unless reduced by an applicable double taxation treaty. Where the Company acts as the Issuer of Notes under the Programme, payments of interest from the Company to Non-Kazakhstan Holders (as defined in "*Taxation—Kazakhstan Taxation*") will be subject to withholding tax at a rate of 15 per cent. unless reduced by an applicable double taxation treaty. The withholding tax on interest would not apply if the Notes are, as at the date of accrual of such interest, admitted on the official list of a stock exchange operating in the territory of Kazakhstan (such as the KASE or the AIX). See "*Taxation*". In the event that any taxes, duties, assessments or governmental charges are imposed, levied, collected, withheld or assessed by The Netherlands or Kazakhstan or any political subdivision or any authority thereof or therein having the power to tax on payments of principal and interest in respect of the Notes (including, if applicable, payments by the Guarantor under the Guarantee), the relevant Issuer or (as the case may be) the Guarantor will, subject to certain exceptions and limitations, pay such additional amounts to the holder of any Note as will result in receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction on account of any such taxes had been required. See "*Terms and Conditions of the Notes—Condition 12. Taxation*".
ERISA..	Unless otherwise specified by the Final Terms in respect of any Notes, Notes may be acquired held by employee benefit plans and other plans that are subject to ERISA (as defined below) or Section 4975 of the Code (as defined below) and by other employee benefit plans, subject to certain restrictions. Purchasers, transferees and holders of Notes will be deemed to have given certain assurances regarding ERISA and Section 4975 of the Code. See "*Certain ERISA and Other Considerations*".
Governing Law	English law. See "*Terms and Conditions of the Notes—Condition 22(a). Governing Law*".

Listing...	Application has been made for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the Regulated Market. This Base Prospectus and any supplement will only be valid for listing Notes on the Official List and admitting Notes to trading on the Regulated Market in respect of Notes having a denomination of at least €100,000 (or its equivalent in any other currency as at the date of issue of the Notes) during a period of twelve months from the date of this Base Prospectus. In addition, unless otherwise agreed with the relevant Dealer(s) and provided for in the Final Terms, the Company will use its reasonable endeavours to cause all Notes issued by the Company under the Programme to be admitted to either (i) the "bonds" category of the "debt securities" sector of the "main" platform of the official list of the KASE and/or (ii) the AIX, in either case as from (and including) the Issue Date. The Company will use its reasonable endeavours to cause the Notes issued by KMG Finance to be listed on the KASE and/or the AIX.
Selling Restrictions.........................	The offering and sale of Notes is subject to applicable laws and regulation, including, without limitation, those of the European Economic Area, Kazakhstan, the Netherlands, the United Kingdom and the United States. See "*Subscription and Sale*".
Risk Factors	Investing in the Notes involves a high degree of risk. See "*Risk Factors*".

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used by the Company for its general corporate purposes, which may include refinancing, retiring or otherwise restructuring existing indebtedness.

KMG FINANCE

General

KMG Finance was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid* or B.V.) under and subject to the laws of the Netherlands on 9 June 2006 for an unlimited duration. KMG Finance has its corporate seat in Amsterdam. The business address of KMG Finance is Strawinskylaan 723 (WTC Tower A, 7th Floor), 1077 XX Amsterdam, the Netherlands and its telephone number is +31 (0)20 7470054. KMG Finance is registered with the Chamber of Commerce in the Netherlands under № 34249875. KMG Finance is a direct, wholly-owned subsidiary of Coöperatieve KazMunaiGaz U.A., registered in the Netherlands. The Company is a member of Coöperatieve KazMunaiGaz U.A., together with LLP KMG KumKol, a wholly-owned subsidiary of the Company.

As at 30 June 2020, the authorised share capital of KMG Finance was €90,000, divided into ordinary registered shares with a par value of €100 each. As at the date of KMG Finance's incorporation, KMG Finance's total paid-in capital was €18,000, consisting of 180 ordinary shares, which were issued and fully paid at par and are directly owned by Coöperatieve KazMunaiGaz U.A. Share premium contributions of US$7.8 million, US$169.9 million, US$235.1 million, US$3.2 million and US$1.3 million were made to KMG Finance's capital in the years ended 31 December 2008, 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively, and in the six months ended 30 June 2020 an amount of US$300 million was returned to the shareholder against the share premium reserve. In each case all contributions and distributions were made in the ordinary course and in compliance with applicable Netherlands laws and regulations.

Business

As set out in Article 3 of its Articles of Association, KMG Finance was incorporated for the purpose of, amongst other things, borrowing and/or lending moneys, entering into industrial, financial and commercial activities (including but not limited to oil trading) and all such things as are incidental or conducive to the objects listed in Article 3 of its Articles of Association. KMG Finance has been established as a special purpose vehicle and has no employees or subsidiaries.

In October 2010, the Company was substituted as primary obligor in respect of the Series 1 Notes, the Series 2 Notes, the Series 3 Notes and the Series 4 Notes issued under the Programme, which represented all such Notes then issued by KMG Finance under the Programme. Upon such substitution, KMG Finance was released from its obligations in respect of such Notes and the Company's guarantee thereof was cancelled, although no other changes to the terms of such Notes were affected. In April 2018, the Company completed a placement of Notes under the Programme in an aggregate principal amount of US$3.25 billion, issued in three series, comprising (i) US$500 million 4.750 per cent. Notes due 2025; (ii) US$1,250 million 5.375 per cent. Notes due 2030; and (iii) US$1,500 million 6.375 per cent. Notes due 2048.

KMG Finance has no outstanding indebtedness in the nature of borrowings, guarantees or contingent liabilities as at the date of this Base Prospectus. In March 2016, KMG Finance, as seller, and KMG, as guarantor, entered into an advanced sale of oil, and in 2019 KMG Finance voluntary settled the outstanding obligations under this prepayment facility on 4 December 2019. See "*Business—Exploration and Production—Megafields—TCO—TCO Advanced Oil Sale Transaction*".

There are no governmental, legal or arbitration proceedings, including any such proceedings pending or threatened of which KMG Finance is aware, during the last 12 months preceding the date of this Base Prospectus, which may have, or have had in the recent past, significant effects on the financial position or profitability of KMG Finance.

Management

KMG Finance has two managing directors, Mr. Arman Saulebay, who has his business address at the business address of KMG Finance set out below; and Mr. Otmar E. Carolus, who has his business address at the business address of KMG Finance; and one Supervisory Director: Mr. Dauren Karabayev, who is the Deputy Chairman of the Management Board for Economy and Finance of the Company and has his business address at 8, Kunayev Street, Nur Sultan 010000, Kazakhstan.

There is no potential conflict of interest between any duties of the managing directors towards KMG Finance and their private interests and/or other duties.

General Information

The business address of KMG Finance is Strawinskylaan 723 (WTC Tower A, 7th Floor), 1077 XX Amsterdam, the Netherlands and its telephone number is +31 (0)20 7470054.

KMG Finance has obtained all necessary consents, approvals and authorisations in the Netherlands in connection with the issuance of the Notes and the performance of its obligations in relation thereto.

KMG Finance is not required to obtain a licence from the Netherlands Central Bank (*De Nederlandsche Bank*) pursuant to Article 2:11 of the Dutch Act on financial supervision (*Wet op het financieel toezicht)* ("**FSA**").

KMG Finance complies and will continue to comply with any applicable financial reporting obligations for issuers whose securities are admitted to trading on a regulated market (as defined in MiFID II) in accordance with the EU Transparency Directive (2004/109/EC, as amended) and the relevant sections of Chapter 5.1A of the FSA. So long as (i) the registered seat for KMG Finance is in the Netherlands, (ii) the Notes are listed on a regulated market in a Member State and (iii) Notes are merely offered to qualified investors (as defined in the Prospectus Regulation) in the Netherlands, KMG Finance may opt for disclosure to be made in either the Member State where KMG Finance is established (*i.e.*, the Netherlands) or the Member State where the Notes are admitted to trading on a regulated market.

The obligations under the Dutch law provisions implementing the EU Transparency Directive are qualified by the fact that certain provisions do not apply for issuers, such as KMG Finance, that exclusively issue bonds or other debt securities that are issued with a nominal value per unit of at least €100,000 (or the equivalent in any other currency).

KMG Finance will be subject to insider trading and market abuse rules in the Netherlands pursuant to the European Regulation on market abuse (EU) No 596/2014 in relation to any transactions conducted by it in any Notes that are listed on a regulated market.

SELECTED FINANCIAL INFORMATION

The financial information of the Company set forth below as at and for the years ended 31 December 2019, 2018 and 2017, and for the six months ended 30 June 2020 and 2019, has (as the case may be) been extracted from, should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Interim Financial Statements, in each case, including the notes thereto, contained elsewhere in this Base Prospectus.

Prospective investors should read the selected financial information in conjunction with the information contained in the "Risk Factors," "Management's Discussion and Analysis of Results of Operations and Financial Performance," "Business", and the Financial Statements and the Interim Financial Statements, in each case, including the notes thereto, and other financial data appearing elsewhere in this Base Prospectus.

Consolidated Statement of Financial Position Data

	As at 30 June	As at 31 December		
	2020 *(unaudited)*	2019	2018[(1)]	2017[(1)]
		(KZT millions)		
ASSETS				
Non-current assets				
Property, plant and equipment	4,385,152	4,484,271	4,515,170	4,080,165
Right of use assets	36,309	38,379	—	—
Exploration and evaluation assets	170,294	179,897	189,800	253,326
Investment property	24,641	9,541	24,188	27,423
Intangible assets	165,375	171,172	173,077	185,205
Long-term bank deposits	53,955	52,526	52,297	48,523
Investments in joint ventures and associates	6,039,641	5,590,384	4,895,444	3,823,630
Deferred income tax assets	72,475	73,714	97,881	98,681
VAT receivable	93,980	133,557	113,073	96,666
Advances for non-current assets	51,194	73,367	27,176	124,907
Loans and receivables due from related parties	659,394	615,546	638,528	672,449
Other non-current financial assets	2,651	2,488	4,753	4,161
Other non-current non-financial assets	9,985	17,162	16,942	17,401
	11,765,046	**11,442,004**	**10,748,329**	**9,432,537**
Current assets				
Inventories	211,463	281,215	312,299	250,369
VAT receivable	96,422	74,049	66,522	69,605
Income tax prepaid	64,595	54,517	53,143	36,135
Trade accounts receivable	347,714	397,757	493,977	467,867
Short-term bank deposits	358,536	359,504	386,459	1,638,941
Loans and receivables due from related parties	101,987	138,719	148,615	169,502
Other current assets	—	262,094	204,723	196,110
Other current financial assets	60,104	—	—	—
Other current non-financial assets	98,380	—	—	—
Cash and cash equivalents	956,742	1,064,452	1,539,453	1,263,987
	2,295,943	**2,632,307**	**3,205,191**	**4,092,516**
Assets classified as held for sale	7,557	7,604	61,760	24,905
	2,303,500	2,639,911	3,266,951	4,117,421
TOTAL ASSETS	**14,068,546**	**14,081,915**	**14,015,280**	**13,549,958**

Notes:

(1) Reclassified. See "*Presentation of Financial, Reserves and Certain Other Information—Restatements and Reclassifications*" and Note 3 to the Financial Statements.

	As at 30 June	As at 31 December		
	2020[(1)] (unaudited)	2019	2018[(1)]	2017[(1)]
	(KZT millions)			
EQUITY AND LIABILITIES				
Equity				
Share capital	916,541	916,541	916,541	709,345
Additional paid-in capital	24,927	40,794	40,794	243,876
Other equity	2,515	83	83	83
Currency translation reserve	1,932,166	1,731,747	1,764,108	1,295,091
Retained earnings	5,490,966	5,469,236	4,341,063	3,665,192
Attributable to equity holders of the Parent Company	**8,367,115**	**8,158,401**	**7,062,589**	**5,913,587**
Non-controlling interest	(49,429)	38,255	80,480	870,018
TOTAL EQUITY	**8,317,686**	**8,196,656**	**7,143,069**	**6,783,605**
Non-current liabilities				
Borrowings	3,586,622	3,584,076	3,822,648	3,417,112
Provisions	277,309	273,589	229,797	203,775
Deferred income tax liabilities	521,360	509,462	479,598	380,738
Lease liabilities	33,668	35,996	6,550	5,314
Prepayment on oil supply agreements	—	—	480,250	581,578
Other non-current liabilities	—	43,694	45,213	51,879
Other non-current financial liabilities	24,193	—	—	—
Other non-current non-financial liabilities	18,166	—	—	—
	4,461,318	**4,446,817**	**5,064,056**	**4,640,396**
Current liabilities				
Borrowing	380,671	253,428	330,590	884,140
Provisions	104,594	103,538	98,471	78,812
Income tax payable	6,549	13,011	13,272	10,081
Trade accounts payable	497,787	667,861	632,739	513,851
Other taxes payable	67,148	86,666	105,026	101,198
Lease liabilities	12,071	10,922	2,656	1,676
Prepayment on oil supply agreements	—	—	384,199	332,330
Other current liabilities	—	303,016	236,163	201,940
Other current financial liabilities	89,017	—	—	—
Other current non-financial liabilities	131,705	—	—	—
	1,289,542	**1,438,442**	**1,803,116**	2,124,028
Liabilities directly associated with the assets classified as held for sale	—	—	5,039	1,929
Total liabilities	**5,750,860**	**5,885,259**	**6,872,211**	**6,766,353**
TOTAL EQUITY AND LIABILITIES	**14,068,546**	**14,081,915**	**14,015,280**	**13,549,958**

Notes:

(1) Reclassified. See "*Presentation of Financial, Reserves and Certain Other Information—Restatements and Reclassifications*" and Note 3 to the Financial Statements.

Consolidated Statement of Comprehensive Income Data

	For the six months ended 30 June		For the years ended 31 December		
	2020 *(unaudited)*	2019[(1)] *(unaudited)*	2019	2018[(1)]	2017[(1)]
			(KZT millions)		
Revenue	2,254,095	3,402,580	6,858,856	6,988,964	4,793,763
Share in profit of joint ventures and associates, net	224,280	445,250	827,979	697,326	414,950
Finance income	63,531	61,796	240,880	161,027	122,574
Gain on sale of subsidiaries	—	17,481	17,481	18,359	—
Other operating income	11,764	10,143	24,936	23,035	20,165
Total revenue and other income	**2,553,670**	**3,937,250**	**7,970,132**	**7,888,711**	**5,351,452**
Cost of purchased oil, gas, petroleum products and other materials	(1,125,890)	(1,942,076)	(3,913,744)	(4,312,958)	(2,729,514)
Production expenses	(363,532)	(336,716)	(721,693)	(604,475)	(624,346)
Taxes other than income tax	(139,480)	(225,890)	(454,295)	(477,732)	(354,447)
Depreciation, depletion and amortisation	(180,219)	(167,216)	(337,424)	(285,186)	(238,021)
Transportation and selling expenses	(222,485)	(215,512)	(420,402)	(370,777)	(238,063)
General and administrative expenses	(74,818)	(94,179)	(213,967)	(213,485)	(163,780)
Impairment of property, plant and equipment, exploration and evaluation assets	(225,402)	(25,240)	(207,819)	(165,522)	(24,660)
(Impairment)/reversal of investment in joint venture and associate	(38,000)	–	—	—	14,845
Finance costs	(135,194)	(160,847)	(317,433)	(427,655)	(306,355)
Other expenses	(14,735)	(6,627)	(7,203)	(23,283)	(34,767)
Net foreign exchange gain/(loss)	18,119	2,185	8,479	(38,320)	67,055
Total costs and expenses	**(2,501,636)**	**(3,172,118)**	**(6,585,501)**	**(6,919,393)**	**(4,632,053)**
Profit before income tax	52,034	765,132	1,384,631	969,318	719,399
Income tax expenses	(31,330)	(142,734)	(226,180)	(279,260)	(190,285)
Profit for the period from continuing operations	20,704	622,398	1,158,451	690,058	529,114
Profit/(loss) after income tax for the year from discontinued operations	—	6	6	3,453	(3,666)
Net profit for the period	20,704	622,404	1,158,457	693,511	525,448
Net profit/(loss) for the period attributable to:					
Equity holder of the Parent Company	103,654	623,536	1,197,157	695,864	443,408
Non-controlling interest	(82,950)	(1,132)	(38,700)	(2,353)	82,040
	20,704	**622,404**	**1,158,457**	**693,511**	**525,448**
Exchange differences on translation of foreign operations	220,318	(38,314)	(32,072)	479,196	(75,011)
Hedging effect	2,432	—	—	—	—
Tax effect	(19,881)	2,721	(1,240)	—	—
Reclassified differences on translation of disposal group	—	—	—	(476)	(424)
Net comprehensive income/(loss) to be reclassified to profit or loss in the subsequent period	202,869	(35,593)	(33,312)	478,720	(75,435)
Actuarial loss on defined benefit plans of the Group	(1,132)	(1,156)	(5,688)	(3,658)	(1,148)
Actuarial loss on defined benefit plans of joint ventures	—	—	199	(160)	(173)
Other	—	—	—	—	(150)
Tax effect	—	—	1,179	(86)	8
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	(1,132)	(1,156)	(4,310)	(3,904)	(1,463)
Net other comprehensive (loss)/income for the period	201,737	(36,749)	(37,622)	474,816	(76,898)
Total comprehensive income/(loss) for the year, net of tax	222,441	585,655	1,120,835	1,168,327	448,550
Total comprehensive income/(loss) for the period attributable to:					
Equity holders of the Parent Company	305,273	587,215	1,159,447	1,161,007	366,949
Non-controlling interest	(82,832)	(1,560)	(38,612)	7,320	81,601
	222,441	**585,655**	**1,120,835**	**1,168,327**	**448,550**

Notes:

(1) Reclassified. See "*Presentation of Financial, Reserves and Certain Other Information—Restatements and Reclassifications*" and Note 3 to the 2019 Financial Statements.

ALTERNATIVE PERFORMANCE MEASURES

Prospective investors should read the below information in conjunction with the information contained in the "Risk Factors," "Management's Discussion and Analysis of Results of Operations and Financial Performance," "Business", and the Financial Statements and the Interim Financial Statements, in each case, including the notes thereto, and other financial data appearing elsewhere in this Base Prospectus.

Alternative Performance Measures

The following tables set forth key alternative performance measures used by the Company's management in assessing the Company's performance, which reflect the Company's operations:

	As at and for the six (twelve for Interim LTM EBITDA) months ended 30 June	As at and for the year ended 31 December		
	2020	2019	2018	2017
	(KZT billions, except ratios)			
EBIT(1)	187.2	1,702.0	1,397.0	1,025.8
EBITDA(2)	552.2	1,962.7	1,706.9	1,098.6
Interim LTM EBITDA(3)	1,481.4	n.a.	n.a.	n.a.
Debt (including current portion)(4)	3,967.3	3,837.5	4,153.2	4,301.2
Total equity(5)	8,317.7	8,196.7	7,143.1	6,783.6
Capitalisation (6)	12,285.0	12,034.2	11,296.3	11,084.8
Net capitalisation(7)	11,328.3	10,969.7	9,756.8	9,820.8
Net Debt(1)(8)	3,010.6	2,773.0	2,613.7	3,037.2
Free Cash Flow(9)	(4,776)	591,721	415,630	335,609
Net Debt/EBITDA	n.a.	1.4	1.5	2.8
Net Debt/Interim LTM EBITDA(3)	2.0	n.a.	n.a.	n.a.
Net Debt/Net Capitalisation	0.3	0.3	0.3	0.3
Debt (including current portion)/Total equity	0.5	0.5	0.6	0.6
Current liquidity(10)	1.8	1.8	1.8	1.9
EBIT/Finance cost	1.38	5.36	3.27	3.35

Notes:

(1) The Company calculates EBIT for any relevant period as profit before income tax for such period *plus* finance cost for such period.
(2) EBITDA for any relevant period is net profit plus depreciation, depletion and amortisation; finance income; finance costs; impairment of property, plant and equipment, intangible assets, exploration and evaluation assets; income tax expenses. See Note 23 to the Interim Financial Statements and Note 35 to the Financial Statements.
(3) Interim LTM EBITDA for the twelve months ended 30 June 2020 is calculated as EBITDA for the year ended 31 December 2019 *minus* EBITDA for the six months ended 30 June 2019, being KZT 1,033.5 billion (see Note 23 to the Interim Financial Statements), *plus* EBITDA for the six months ended 30 June 2020.
(4) Debt is the current portion of the borrowings *plus* the non-current portion of the borrowings as at 31 December of the relevant period.
(5) Equity is total equity as at 31 December of the relevant period, as applicable.
(6) Capitalisation is Debt *plus* equity as at 31 December of the relevant period, as applicable.
(7) Net capitalisation is Net Debt *plus* equity as at 31 December of the relevant period, as applicable.
(8) Net Debt is Debt *minus* cash and cash equivalents as at 31 December of the relevant period, as applicable.
(9) Free cash flow is calculated Net cash flow from/(used in) operating activities *minus* decreases in prepayment for TCO's crude oil *minus* Payment for property, plant and equipment, intangible assets, investment property and exploration and evaluation assets *plus* Proceeds from the Kazakhstan Note (the loan previously provided to Caspian Pipeline Consortium). See reconciliation below.
(10) Current liquidity is current assets as at 31 December of the relevant year divided by current liabilities as at 31 December of the relevant year.

The following table sets forth a reconciliation of EBIT and EBIT/Finance Cost to profit before corporate income tax for the periods indicated:

	As at and for the six months ended 30 June	As at and for the year ended 31 December		
	2020	2019	2018	2017
	(KZT billions, except ratios)			
Profit before income tax	52.0	1,384.6	969.3	719.4
Finance cost	(135.2)	(317.4)	(427.7)	(306.4)
EBIT(1)	187.2	1,702.0	1,397.0	1,025.8
EBIT/Finance Cost	1.38	5.36	3.27	3.35

Notes:

(1) The Company calculates EBIT for any relevant period as profit before income tax for such period *plus* finance cost for such period.

The following table sets forth a reconciliation of (i) debt (including current portion) to borrowings (current) and borrowings (non-current); (ii) capitalisation to borrowings (current) and borrowings (non-current); (iii) cash and deposits (including long-term) to cash in bank, deposits (less than 12 months) and deposits (over 12 months); (iv) net capitalisation to borrowings (current) and borrowings (non-current) and cash and cash equivalents; (v) Net Debt to borrowings and cash and cash equivalents; (vi) Net Debt/Net Capitalisation to borrowings and cash and cash equivalents; and (vii) debt/equity to borrowings and total equity, as at the dates indicated:

	As at and for the six months ended 30 June	As at and for the year ended 31 December		
	2020	2019	2018[(1)]	2017[(1)]
		(KZT billions, except ratios)		
Borrowings (non-current)	3,586.6	3,584.1	3,822.6	3,417.1
Borrowings (current)	380.7	253.4	330.6	884.1
Debt (including current portion)[(2)]	**3,967.3**	**3,837.5**	**4,153.2**	**4,301.2**
Total equity	**8,317.7**	**8,196.7**	**7,143.1**	**6,783.6**
Capitalisation[(3)]	**12,285.0**	**12,034.2**	**11,296.3**	**11,084.8**
Cash and cash equivalents	956.7	1,064.5	1,539.5	1,264.0
Deposits (less than 12 months)	358.5	359.5	386.5	1,638.9
Deposits (over 12 months)	54.0	52.5	52.3	48.5
Cash and deposits (including long-term)[(4)]	**1,369.2**	**1,476.5**	**1,978.3**	**2,951.4**
Net Debt[(5)]	**3,010.6**	**2,773.0**	**2,613.7**	**3,037.2**
Net Capitalisation[(6)]	**11,328.3**	**10,969.7**	**9,756.8**	**9,820.8**
Net Debt/Net Capitalisation *(%)*	**0.3**	**0.3**	**0.3**	**0.3**
Debt (including current portion)/Total equity	**0.5**	**0.5**	**0.6**	**0.6**

Notes:

(1) Restated. See "*Presentation of Financial, Reserves and Certain Other Information—Restatements and Reclassifications*" and Note 3 to the Financial Statements.

(2) Debt is the current portion of the borrowings *plus* the non-current portion of the borrowings as at 31 December or 30 June of the relevant period.

(3) Capitalisation is debt *plus* equity as at 31 December or 30 June of the relevant period, as applicable.

(4) Cash and deposits (including long-term) is the sum of cash and cash equivalents, short-term bank deposits with maturities of less than 12 months and long-term bank deposits with maturities over 12 months.

(5) Net Debt is debt *minus* cash and cash equivalents as at 31 December or 30 June of the relevant period, as applicable.

(6) Net capitalisation is Net Debt *plus* total equity as at 31 December or 30 June of the relevant period, as applicable.

The following table sets forth a reconciliation of current liquidity to current assets and current liabilities as at the dates indicated:

	As at and for the six months ended 30 June	As at and for the year ended 31 December		
	2020	2019	2018[(1)]	2017[(1)]
		(KZT billions, except ratios)		
Current assets	2,295.9	2,632.3	3,205.2	4,092.5
Current liabilities	1,289.5	1,438.4	1,803.1	2,124.0
Current liquidity[(2)]	1.8	1.8	1.8	1.9

Notes:

(1) Reclassified. See "Presentation of Financial, Reserves and Certain Other Information—Restatements and Reclassifications" and Note 3 to the Financial Statements.

(2) Current liquidity is current assets as at 31 December or 30 June of the relevant year divided by current liabilities as at 31 December of the relevant year.

The following table sets forth a reconciliation of free cash flow to net cash flow from/(used in) operating activities for the periods indicated:

	As at and for the six months ended 30 June		As at and for the year ended 31 December		
	2020	2019	2019	2018[1]	2017[1]
Net cash flow from/(used in) operating activities	197,786	(140,207)	123,801	629,161	695,393
Prepayment for TCO's crude oil	—	471,466	864,450	171,952	69,426
Payment for property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	(226,925)	(210,689)	(444,193)	(430,305)	(464,353)
Proceeds from interest on the "Kazakhstan Note"[1]	24,363	20,889	47,663	44,822	35,143
Free cash flow	**(4,776)**	**141,459**	**591,721**	**415,630**	**335,609**

Notes:
(1) A loan previously provided to Caspian Pipeline Consortium

Segment Data

The following tables set forth assets, cash and deposits (including long-term), debt and EBITDA for the Company and its segments as at and for the periods indicated. Segments data may not be comparable to the consolidated data or segment data of other companies, as it is presented before eliminations, includes effects of inter-segment transactions made on terms agreed to between the segments that may not necessarily be at market rates.

	As at and for the six months ended 30 June 2020			
	Assets	Cash and Deposits[1]	Debt[2]	EBITDA[3]
		(KZT billions)		
Exploration and production of oil and gas	7,930	209	92	149
Oil transportation	1,093	80	22	130
Gas trading and transportation	2,325	225	493	193
Refining and trading of crude oil and refined products	2,486	355	983	90
Corporate	1,398	437	2,590	(6)
Other	287	63	43	(3)
Elimination	(1,450)	—	(256)	(1)
Total	14,069	1,369	3,967	552

Notes:
(1) Includes cash and cash equivalents and bank deposits (including long-term).
(2) Debt is the current portion of borrowings *plus* non-current portion of borrowings as at 30 June 2020.
(3) See Note 23 to the Interim Financial Statements.

	As at and for the year ended 31 December 2019			
	Assets	Cash and Deposits[1]	Debt[2]	EBITDA[3]
		(KZT billions)		
Exploration and production of oil and gas	7,505	224	82	963
Oil transportation	1,080	91	22	219
Gas trading and transportation	2,195	119	498	458
Refining and trading of crude oil and refined products	2,854	483	1,015	268
Corporate	1,480	491	2,451	42
Other	454	68	42	(32)
Elimination	(1,486)	—	(272)	45
Total	14,082	1,476	3,838	1,963

Notes:
(1) Includes cash and cash equivalents and bank deposits (including long-term).
(2) Debt is the current portion of borrowings *plus* non-current portion of borrowings as at 31 December 2019.
(3) See Note 35 to the Financial Statements.

	As at and for the year ended 31 December 2018			
	Assets	**Cash and Deposits**[(1)]	**Debt**[(2)]	**EBITDA**[(3)]
		(KZT billions)		
Exploration and production of oil and gas	7,295	426	174	1,001
Oil transportation	1,022	89	25	184
Gas trading and transportation	1,820	156	544	299
Refining and trading of crude oil and refined products	3,996	363	1,161	255
Corporate	1,913	929	3,358	7
Other	158	15	46	13
Elimination	(2,189)	—	(1,155)	(51)
Total	14,015	1,978	4,153	1,707

Notes:

(1) Includes cash and cash equivalents and bank deposits (including long-term).

(2) Debt is the current portion of borrowings *plus* non-current portion of borrowings as at 31 December 2018.

(3) See Note 35 to the Financial Statements.

	As at and for the year ended 31 December 2017			
	Assets	**Cash and Deposits**[(1)]	**Debt**[(2)]	**EBITDA**[(3)]
		(KZT billions)		
Exploration and production of oil and gas	6,655	1,416	153	620
Oil transportation	890	90	23	169
Gas trading and transportation	1,445	30	450	143
Refining and trading of crude oil and refined products	3,846	330	1,090	198
Corporate	2,146	1,076	3,697	(58)
Other	168	9	48	11
Elimination	(1,599)	—	(1,160)	15
Total	13,550	2,951	4,301	1,099

Notes:

(1) Includes cash and cash equivalents and bank deposits (including long-term).

(2) Debt is the current portion of borrowings *plus* non-current portion of borrowings as at 31 December 2017.

(3) See Note 35 to the Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL PERFORMANCE

The following management's discussion and analysis of the Company's results of operations and financial performance should be read in conjunction with the Financial Statements and the Interim Financial Statements, together with the related notes thereto, included elsewhere in this Base Prospectus. The Financial Statements have been prepared in accordance with IFRS and the Interim Financial Statements have been prepared in accordance with IAS 34. This management's discussion and analysis contains forward-looking statements, which involve risks and uncertainties. See "Forward-Looking Statements". The Company's future actual results could differ materially from those anticipated in the forward-looking statements contained herein for several reasons, including those set forth under "Risk Factors" and elsewhere in this Base Prospectus.

Overview

The Company is the national oil and gas company of Kazakhstan with vertically-integrated upstream, midstream and downstream operations. The Company is one of the largest crude oil and condensate producers in Kazakhstan in terms of production volume as at 30 June 2020. As at 30 June 2020, the Company also operates the largest crude oil and gas pipeline networks in Kazakhstan in terms of length and throughput capacity. In addition, the Company operates each of the three principal refineries in Kazakhstan, as well as a major refinery in Romania.

The Group's operations consist of four main segments: (i) exploration and production of oil and gas ("**upstream**"), (ii) oil transportation; (iii) gas trading and transportation (collectively, (ii) and (iii) comprise what the Group considers its "**midstream**" operations) and (iv) refining and trading of crude oil and refined products ("**downstream**"). See "—*Operating Segments*" below. The Company's revenue is reported under these operating segments, as well as an "other revenue" segment that includes the Company's remaining operations, including heating and power, security and other oil and gas related services with 18.5 per cent. of revenues from exploration and production of oil and gas, 7.6 per cent. of revenues from oil transportation, 22.4 per cent. of revenues from gas trading and transportation and 70.1 per cent. of revenues from refining and trading of crude oil and refined products in the six months ended 30 June 2020. For the six months ended 30 June 2020, the Company's revenue and EBITDA were largely driven by the Company's refining and trading business and gas trading and transportation, with refining and trading of crude oil and refined products representing 70.1 per cent. of revenues and 16.2 per cent of EBITDA and exploration and gas trading and transportation representing 22.4 per cent. of revenues and 35.0 per cent. of EBITDA. For each of the years ended 31 December 2019, 2018 and 2017, the Company's revenue and EBITDA were largely driven by the Company's exploration and production activities and its refining and trading business, with exploration and production representing 19.1 per cent. of revenues and 49.1 per cent. of EBITDA in year ended 31 December 2019 and refining and trading of crude oil and refined products representing 81.3 per cent. of revenues and 13.7 per cent. of EBITDA in year ended 31 December 2019.

The Company's net profit for the year ended 31 December 2019 was KZT 1,158.5 billion compared to KZT 693.5 billion for the year ended 31 December 2018, reflecting an increase of KZT 465.0 billion, or 67.1 per cent. from 2018 to 2019, and KZT 525.4 billion for the year ended 31 December 2017, reflecting an increase of KZT 168.0 billion, or 32.0 per cent. from 2017 to 2018. The Company's net profit for the six months ended 30 June 2020 was KZT 20.7 billion, reflecting an decrease of KZT 601.7 billion as compared to the six months ended 30 June 2019. The Company's net profit for the six months ended 30 June 2020 and the years ended 31 December 2019, 2018 and 2017 represented 0.9 per cent., 16.9 per cent., 9.9 per cent. and 11.0 per cent., respectively, of the Company's revenue for such years.

As at 30 June 2020, the Company had total assets of KZT 14,068.5 billion, as compared to total assets of KZT 14,081.9 billion, KZT 14,015.3 billion and KZT 13,550.0 billion as at 31 December 2019, 2018 and 2017, respectively.

Main Factors Affecting Results of Operations and Liquidity

The results of the Company's operations and their period-to-period comparability are affected by various factors related to the Company's strategy and execution of its business plan and objectives, and by external factors that are outside the Company's control.

The main factors that have affected the Company's results of operations during the six months ended 30 June 2020 and the years ended 31 December 2019, 2018 and 2017, and that can be expected to affect the Company's results of operations in the future, are:

- impacts of the Covid-19 pandemic;
- fluctuation in prices of in commodities and refined oil product prices;
- the economic environment in which the Company operates;
- changes in the production of crude oil, gas and refined oil products;
- the impact of changes in exchange rates;
- acquisitions, dispositions, discontinued operations and loss of control of subsidiaries;
- changes in tariffs for oil and gas transportation services;
- the share of income of joint ventures and associates recognised by the Company and its subsidiaries; and
- taxation, including excess profit taxes and other duties.

Impacts of the Covid-19 Pandemic

Covid-19 and the economic environment have impacted the Group's operations. The Group continued to consider it appropriate to adopt the going concern basis of accounting in preparing the Interim Financial Statements. Forecast liquidity has been assessed under a number of stressed scenarios to support this assertion.

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 six months ended 30 June 2020. 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 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 Interim Financial Statements. Discount rates were estimated on the weighted average cost of capital of the individual cash generating unit and ranged between 8.92 per cent. to 14.01 per cent. depending on the functional currency, production period, size, equity risk premium, beta and gearing ratio of the relevant cash-generating unit.

At the end of the second quarter the revision to the Group's oil and gas price assumptions and discount rates did not result in the recognition of any impairment charges for the second quarter of 2020, except for amounts recognized at the end of the first quarter, KZT 60,440 million attributable to Embamunaigas and KZT 38,000 million related to the Group's joint venture and the associate in the Exploration and production of oil and gas segment.

The Group has revised its price assumptions used in value-in-use impairment testing. A summary of the Group's revised price assumptions, in real 2020 terms, is provided below:

	Second half of 2020	**2021**	**2022**	**2023**	**2024**
Brent oil ($/bbl)	39	47	55	60	64

With the COVID-19 pandemic having continued during the second quarter of 2020, the Group assessed recoverability of the refining assets, including goodwill attributable to Pavlodar Refinery. 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 at KMG International, impairment charges were recognized in the consolidated financial statements for the six months ended 30 June 2020 for KZT 159,009 million, recoverable amounts of other refinery were higher than their carrying values.

The Group revisited its impairment analysis for downstream and other assets, as a result, recoverable amounts were identified to be higher than the carrying values, and no impairment charges were accrued.

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.

Provisions assumptions

The credit-adjusted risk-free rate used to discount provisions was reviewed in preparing the Interim Financial Statements as a result of the changes in long-dated government bond yields during the second quarter of 2020. The changes have not significantly affected the Group's overall assessment of the discount rate applied to the Group's provisions as the discount rates changed insignificantly. The timing and amount of cash flows relating to Group's existing provisions are not currently expected to change significantly as a result of the current environment however the detailed annual review will take place later in 2020.

Fluctuation in Prices of Crude Oil and Refined Oil Product Prices and Advanced Sales of Oil

The prices of crude oil and refined oil products internationally and in Kazakhstan have a significant impact on the Company'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 Company's control.

Crude oil prices have been particularly volatile in recent years and have dropped significantly since the outbreak of the Covid-19 pandemic. According to statistics published by Thomson Reuters the average monthly spot price of Brent crude oil was US$64.21 per barrel in 2019, as compared to an average monthly spot price of US$71.31 per barrel in 2018. In 2020, the oil and gas industry has been facing steep oversupply as well as weak demand following the outbreak of Covid-19. According to statistics published by the EIA, the average monthly spot price of Brent crude oil was US$39.89 per barrel in the first six months of 2020, ranging from a high monthly average of US$64.65 per barrel in January 2020 to a low monthly average of US$18.38 per barrel in April 2020. The price of crude oil remains considerably below the record high average monthly price of US$132.72 per barrel recorded in July 2008, and, as at 14 September 2020, the spot price for Brent crude oil was US$38.57 per barrel, according to U.S. Energy Information Administration data. Largely as a result of low crude oil prices in the first half of 2020, the Company's profit before income tax was down 93.2 per cent. year-on-year, at KZT 52.0 billion for the six months ended 30 June 2020 as compared to KZT 765.1 billion for the six months ended 30 June 2019.

Oil and gas commodity prices are one of the key factors affecting the Company's results of operations, and a decline in prices for crude oil and gas has, in the past, had, and may again, in the future, have, a negative effect on the Company's results of operations. Generally, commodities prices fluctuate based on a number of factors beyond the Company's control and the Company's management cannot predict if or when the recent significant volatility in oil prices will be repeated; accordingly, the actual prices the Company realises may vary substantially from its current estimates.

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 Company's refining segment.

The mix of export and domestic sales of crude oil has also affected, and is expected to continue to affect, the Company's results of operations. 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, being the Company's sole, indirect shareholder, to sell domestic oil at below market rates. From time-to-time, the

Government may issue such recommendations or mandates to prevent domestic price increases, particularly when there is not enough supply due to high demand, causing domestic prices to increase. The Company 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 Company, whilst, correspondingly, if the percentage of mandated domestic sales increases, the Company's results of operations could be adversely affected.

The Company's income from refined oil products in Kazakhstan is affected by the availability of domestic crude oil for refining. The Company sells refined oil products in the European markets through KMG International, which owns the principal refining operations in Romania.

The Current Economic Environment

Kazakhstan has experienced favourable economic conditions in recent years. With a GDP of US$79 billion in 2018, Kazakhstan is the largest economy in Central Asia, accounting for approximately 60 per cent. of the region's GDP. However, Kazakhstan saw GDP slightly shrink in the first half of 2020, largely in reaction to the worldwide shutdowns resulting from the Covid-19 pandemic. The International Monetary Fund forecasts real GDP to shrink by 2.7 per cent. in 2020. The future stability of the Kazakhstan economy is largely dependent upon the continued implementation of economic reform programmes and the effectiveness of economic, financial and monetary measures undertaken by the Government, as well as developments in other economies in the region and around the globe, particularly in connection with the global economic recovery from the Covid-19 pandemic, as well as developments in the Russian economy and related effects on the value of the Russian Rouble.

The Kazakhstan economy is vulnerable to market downturns and economic slowdowns elsewhere in the world, including those in the first half of 2020 in connection with the Covid-19 pandemic. Such downturns and slowdowns could result in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which have had, and are expected to continue to have, a material effect on the Company's financial position and results of operations. Whilst the Company is unable to estimate reliably the effects on its consolidated financial position and its results of operations of any further deterioration in the financial markets or of any continuing or increased volatility in the currency, commodities and equity markets for any periods subsequent to 30 June 2020, the Company's business activities may again be further negatively impacted by the economic conditions resulting from global financial conditions, regional instability and any renewed or further declines in prices of and demand for crude oil and other commodities. Such market conditions could have an impact on, amongst other things, the Company's production and volumes of crude oil, natural gas and refined oil products, the Company's cash balances at Kazakhstan banks, the cost of the Company's funding and the KZT/US$ exchange rate and, accordingly, may have a material adverse effect on the Company's business, prospects, financial condition, cash flows and results of operations.

In addition, through its ultimate control of the Company, the Government is in a position to influence the Company's activities, including the imposition of certain social and other obligations on the Company, which may have an adverse effect on the Company's financial position and results of operations. For example, the Company is required to supply natural gas to the domestic market at prices which are regulated by the Government, are lower than export prices and have in the past been lower than the cost of production of such natural gas. As a result, the Company currently incurs losses on its domestic supply of gas at current prices and domestic supply takes precedence over gas available to the Company to put back into production or for export opportunities.

Changes in Production of Crude Oil, Gas and Refined Oil Products

The Company's ability to generate revenue depends primarily on its production of crude oil, gas, and refined oil products.

The Company produces crude oil, gas and refined oil products through its production subsidiaries, which it fully consolidates, as well as through its joint operations, joint ventures and associates. Whilst the Company accounts for its interests in joint operations under the proportionate consolidation method, the Company accounts for its joint ventures and associates under the equity method and does not directly derive revenue or incur costs of sales from the production of crude oil, refined oil products or gas by its joint ventures and associates.

Accordingly, in the context of the discussion of the Company's revenue and cost of sales, production data are provided only for the Company, its subsidiaries and its interests in joint operations, excluding the production of joint ventures and associates.

Production of Crude Oil

In 2019, the Company's consolidated production of crude oil remained stable year on year from 2018 to 2019 at 23.6 million tonnes. For the year ended 31 December 2018, the Company's consolidated production of crude oil increased by 1 per cent. to 23.6 million tonnes from 23.4 million tonnes for the year ended 31 December 2017. The Company's oil and condensate output includes production from mega projects and operated assets, with TCO and OMG being the largest oil and condensate producing assets in 2019, respectively. The share of total oil and condensate production was 65.5 per cent. attributable to mega projects and 34.5 per cent. attributable to operated assets.

In November 2016, commercial production recommenced at the Kashagan Field, and Kashagan reached peak production of 400,000 barrels per day in 2019, with an average daily output of 307,000 barrels per day. The Kashagan Field, which is operated by NCPC, produced 1,169 thousand tonnes of crude oil attributable to the Company in the year ended 31 December 2019, as compared to 1,094 thousand tonnes of crude oil attributable to the Company in the year ended 31 December 2018, representing 4.9 per cent. and 4.6 per cent., respectively, of the Company's production of crude oil for those years.

Production of Gas

The Company's natural and associated gas production includes production from mega projects and operated assets. Mega projects include TCO (Tengiz), KPO (Karachaganak) and NCPC (Kashagan), which together produced 5.8 bcm in the year ended 31 December 2019, and operated assets include OMG (Uzen), MMG, EMG (Emba) and others, which together produced 2.6 bcm in the year ended 31 December 2019. TCO, in which the Company holds a 20 per cent. interest, produced 38.5 per cent. (or 3.3 bcm), 38.4 per cent. (or 3.1 bcm) and 38.6 per cent. (or 3.2 bcm) of the Company's production of gas in the years ended 31 December 2019, 2018 and 2017. KPO, in which the Company holds a 10 per cent. interest (through its wholly-owned subsidiary, KMG Karachaganak LLP), produced 22.0 per cent. (or 1.9 bcm), 23.2 per cent. (or 1.9 bcm) and 23.0 per cent. (or 1.9 bcm) of the Company's production of gas in the years ended 31 December 2019, 2018 and 2017, respectively. For the year ended 31 December 2019, the Company'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.

Production of Refined Oil Products

The Company's consolidated production of refined oil products includes production at the Atyrau Refinery, the Pavlodar Refinery, Shymkent Refinery and Caspi Bitum in Kazakhstan, and the Petromidia Refinery and the Vega Refinery in Romania. The Company is the leading oil product producer in both Kazakhstan and Romania. See "*Business—Refining, Marketing and Trading*". For the year ended 31 December 2019, the Company's sales of refined oil products stayed relatively flat at 23.5 million tonnes from 23.7 million tonnes for the year ended 31 December 2018.

Impact of Changes in Exchange Rates

The KZT/US$ exchange rate and inflation trends in Kazakhstan affect the Company's results of operations, principally because (i) a majority of the Company's consolidated revenue from sales of crude oil and refined oil products are denominated in U.S. Dollars, whilst a substantial portion of the Company's expenses are denominated in Tenge, and (ii) a significant majority of the Company's borrowings and accounts payable are denominated in U.S. Dollars. Accordingly, fluctuations in the KZT/US$ exchange rate have significantly affected, and are likely to continue to affect, the Company's consolidated results of operations. On 20 August 2015, the NBK adopted a free-floating exchange rate and medium-term inflation targeting policy.

The following table sets forth the period average and period end KZT/US$ exchange rates established by the Kazakhstan Stock Exchange for the periods indicated:

Period ended	Period Average	Period-end
	(KZT per US$1.00)	
Six months ended 30 June 2020	404.71	403.93
Year ended 31 December 2019	382.87	382.59
Year ended 31 December 2018	345.04	384.20
Year ended 31 December 2017	326.08	332.33

Source: Kazakhstan Stock Exchange JSC

As at 31 December 2019, certain of the Company's borrowings denominated in foreign currencies were designated as hedge instruments. Income of KZT 10.3 million on the translation of these borrowings was recognised in 2019 (compared to a loss of KZT 364.2 million in 2018) and was transferred to other comprehensive income, which partially offset translation gains and losses of net investments in subsidiaries (foreign operations).

Acquisitions, Discontinued Operations, Disposals and Loss of Control

The Company has made several acquisitions and disposals since 1 January 2017, which have had, and are expected to continue to have, an effect on the Company's results of operations, although no single acquisition accounted for more than 10 per cent. of the Company's assets or revenues.

The Company is also considering certain acquisitions and disposals in the near-to medium-term, which could include the disposal of KTG and/or the acquisition of leveraged assets. There can be no assurance that any acquisitions or disposals will be completed successfully or at all, and any such acquisitions or disposals could have a material affect on the Company's business and financial prospects.

Consolidated Subsidiaries and Joint Operations

<u>KMG EP Tender Offer and Share Buyback</u>

Historically, KazMunaiGas Exploration Production JSC ("**KMG EP**") was a major upstream subsidiary of the Company that held several operating fields, including OMG, EMG, KGM, CCEL and PKI. KMG EP's common shares were listed on the KASE and its GDRs were listed on the standard segment of the Official List and admitted to trading on the main market for listed securities of the London Stock Exchange, but in 2018 the Group completed a tender offer and share offer, and the common shares and GDRs were delisted on 10 May 2018. On 22 February 2019, KMG EP completed its preferred shares buyback programme. On 14 May 2019, preferred shares were delisted from KASE. In accordance with the buyback programme in 2019, KMG EP made a total buyback of outstanding preferred and ordinary shares for 2,464 million tenge (2018: 642,524 million tenge, 2017: nil) as a part of the repurchasing programme of all outstanding GDR and common shares quoted on KASE.]

The Group is in the process of liquidating KMG EP as part of an internal reorganisation.

<u>KMG RM Merger</u>

Prior to December 2017, KMG RM was the Company's principal refining, marketing and trading company. On 30 November 2017, a joint decision of the shareholders of the Company and the shareholders of KMG RM approved the merger of KMG RM with the Company, with the aim of increasing efficiency and eliminating the duplication of activities and responsibilities. The merger became effective on 1 December 2017, in accordance with the provisions of the Civil Code of the Republic of Kazakhstan. The joint decision of the shareholders provided for the expansion of the Company's principal operations listed in its charter to include, amongst others, refining crude oil, operating filling station networks and trading the Company's crude oil and oil products. See "*Business—Refining, Marketing and Trading—Refining—Shymkent Refinery*".

<u>Eurasia Air</u>

On 8 November 2017, the Company completed the sale of 100 per cent. of the shares of Eurasia Air for KZT 11.9 billion. This disposal was in line with the 2016 Complex Privatisation Plan.

Non-consolidated Joint Ventures and Associates

Since 1 January 2017, the Company has acquired interests in several joint ventures and associates, which are accounted for under the equity method in the Company's consolidated financial statements. Under the equity method, the Company recognises its share of the net profit or loss of these joint ventures and associates as a separate line item in the Company's consolidated statement of comprehensive income. Accordingly, these acquisitions have had, and are expected to continue to have, a material effect only on the Company's profits.

Disposals

<u>KMG Retail LLP</u>

On 8 February 8 2019 the Company completed the sale of 100 per cent. interest in KMG Retail LLP ("**KMG Retail**") for KZT 60,512 million, which resulted in a gain on the disposal of KMG Retail of KZT 17,481 million.

<u>Kazakhstan-British University JSC</u>

In January 2019, the Company entered into an agreement with the Public Foundation "Nursultan Nazarbayev Education Fund" to sell 100 per cent. of the Company's shares in Kazakhstan-British University JSC ("**KBTU**"). According to the terms of the agreement, the transfer of the shares and payment therefore would be made in three tranches over two years; total consideration was KZT 11,370 million. On 6 February 2019 the Company no longer considered itself to have "control" over KBTU for accounting purposes and on 14 January 2020 Public Foundation "Nursultan Nazarbayev Education Fund" paid for and received the second tranche of shares. The sale of KBTU Shares to the Public Foundation "Nursultan Nazarbayev Education Fund" was completed on 20 March 2020.

The gain on disposal of KBTU amounted to KZT 149 million and the loss incurred by KBTU for the period from 1 January 1 2019 until the date of disposal equalled to KZT 143 million were recognised in the profit from discontinued operations.

<u>KazTransGas Tbilisi LLC</u>

As of 31 December 2017, KTG held had 100 per cent. legal ownership in KazTransGas Tbilisi LLC ("**KTG Tbilisi**"). On 16 March 2009 the City Court of Kutaisi disqualified KTG from exercising rights to direct the relevant activities of KTG Tbilisi. As a result, the Group lost control over KTG Tbilisi and ceased consolidating it since the date of loss of control.

On 13 September 2018, KTG and the Government of Georgia signed an arbitration agreement whereby KTG sold all the shares of KTG Tbilisi for US$40 million to WALTBAY LTD and the sale completed 28 September 2018.

Tariffs for Oil and Gas Transportation Services

The Company'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. See "*Business—Transportation—Transportation of Crude Oil—Crude Oil Transportation Tariffs and Minimum Volumes*".

Oil Transportation

Oil transportation revenue is generated principally by KTO and KCP under long-term contracts for the transportation of crude oil to be exported through the pipeline systems they operate. In year ended 31 December 2019, 48 per cent. of oil transportation was for exports, 30 per cent. was domestic transport, and 22 per cent. was for transit through Kazakhstan.

Export. There is no State regulation of tariffs for export and transit of crude oil by trunk pipeline by KTO, KCP or Munaitas, though a shareholders agreement sets the tariff for CPC's export of crude oil. The Group charges the following tariffs for the export of crude oil: (i) KTO has a tariff of KZT 6,399 per tonne per 1,000 km (excluding VAT); (ii) KCP has a tariff of KZT 6,799 per tonne per 1,000 km, (excluding VAT); (iii) Munaitas has a tariff of KZT 6,799 per tonne per 1,000 km; and (iv) CPC has a tariff of US$38.00 per tonne per 1,000 km.

Domestic. Domestic tariffs remain subject to approval by the Natural Monopolies Committee. The Natural Monopolies Committee approved the following maximum tariffs for domestic transportation of crude oil: KZT 4110 per tonne per 1,000 km (excluding VAT) for KTO for 2020, pending a five year tariff approval by the Natural Monopolies Committee; KZT 7,100 per tonne per 1,000 km (excluding VAT) for KCP until 2024; and KZT 6,799 per tonne per 1,000 km (excluding VAT) for Munaitas (irrespective of distance).

Transit. KTO and KCP also charge 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. The Ministry of Energy has set the following rates up to 2023: (i) US$4.23 per tonne for KTO and (ii) US$10.77 per tonne for KCP.

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 Company, as well as on its profitability. Conversely, however, such tariff increases have in the past, and are expected in the future to continue to have, a weaker negative impact on the Company's upstream businesses and associated entities, such as TCO, KPO, KazakhoilAktobe and MMG.

Gas Transportation

Gas transportation revenue is generated principally through ICA, AGP, BSGP and KTG-Aimak Trunk Pipeline under contracts for the transportation of natural gas through the pipeline system they operate. In year ended 31 December 2019, 57 per cent. of gas transportation was for transit through Kazakhstan, 25 per cent. was for export, and 17 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. See "*Business—Transportation—Transportation and Storage of Gas—Gas Transportation Tariffs*".

Domestic. The tariffs for domestic transportation generally cover the costs of financing, operating and maintaining the pipeline, increased by a separate profit element. The following tariffs have been approved by the Natural Monopolies Committee and are in effect for the transportation of commercial gas: (i) KZT 2,213 per 1,000 cubic metres of natural gas transported (excluding VAT) in respect of ICA (irrespective of distance) from 1 January 2017; (ii) KZT 555.5 per 1,000 cubic metres of natural gas transported per 100 km (excluding VAT) in respect of the Asia Gas Pipeline from 1 January 2020 (a decrease from KZT 3,494 per 1,000 cubic metres of natural gas transported per 100 km (excluding VAT) from 1 March 2016 to 1 January 2020); (iii) KZT 1,200 per 1,000 cubic metres of natural gas transported per 100 km (excluding VAT) in respect of the Beineu-Bozoi-Shymkent Gas Pipeline from 1 January 2020 (a decrease from 16,574 per 1,000 cubic metres of natural gas transported per 100 km (excluding VAT) from 1 May 2019 to 1 January 2020); and (iv) KZT 592 per 1,000 cubic metres of natural gas transported for KTG-Aimak Trunk Pipeline (irrespective of distance).

International. Since the abolition of Government regulation of export tariffs, ICA 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 transportation, accordingly, are determined by contract and, as such, may be renegotiated as provided in the applicable contract. The contract tariffs are generally a function of costs *plus* the average rate of return on fixed assets. Pursuant to ICA's contract with Gazprom, the rate is set at US$2 per 1,000 cubic metres of natural gas transported per 100 km (excluding VAT).

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 gas transportation fees received by the Company, as well as on its profitability.

Changes in the Share in Profit from Joint Ventures and Associates

The Company holds significant interests, both directly and through its subsidiaries, in a number of joint ventures and associates, including principally Tengizchevroil LLP (TCO), Asian Gas Pipeline LLP (AGP) and Mangistau Investments B.V. (MMG), amongst others. The interests of the Company and its subsidiaries in joint ventures are accounted for using the equity method of accounting. Under the equity method, the Company's consolidated statement of comprehensive income simply reflects the share of the Company and its subsidiaries of the net profit or loss of the joint ventures as a single line item. Upon the acquisition of joint operations, the Company recognises in relation to its interest in such joint operations, including its share of any assets held jointly and assets and liabilities, its share of any liabilities incurred jointly. The Company also recognises 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 expenses arising from the joint operations, including its share of any expenses incurred jointly.

Associates are entities over which the Company directly or indirectly has significant influence, but not control, generally accompanying a shareholding of between 20 per cent. and 50 per cent. of the voting rights. Investments in associates, as is the case with investments in joint ventures, are accounted for using the equity method of accounting. The Company's and its subsidiaries' interests in associates are limited to their share of the net profit or loss of such associates and are reflected as a single line item in the Company's consolidated statement of comprehensive income in the Financial Statements.

For the years ended 31 December 2019, 2018 and 2017, the Company derived a significant portion of its consolidated profits from TCO, AGP and its other joint ventures and associates, including total comprehensive income attributable to the Company's 20 per cent. joint venture interest in TCO (as at 31 December 2019) of KZT 414.9 billion and total comprehensive income attributable to all of the Company's joint venture interests and associates of KZT 828.0 billion. Accordingly, the Company's profitability has been, and is expected to continue to be, materially affected by the results of operations of such joint ventures over which it does not exercise full control.

Taxation

In February 2016, the Minister of National Economy of Kazakhstan introduced a progressive scale of export customs duty rates on crude oil. Under the new regime, crude oil is subject to a floating export duty rate if the world oil price is above US$25 (with no export duty rate if the world oil price is below US$25). Export duty rates are calculated on the mean market prices of Brent Crude and Urals oil trading classifications. In June 2020, the export duty rate was US$0 per tonne.

On 1 January 2018, the 2018 Tax Code came into effect, which replaced the 2009 tax code. The 2018 Tax Code introduced a number of new concepts that may impact the Company's tax burden in future periods. The key amendments introduced by the 2018 Tax Code, which may have an impact on the Company, include, *inter alia*:

- *Principle of good faith:* The 2018 Tax Code formulates the principle of taxpayer "good faith", which *inter alia* stipulates that ambiguities in tax rulings and laws shall be construed in taxpayer's favour when considering a taxpayer's appeal.

- *Controlled Foreign Companies:* The 2018 Tax Code provides for the inclusion of the total profit of controlled foreign companies and permanent establishments of controlled foreign companies ("CFCs") in the taxable base for corporate income tax. For such purposes, a CFC is defined as a non-resident legal entity or any other form of foreign business organisation, where more than 25 per cent. of the shares or participatory interests are directly or indirectly or *de facto* held by a legal entity or an individual resident of the Republic of Kazakhstan or a legal entity or individual resident of the Republic of Kazakhstan has direct or indirect or *de facto* control over such entity or organisation *provided that* such entity or organisation, or its permanent establishment ("PE"), is registered in a jurisdiction with a favourable tax regime or the effective tax rate of the CFC or its PE is less than 10 per cent.

- *Alternative Tax on Subsoil Use:* The 2018 Tax Code establishes the "Alternative Tax on Subsoil Use", as an alternative to the previous subsoil users' taxes. Subsoil users that carry out production and/or combined exploration and production of hydrocarbons on Kazakhstan's continental shelf and certain deep deposit fields may opt to pay this alternative tax in lieu of payment of excess profits tax, minerals extraction tax on the extraction of hydrocarbons, payments reimbursing the State's historical costs and rent tax on exports of hydrocarbons. A qualifying subsoil user that entered into a Subsoil use contract before 1 January 2018 must file a notification with the relevant authority if it wishes to elect to pay this alternative tax. Once it has elected to pay the alternative tax, it cannot then revert to paying subsoil users' taxes. The alternative tax cannot be deducted for corporate income tax purposes and tax rates vary between 0 per cent. for crude oil price below US$50 per barrel and 30 per cent. depending on the market price of crude oil, being 0 per cent for US$50 per barrel and increasing by 6 per cent. for each US$10 per barrel increase above US$50.

- *Commercial Discovery Bonus:* With effect from 1 January 2019, the commercial discovery bonus (tax benefit) has been abolished for all subsoil users in Kazakhstan.

- *Signature Bonus:* The 2018 Tax Code has increased the minimum "signature bonus" for contracts for hydrocarbon exploration and production contracts in respect of approved levels of reserves to minimum 10,000 monthly calculation indexes from 3,000 monthly calculation indexes, with such indexes to be reconsidered by the Government on an annual basis. The 2018 Tax Code provides that the signature bonus shall be paid in one instalment.

- *Excess Profits Tax:* With effect from 1 January 2018, excess profits tax no longer applies to persons who elect to pay the newly-introduced "Alternative Tax on Subsoil Use".

- *Taxation of PSAs:* The 2018 Tax Code provides that taxation provisions applicable to PSAs entered into before 1 January 2009, which were subject to mandatory tax expert examination, remain in full force and effect and are not superseded by the 2018 Tax Code.

Results of Operations for the Six Months Ended 30 June 2020 Compared to the Six Months Ended 30 June 2019

	For the Six Months ended 30 June	
	2020 (unaudited)	**2019 (unaudited) (reclassed)**
	(KZT millions)	
Revenue and other income		
Revenue	2,254,095	3,402,580
Share in profit of joint ventures and associates, net	224,280	445,250
Finance income	63,531	61,796
Gain on sale of subsidiaries	–	17,481
Other operating income	11,764	10,143
Total revenue and other income	**2,553,670**	**3,937,250**
Costs and expenses		
Cost of purchased oil, gas, petroleum products and other materials	(1,125,890)	(1,942,076)
Production expenses	(363,532)	(336,716)
Taxes other than income tax	(139,480)	(225,890)
Depreciation, depletion and amortisation	(180,219)	(167,216)
Transportation and selling expenses	(222,485)	(215,512)
General and administrative expenses	(74,818)	(94,179)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(225,402)	(25,240)
Reversal of impairment of investments in joint ventures	(38,000)	–
Finance costs	(135,194)	(160,847)
Other expenses	(14,735)	(6,627)
Net foreign exchange gain/(loss)	18,119	2,185
Total costs and expenses	**(2,501,636)**	**(3,172,118)**
Profit before income tax	**52,034**	**765,132**
Income tax expenses	(31,330)	(142,734)
Profit for the year from continuing operations	**20,704**	**622,398**
Discontinued operations		
Profit/(loss) after income tax for the year from discontinued operations	–	6
Net profit for the period	**20,704**	**622,404**
Net profit/(loss) for the period attributable to:		
Equity holders of the Parent Company	103,654	623,536
Non-controlling interest	(82,950)	(1,132)
	20,704	**622,404**

Revenue

For the six months ended 30 June 2020, total revenue was KZT 2,254.1 billion compared to KZT 3,402.6 billion for the six months ended 30 June 2019, reflecting a decrease of KZT 1,148.5 billion, or 33.8 per cent. This decrease was primarily due to a decrease in the average price of Brent crude oil, a decrease in oil trading and sales of petroleum products by KMG International (which was slightly offset by the weakening of the average exchange rateof the Tenge against the U.S. dollar) and a decrease in gas export volumes.

The following table sets forth certain information regarding the Company's revenue for the periods indicated:

	For the Six Months ended 30 June	
	2020 (unaudited)	2019* (unaudited) (reclassed)
	(KZT millions)	
Sales of crude oil and gas*	1,273,550	1,997,057
Sales of refined products*	615,729	1,024,488
Oil and gas transportation services	147,552	159,767
Refining of oil and oil products	92,469	96,298
Other revenue	124,795	124,970
Total	**2,254,095**	**3,402,580**

* *The Group excluded sales of gas products of 18,824 million tenge and included to Sales of refined products for six months ended 30 June 2019 that was previously presented within sales of crude oil, gas and gas refining products.*

Sales of Crude Oil and Gas

Total revenue from the Company's sales of crude oil and gas decreased by KZT 723.5 billion, or 36.2 per cent., to KZT 1,273.6 billion for the six months ended 30 June 2020, compared to KZT 1,997.1 billion for the six months ended 30 June 2019. This decrease was primarily a result of a sharp drop in the Brent price and a decrease in crude oil production.

The following table sets forth certain information regarding the Company's sales revenue and sales volumes of crude oil and gas for the periods indicated:

	For the Six Months ended 30 June	
	2020 (unaudited)	2019 (unaudited) (reclassed)
Crude oil sales revenue (KZT billions)	841	1,551
Crude oil sales volumes (thousands of tonnes)	7,812	8,329
Average price per tonne of crude oil (KZT per tonne)	107,605	186,240
Gas sales revenue (KZT billions)	433	446
Gas sales volumes (million cubic metres)	11,087	11,834
Average price per tonne of gas (KZT per thousand cubic metres)	39,054	37,677

Sales of Refined Products

Total revenue from the Company's sales of refined products for the six months ended 30 June 2020, decreased by KZT 408.8 billion, or 39.9 per cent., to KZT 615.7 billion compared to KZT 1,024.5 billion for the year ended 30 June 2019. This decrease was primarily a result of a drop in trading volumes and oil product sales.

The following table sets forth certain information regarding the Company's refined products sales, where the Company is a principal, excluding tolling volumes and sales, for the periods indicated:

	For the Six Months ended 30 June	
	2020 (unaudited)	2019 (unaudited) (reclassed)
Refined oil products sales (KZT billions)	616	1,024
Refined oil products volumes sold (thousands of tonnes)	2,014	5,019
Average price per tonne of refined oil products (KZT per tonne)	305,724	204,122

Oil and Gas Transportation Services

In the six months ended in 30 June 2020, revenue from oil and gas transportation services was KZT 147.5 billion, as compared to KZT 159.8 billion in the six months ended in 30 June 2019, reflecting a decrease of KZT 12.3 billion or 7.7 per cent. This decrease was primarily attributable to a decrease in oil supply from oil companies operating the Kumkil 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.

Refining of Oil and Oil Products

For the six months ended in 30 June 2020, revenue from refining of oil and oil products was KZT 92.5 billion compared to KZT 96.3 billion for the six months ended in 30 June 2019, reflecting a decrease of KZT 3.8 billion, or 4.0 per cent. This decrease was primarily attributable to production shutdowns at Petromidia Refinery related to a scheduled overhaul as well as lower refining volumes at the Pavlodar Refinery and Shymkent Refinery to avoid overstocking of oil products as a result of the impact of Covid-19.

Other Revenue

For the six months ended in 30 June 2020, other revenue was KZT 124.8 billion compared to KZT 125.0 billion for the six months ended in 30 June 2019, reflecting a slight decrease of KZT 0.2 billion, or 0.2 per cent.

Share in Profit of Joint Ventures and Associates, Net

For the six months ended 30 June 2020, the net share in profit of joint ventures and associates decreased by KZT 221.0 billion, or 49.6 per cent., to KZT 224.3 billion from KZT 445.3 billion for the six months ended 30 June 2019. This decrease was primarily due to a decrease in the share in profits of TCO, Mangistau Investments B.V., Kashagan B.V., KRG and the Beineu-Shymkent Gas Pipeline 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 agains the US 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 Six Months ended June 30	
	2020 (unaudited)	**2019 (unaudited) (reclassed)**
	(KZT millions)	
Asian Gas Pipeline LLP (AGP)	76,566	67,518
Tengizchevroil LLP (TCO)	69,514	223,618
Caspian Pipeline Consortium	40,664	33,396
Beineu-Shymkent Gas Pipeline	24,139	33,840
KazGerMunay LLP	8,955	11,862
PetroKazakhstan Inc.	7,347	2,948
Mangistau Investments B.V.	4,755	46,242
Kazakhoil-Aktobe LLP	1,640	4,908
KazRosGas LLP (KRG)	1,468	11,243
Teniz Service LLP	427	8,570
Valsera Holdings B.V.	(4,020)	(3,389)
Ural Group Limited	(4,952)	(3,665)
Kashagan B.V.	(11,409)	1,328
Other joint ventures and associates(1)	9,186	6,831
	224,280	**445,250**

Note:

(1) Includes (amongst others) Rompetrol France SAS, Uzina Termoelectrica Midia S., LLP "RTI-ANPZ",LLP "Karagandy CCI", Air Liquide Munay Tech Gases LLP, KMG Nabors Drilling Co LLP, KMG Parker Drilling Co. LLP, Kylysh Trade Partnership, Borjomi-Likani Int, LLC "Oil and Gas Company Centralnaya", KMG-Ustyurt LLP, Professional Geo Solutions LLP, Isatai Operating Company LLP, LLP "Beineu-Munaigas", MunayTas, LLP "KMG Automation", AvtoGazAlmaty, Gas Storage Park LLP, and LLP "Grace Kazakhstan Catalists.

Finance Income

For the six months ended 30 June 2020, finance income was KZT 63.5 billion compared to KZT 61.8 billion for the six months ended 30 June 2019, reflecting an increase of KZT 1.7 billion, or 2.8 per cent. This increase was primarily attributable to the decision to voluntarily relinquish a contract connected with the Pearl project, fluctuations in market rates, and amortisations of issued financial guarantees.

Gain on Sale of Subsidiaries

For the six months ended 30 June 2020, gain on sale of subsidiaries was nil compared to KZT 17.5 billion for the six months ended 30 June 2019, reflecting the sale of KBTU and KMG Retail in the six months ended 30 June 2019.

Other Operating Income

For the six months ended 30 June 2020, the Company recorded KZT 11.8 billion of other operating income compared to KZT 10.1 billion for the six months ended 30 June 2019, reflecting a slight increase of KZT 1.7 billion, or 16.8 per cent.

Cost of Purchased Oil, Gas, Petroleum Products and Other Materials

For the six months ended 30 June 2020, cost of purchased oil, gas, petroleum products and other materials was KZT 1,125.9 billion compared to KZT 1,942.1 billion for the six months ended 30 June 2019, reflecting a decrease of KZT 816.2 billion, or 42.0 per cent. This decrease was primarily attributable to lower oil prices for oil purchased for resale or refining, which was partially offset by an increase in the cost of purchased gas for resale and the weakening of the Tenge against the US dollar.

The following table sets forth certain information regarding the Company's cost of purchased oil, gas, petroleum products and other materials for the periods indicated:

	For the Six Months ended June 30		**Percentage change between the six months ended 30 June 2020 and 2019**
	2020 (unaudited)	**2019 (unaudited) (reclassed)**	
	(KZT millions)		*(per cent.)*
Purchased oil for resale	652,189	1,114,152	(41.5)%
Purchased gas for resale	204,652	199,794	2.4%
Cost of oil for refining	152,979	451,686	(66.1)%
Materials and supplies	94,159	94,539	(0.4)%
Purchased petroleum products for resale	21,911	81,905	(73.2)%
Total	**1,125,890**	**1,942,076**	(42.0)%

The decrease in purchased oil for resale expense by KZT 462.0 billion to KZT 652.2 billion for the six months ended 30 June 2020 compared to KZT 1,114.2 billion for the six months ended 30 June 2019 was primarily attributable to a decrease in the average price for Brent crude oil and decreased volumes of oil purchased due to the Covid-19 pandemic, partially offset by the weakening of the Tenge against the US dollar.

The increase in cost of purchased gas for resale by KZT 4.9 billion to KZT 204.7 billion for the six months ended 30 June 2020, compared to KZT 199.8 billion for the six months ended 30 June 2019 was primarily attributable to a decrease in the volume of purchases due to a scheduled shutdown of KMG International for repairs which is carried out every five years.

The decrease in the cost of oil for refining by KZT 298.7 billion to KZT 153.0 billion for the six months ended in 30 June 2020, compared to KZT 451.7 billion for the six months ended 30 June 2019, was primarily due to a decrease in the average price for Brent crude oil, as well as a decrease in the volume of purchases due to a scheduled shutdown of KMG International for repairs which is carried out every five years.

The decrease in the purchased petroleum products for resale by KZT 60.0 billion to KZT 21.9 billion for the six months ended 30 June 2020, compared to KZT 81.9 billion for the six months ended 30 June 2019, was primarily due to decreased costs on the purchase of hydrogen resulting from lower purchase prices and reduced purchase volumes following changes in the production programme which led to a reduction of consumption.

Production Expenses

For the six months ended 30 June 2020, production expenses were KZT 363.5 billion compared to KZT 336.7 billion for the six months ended 30 June 2019, reflecting an increase of KZT 26.8 billion, or 8.0 per cent. This increase was primarily attributable to changes in the balance of finished products of oil production facilities associated with the low average price for Brent crude oil in 2020.

The following table sets forth certain information regarding the Company's production expenses for the periods indicated:

	For the Six Months ended 30 June		Percentage change between the six months ended 30 June 2020 and 2019
	2020 (unaudited)	2019 (unaudited) (reclassed)*	
	(KZT millions)		*(per cent.)*
Payroll	158,383	151,107	4.8%
Repair and maintenance*	50,540	52,910	(4.5)%
Energy	40,318	42,785	(5.8)%
Short-term lease expenses*	28,891	27,161	6.4%
Transportation costs	14,865	14,344	3.6%
Others	70,535	48,409	45.7%
	363,532	**336,716**	8.0%

* *For the six months ended 30 June 2019, the Group excluded outsourced repair and maintenance amounts from Others for 23,792 million tenge and included into production expenses. Additionally, Lease expenses were excluded from Others and presented separately within production expenses.*

The increase in payroll expenses by KZT 7.2 billion to KZT 158.4 billion for the six months ended 30 June 2020, compared to KZT 151.1 billion for the six months ended 30 June 2019, was primarily attributable to the indexation of employees' salaries, an increase in the minimum wage and a weakening of the Tenge against the US dollar.

The decrease in repair and maintenance expenses by KZT 2.4 billion to KZT 50.5 billion for the six months ended 30 June 2020, compared to KZT 52.9 billion for the six months ended 30 June 2019 was primarily due to a scheduled shutdown of Petromidia Refinery in 2019.

The increase in other expenses by KZT 22.1 billion to KZT 70.5 billion for the six months ended 30 June 2020, compared to KZT 48.4 billion for the six months ended 30 June 2019 was primarily due to a change in the balance of finished products.

Taxes other than Income Tax

For the six months ended 30 June 2020, taxes other than income tax were KZT 139.5 billion compared to KZT 225.9 billion for the six months ended 30 June 2019, reflecting a decrease of KZT 86.4 billion or 38.3 per cent. This decrease was primarily due to lower rent taxes on crude oil export, export customs duty, and mineral extraction tax amidst a decrease in oil prices.

	For the Six Months ended 30 June		Percentage change between the six months ended 30 June 2020 and 2019
	2020 (unaudited)	2019 (unaudited) (reclassed)*	
	(KZT millions)		*(per cent.)*
Export customs duty	41,247	66,645	(38.1)%
Rent tax on crude oil export	19,474	68,969	(71.8)%
Mineral extraction tax	33,070	50,566	(34.6)%
Other taxes	45,689	39,710	15.1%
	139,480	**225,890**	(38.3)%

The decrease in the export customs duty by KZT 25.4 billion to KZT 41.2 billion for the six months ended 30 June 2020 from KZT 66.6 billion for the six months ended 30 June 2019 was primarily due to lower oil prices in 2020.

The decrease in the rent tax on crude oil export by KZT 49.5 billion to KZT 19.5 billion for the six months ended 30 June 2020 from KZT 69.0 billion for the six months ended 30 June 2019 was primarily due to lower oil prices in 2020.

The decrease in the mineral extraction tax by KZT 17.5 billion to KZT 33.1 billion for the six months ended 30 June 2020 from KZT 50.6 billion for the six months ended 30 June 2019 was primarily due to lower oil prices in 2020.

Depreciation, Depletion and Amortisation

For the six months ended 30 June 2020, depreciation, depletion and amortisation was KZT 180.2 billion compared to KZT 167.2 billion for the six months ended 30 June 2019, reflecting an increase of KZT 13.0 billion or 7.8 per cent. This increase was attributed to certain OMG wells and increasing the amortisation base of Karachaganak.

Transportation and Selling Expenses

For the six months ended 30 June 2020, transportation and selling expenses were KZT 222.5 billion compared to KZT 215.5 billion for the six months ended 30 June 2019, reflecting an increase of KZT 7.0 billion, or 3.2 per cent. This increase was primarily attributable to KTG, due to a change in the supply chain.

The following table sets forth certain information regarding the Company's transportation and selling expenses during the periods indicated:

	For the Six Months ended 30 June		Percentage change between the six months ended 30 June 2020 and 2019
	2020 (unaudited)	**2019 (unaudited) (reclassed)***	
	(KZT millions)		
Transportation	202,496	189,524	6.8%
Payroll	5,830	8,200	(28.9)%
Other	14,159	17,788	(20.4)%
Total	**222,485**	**215,512**	3.2%

The increase in transportation expenses to KZT 202.5 billion for the six months ended 30 June 2020 compared to KZT 189.5 billion for the six months ended 30 June 2019 was primarily attributable to a change in the supply chain at KTG.

The decrease in other expenses to KZT 14.2 billion for the six months ended 30 June 2020 compared to KZT 17.8 billion for the six months ended 30 June 2019 was primarily attributable to the reorganisation of KazMunayGas Onimderi LLP.

General and Administrative Expenses

For the six months ended 30 June 2020, general and administrative expenses were KZT 74.8 billion compared to KZT 94.2 billion for the six months ended 30 June 2019, reflecting a slight decrease of KZT 19.4 billion, or 20.6 per cent.

The following table sets forth certain information regarding the Company's general and administrative expenses for the periods indicated:

	For the Six Months ended 30 June		Percentage change between the six months ended 30 June 2020 and 2019
	2020 (unaudited)	2019 (unaudited) (reclassed)*	
	(KZT millions)		
Payroll	34,107	36,736	(7.2)%
Consulting services	11,012	8,726	26.2%
VAT that could not be offset	2,061	1,974	4.4%
Accrual of expected credit losses for trade receivables	2,153	2,475	(13.0)%
Impairment of VAT receivable	490	11,008	(95.5)%
Short-term lease expenses	1,127	1,126	0.1%
Accrual/(reversal) of expected credit losses for other current assets	1,403	8,715	(83.9)%
Social payments	2,934	1,965	49.3%
Maintenance	3,548	3,058	16.0%
Communication	1,778	1,504	18.2%
Other	14,205	16,892	(15.9)%
Total	**74,818**	**94,179**	(20.6)%

The decrease in payroll expenses to KZT 34.1 billion for the six months ended 30 June 2020 compared to KZT 36.7 billion for the six months ended 30 June 2019 was primarily attributable to a devaluation of the Tenge as compared to the US dollar, as well as an indexation of the salaries of the Group's employees.

The increase in the cost of consulting services to KZT 11.0 billion for the six months ended 30 June 2020 compared to KZT 8.7 billion for the six months ended 30 June 2019 was primarily attributable to legal services for PSA and EMG.

The KZT 0.5 billion accrual of impairment of VAT receivable for the six months ended 30 June 2020 compared to an accrual in respect of impairment of VAT receivable of KZT 11.0 billion for the six months ended 30 June 2019 was primarily attributable to the devaluation of VAT recoverable to KTG in connection with the sale of gas to the domestic market at a price below production costs, as well as provision for doubtful debts and other receivables for KMG and KTG.

The KZT 1.4 billion accrual of expected credit losses for other current assets for the six months ended 30 June 2020 compared to an accrual of expected credit losses for other current assets of KZT 8.7 billion for the six months ended 30 June 2019 was primarily attributable to the accrual of reserves for environmental damage in connection with the revision of the coefficient of environmental damage from 1 to 2, as well as the accrual of reserves for KazMunayGas Onimderi LLP in connection with the liquidation and reduction in property tax liabilities transferred to a trust.

The increase in social payments to KZT 2.9 billion for the six months ended 30 June 2019 compared to KZT 2.0 billion for the six months ended 30 June 2019 was primarily attributable to compensation payments to employees in connection with the optimisation of staffing.

The increase in the cost of maintenance to KZT 3.5 billion for the six months ended 30 June 2019 compared to KZT 3.1 billion for the six months ended 30 June 2019 was primarily attributable to an increase in exploration activity and in particular seismic survey work.

The increase in the cost of communication to KZT 1.8 billion for the six months ended 30 June 2019 compared to KZT 1.5 billion for the six months ended 30 June 2019 was primarily attributable to an increase seismic survey work.

Impairment of Property, Plant and Equipment, Intangible Assets, Exploration and Evaluation Assets

For the six months ended 30 June 2020, the Company recorded KZT 225.4 billion in impairment of property, plant and equipment, intangible assets, exploration and evaluation assets compared to KZT 25.2 billion for the six months ended 30 June 2019, reflecting an increase of KZT 200.2 billion, or 793.0 per cent. This increase was primarily attributable to changes in market prices amidst the Covid-19 pandemic resulting in the revision of price assumptions for Brent crude oil, refinery margins, exchange rates and inflation rates during impairment testing.

	For the Six Months ended 30 June		Percentage change between the six months ended 30 June 2020 and 2019
	2020 (unaudited)	**2019 (unaudited) (reclassed)***	
	(KZT millions)		*(per cent.)*
Property, plant and equipment	202,248	6,009	3265.8%
Exploration and evaluation assets	16,389	19,231	(14.8)%
Intangible assets	6,765	—	n.a.
	225,402	**25,240**	793.0%

The increase in property, plant and equipment impairment by KZT 196.2 billion to KZT 202.2 billion for the six months ended 30 June 2020 from KZT 6.0 billion for the six months ended 30 June 2019 was primarily attributable to increased impairment at Embamunaigas JSC and KMG International in connection with revised assumptions during impairment testing.

The decrease in exploration and evaluation asset impairment by KZT 2.8 billion to KZT 16.4 billion for the six months ended 30 June 2020 from KZT 19.2 billion for the six months ended 30 June 2019 was primarily attributable to the write-off of brownfields of KMG EP.

The increase in impairment of intangible assets to KZT 6.8 billion for the six months ended 30 June 2020 from nil for the six months ended 30 June 2019 was primarily due to impairment of recoverable VAT.

Finance Cost

For the six months ended 30 June 2020, the Company recorded finance costs of KZT 135.2 billion compared to KZT 160.8 billion for the six months ended 30 June 2019, reflecting a decrease of KZT 25.6 billion, or 15.9 per cent. This decrease was primarily attributable to an early repayment of obligations under the TCO Advanced Oil Sale Transaction. See "*Business—Exploration and Production—Megafields—TCO—TCO Advanced Oil Sale Transaction*". The Company had total borrowings of KZT 3,967.3 billion as at 30 June 2020 compared to KZT 3,995.3 billion as at 30 June 2019.

Other Expenses

For the six months ended 30 June 2020, the Company recorded KZT 14.7 billion of other expenses compared to KZT 6.6 billion for the six months ended 30 June 2019, reflecting a decrease of KZT 8.1 billion, or 122.7 per cent. This decrease was primarily attributable to early repayment of a bank loan to Atyaru Refinery, repayment of a commission for reserve funds of Development Bank of Kazakhstan ("**DBK**"), and costs from the revision of estimated liabilities.

Net Foreign Exchange Loss

For the six months ended 30 June 2020, the Company recorded a net foreign exchange gain of KZT 18.1 billion compared to a net foreign exchange gain of KZT 2.2 billion for the six months ended 30 June 2019. This increase was primarily attributable to the fluctuations of exchange rates for the Tenge against the US dollar.

Profit before Income Tax

As a result of the foregoing, the Company's profit before income tax for the six months ended 30 June 2020 was KZT 52.0 billion compared to a profit of KZT 765.1 billion for the six months ended 30 June 2019.

Income Tax Expenses

For the six months ended 30 June 2020, the Company recorded income tax expenses of KZT 31.3 billion compared to an income tax expense of KZT 142.7 billion for the six months ended 30 June 2019, reflecting a decrease of KZT 111.4 billion, or 78.1 per cent.

Profit for the Year from Continuing Operations

As a result of the foregoing, the Company's profit for the year from continuing operations decreased by KZT 601.7 billion, or 96.7 per cent., to KZT 20.7 billion for the six months ended 30 June 2020 from KZT 622.4 billion for the six months ended 30 June 2019.

Profit after Income Tax for the Year from Discontinued Operations

The Company's profit after income tax for the six months ended 30 June 2020 from discontinued operations was KZT nil billion compared to KZT 6 million for the six months ended 30 June 2019.

Net Profit for the Period

As a result of the foregoing, the Company's net profit for the six months ended 30 June 2020 was KZT 20.7 billion compared to KZT 622.4 billion for the six months ended 30 June 2019, reflecting a decrease of KZT 601.7 billion, or 96.7 per cent. The Company's net profit for the six months ended 30 June 2020 and 30 June 2019 represented 0.9 per cent. and 18.3 per cent., respectively, of the Company's revenue for such years.

Results of Operations for the Year Ended 31 December 2019 Compared to the Year Ended 31 December 2018

	For the years ended December 31	
	2019	**2018* (Reclassed)**
	(KZT millions)	
Revenue and other income		
Revenue	6,858,856	6,988,964
Share in profit of joint ventures and associates, net	827,979	697,326
Finance income	240,880	161,027
Gain on sale of subsidiaries	17,481	18,359
Other operating income	24,936	23,035
Total revenue and other income	**7,970,132**	**7,888,711**
Costs and expenses		
Cost of purchased oil, gas, petroleum products and other materials	(3,913,744)	(4,312,958)
Production expenses	(721,693)	(604,475)
Taxes other than income tax	(454,295)	(477,732)
Depreciation, depletion and amortisation	(337,424)	(285,186)
Transportation and selling expenses	(420,402)	(370,777)
General and administrative expenses	(213,967)	(213,485)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(207,819)	(165,522)
Reversal of impairment of investments in joint ventures	–	–
Other expenses	(7,203)	(23,283)
Finance costs	(317,433)	(427,655)
Net foreign exchange gain/(loss)	8,479	(38,320)
Total costs and expenses	**(6,585,501)**	**(6,919,393)**
Profit before income tax	1,384,631	969,318
Income tax expenses	(226,180)	(279,260)
Profit for the year from continuing operations	**1,158,451**	**690,058**
Discontinued operations		
Profit/(loss) after income tax for the year from discontinued operations	6	3,453
Net profit for the year	**1,158,457**	693,511
Net profit/(loss) for the year attributable to:		
Equity holders of the Parent Company	1,197,157	695,864
Non-controlling interest	(38,700)	(2,353)
	1,158,457	693,511

Revenue

For the year ended 31 December 2019, total revenue was KZT 6,858.9 billion compared to KZT 6,989.0 billion for the year ended 31 December 2018, reflecting a slight decrease of KZT 130.1 billion, or 1.9 per cent. This slight decrease was primarily a result of two factors: (i) a decrease in income from the advancing and trading of oil and oil products, due to deviations in volumes; and (ii) the actual price of oil and the tenge exchange rate in 2018-2019.

The following table sets forth certain information regarding the Company's revenue for the periods indicated:

	For the year ended 31 December	
	2019	2018* (reclassed)
	(KZT millions)	
Sales of crude oil and gas*	3,966,941	4,094,011
Sales of refined products*	2,043,848	2,175,909
Oil and gas transportation services	389,496	315,229
Refining of oil and oil products	195,896	175,618
Other revenue	262,675	228,197
Total	**6,858,856**	**6,988,964**

* In 2019, the Group decided to present sales gas products within *Sales of refined products* and thus reclassed from *Sales of crude oil and gas* of KZT 58,026 million for 2018.

Sales of Crude Oil and Gas

Total revenue from the Company's sales of crude oil and gas decreased by KZT 127.1 billion, or 3.1 per cent., to KZT 3,966.9 billion for the year ended 31 December 2019 compared to KZT 4,094.0 billion for the year ended 31 December 2018. In the case of oil, this 7 per cent. decrease in revenue was a result of decreased trading operations, as well as the quotations of Brent crude oil dropping from $71.3/bbl in 2018 to US$64.2/bbl for the reporting period. The oil sold in this period was sold predominantly by KMG International N.V. and Cooperative KazMunaiGaz U.A., with advance payments of oil made by TCO. In the case of gas, a 14 per cent. growth in revenue was mainly a result of: (i) the sale of commercial gas to KTG; and (ii) the average selling price of gas for exports increasing from US$179 per thousand m3 in 2018 to US$200 per thousand cubic metres in the reporting period, as well as the dollar exchange rate against tenge.

The following table sets forth certain information regarding the Company's sales revenue and sales volumes of crude oil and gas for the periods indicated:

	For the year ended 31 December	
	2019	2018
Crude oil sales revenue (*KZT billions*)	3,092	3,321
Crude oil sales volumes (*thousands of tonnes*)	16,941	20,956
Average price per tonne of crude oil (*KZT per tonne*)	182,504	158,481
Gas sales revenue (*KZT billions*)	875	773
Gas sales volumes (*million cubic metres*)	22,834	22,915
Average price per tonne of gas (*KZT per thousand cubic metres*)	38,295	33,577

Sales of Refined Products

Total revenue from the Company's sales of refined products for the year ended 31 December 2019 decreased by KZT 132.1 billion, or 6.1 per cent., to KZT 2,043.8 billion compared to KZT 2,175.9 billion for the year ended 31 December 2018. This decrease was primarily a result of: (i) a decrease in the weighted average price of a basket of petroleum products, which in turn was affected by a drop in price quotations across the global market; and (ii) demand in the Asian market decreasing. This decrease primarily affected KMG International., KazMunayGas Onimderi LLP, KMG-Aero, Pavlodar Refinery, KMG EP and the Company respectively.

The following table sets forth certain information regarding the Company's refined products sales, where the Company is a principal, excluding tolling volumes and sales, for the periods indicated:

	For the year ended 31 December	
	2019	2018
Refined oil products sales (*KZT billions*)	2,044	2,176
Refined oil products volumes sold (*thousands of tonnes*)	9,895	11,239
Average price per tonne of refined oil products (*KZT per tonne*)	196,177	182,462

Oil and Gas Transportation Services

In the year ended 31 December 2019, revenue from oil and gas transportation services was KZT 389.5 billion, as compared to KZT 315.2 billion in the year ended 31 December 2018, reflecting an increase of KZT 74.3 billion or 23.6 per cent. This increase was primarily attributable to an increase in sales of gas to China, as well as AGP's profit share increasing due to the Company having covered the accumulated loss for previous periods in its final profit.

Refining of Oil and Oil Products

For the year ended 31 December 2019, revenue from refining of oil and oil products was KZT 195.9 billion compared to KZT 175.6 billion for the year ended 31 December 2018, reflecting an increase of KZT 20.3 billion, or 11.6 per cent. This increase was primarily attributable to a rise in oil refining tariffs. In the case of Pavlodar Refinery this increased from 17,249.54 tenge/ton in 2018 to 19,805.00 tenge/ton for the reporting period, and in the case of the Atyrau Refinery this increased from 31,473 tenge/ton in 2018 to 37,436 tenge/ton for the reporting period.

Other Revenue

For the year ended 31 December 2019, other revenue was KZT 262.7 billion compared to KZT 228.2 billion for the year ended 31 December 2018, reflecting an increase of KZT 34.5 billion, or 15.1 per cent. This increase was primarily due to the devaluation of the Tenge against the US dollar.

Share in Profit of Joint Ventures and Associates, Net

For the year ended 31 December 2019, the net share in profit of joint ventures and associates increased by KZT 130.7 billion, or 18.7 per cent., to KZT 828.0 billion from KZT 697.3 billion for the year ended 31 December 2018. This increase was primarily due to profits of KZT 168.1 billion from AGP in the year ended 31 December 2019, following the Group's acquisition of AGP in 2011.

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	
	2019	**2018**
	(KZT millions)	
Tengizchevroil LLP	414,940	439,149
Asian Gas Pipeline LLP (AGP)	168,086	—
Mangistau Investments B.V.	81,991	95,510
Caspian Pipeline Consortium	70,869	57,965
Beineu-Shymkent Pipeline	56,194	16,710
KazGerMunay LLP	17,561	27,915
KazRosGas LLP	18,091	5,254
Kashagan B.V.	13,114	34,034
Kazakhoil-Aktobe LLP	9,722	9,057
Tenizservice LLP	6,742	13,897
Kazakh-Chinese pipeline JSC	3,313	—
Valsera Holdings B.V.	(6,107)	(7,989)
PetroKazakhstan Inc.	(18,244)	14,590
Ural Group Limited	(18,895)	(18,822)
Other joint ventures and associates(1)	10,602	10,056
	827,979	**697,326**

Note:

(1) Includes (amongst others) Rompetrol France SAS, Uzina Termoelectrica Midia S., LLP "RTI-ANPZ",LLP "Karagandy CCI", Air Liquide Munay Tech Gases LLP, KMG Nabors Drilling Co LLP, KMG Parker Drilling Co. LLP, Kylysh Trade Partnership, Borjomi-Likani Int, LLC "Oil and Gas Company Centralnaya", KMG-Ustyurt LLP, Professional Geo Solutions LLP, Isatai Operating Company LLP, LLP "Beineu-Munaigas", MunayTas, LLP "KMG Automation", AvtoGazAlmaty, Gas Storage Park LLP, and LLP "Grace Kazakhstan Catalists.

Finance Income

For the year ended 31 December 2019, finance income was KZT 240.9 billion compared to KZT 161.0 billion for the year ended 31 December 2018, reflecting an increase of KZT 79.9 billion, or 49.6 per cent. This increase was primarily attributable to derecognition of a loan of KZT 111.5 billion in the year ended 31 December 2019 (in connection with the decision to voluntarily relinquish a contract connected with the Pearl project) as compared to derecognition of a loan of KZT 53.3 in the year ended 31 December 2018 (in connection with the planned withdrawal from the Satpayev project). In 2019, the Company derecognised a loan from partners of the "Pearl" project for the total amount of KZT 110,930 million, including an interest of KZT 3,543 million, since the partners on the project decided not to submit the development plan and agreed to voluntarily relinquish the contract area under the related PSA. In 2018, the Company derecognised a loan from ONGC Videsh, a partner in the Satpayev project, for the total amount of KZT 53,263 million, including interest of KZT 4,620 million. The derecognition of the loan is related to the planned withdrawal from the project and return of the contract area to the Government.

Gain on Sale of Subsidiaries

For the year ended 31 December 2019, gain on sale of subsidiaries was KZT 17.5 billion compared to KZT 18.4 billion for the year ended 31 December 2018, reflecting a slight decrease of KZT 0.9 billion. In 2018, the Company sold its interests in KMG Service Georgia, Kaskor-Transservice, Aktau Oil Equipment Plant, KBTU, KazTransGas-Tbilisi. In 2019, the Company sold its interest in KMG Retail.

Other Operating Income

For the year ended 31 December 2019, the Company recorded KZT 24.9 billion of other operating income compared to KZT 23.0 billion for the year ended 31 December 2018, reflecting a slight increase of KZT 1.9 billion, or 8.3 per cent.

Cost of Purchased Oil, Gas, Petroleum Products and Other Materials

For the year ended 31 December 2019, cost of purchased oil, gas, petroleum products and other materials was KZT 3,913.7 billion compared to KZT 4,313.0 billion for the year ended 31 December 2018, reflecting a decrease of KZT 399.3 billion, or 9.3 per cent. This decrease was primarily attributable to a KZT 351.2 billion decrease in purchased petroleum products for resale.

The following table sets forth certain information regarding the Company's cost of purchased oil, gas, petroleum products and other materials for the periods indicated:

	For the year ended 31 December		**Percentage change between the years ended 31 December 20 18 and 2019**
	2019	**2018**	
	(KZT millions)		*(per cent.)*
Purchased oil for resale	2,448,412	2,607,706	(6.1%)
Cost of oil for refining	638,293	698,473	(8.6%)
Purchased gas for resale	493,280	356,932	38.20%
Materials and supplies	217,138	182,067	19.3%
Purchased petroleum products for resale	116,621	467,780	(75.1%)
Total	**3,913,744**	**4,312,958**	(9.3%)

The decrease in purchased oil for resale expense by KZT 159.3 billion to KZT 2,448.4 billion for the year ended 31 December 2019 compared to KZT 2,607.7 billion for the year ended 31 December 2018 was primarily attributable to a decrease the volume of trading operations for oil and oil products affecting KMG Int. during the reporting period, in turn resulting from a decrease in consumer demand in the Asian market. This decrease in demand was attributable to the non-renewal of the contract with Venezuela in light of newly imposed sanctions. Furthermore, the decrease in purchased oil for resale expense was also a result of a drop in the price of Brent oil for the reporting period (64.21 USD/bbl in 2019 compared with 71.31 USD/bbl in 2018). This in turn was partially offset by a change in the exchange rate of tenge to USD (345.04 KZT/USD in 2018 compared with 382.87 KZT/USD in 2019).

The decrease in cost of oil for refining by KZT 60.2 billion to KZT 638.3 billion for the year ended 31 December 2019 compared to KZT 698.5 billion for the year ended 31 December 2018 was primarily attributable to the lower price of Brent crude for the reporting period. This was also attributable to a decrease in the volume of oil purchased for refining, as a result of a change in the "diet" of oil affecting KMG Int. A decrease in the production of petrochemicals was also partially responsible for the decrease in the cost of oil for refining, which was however partially offset by a shift in the tenge against the US dollar.

The increase in the cost of purchased gas for resale by KZT 136.4 billion to KZT 493.3 billion for the year ended 31 December 2019 compared to KZT 356.9 billion for the year ended 31 December 2018 was primarily due to an increase in the weighted average gas purchase price, which was partially offset by a decrease in the volume of gas purchased.

The increase in the cost of materials and supplies by KZT 35.0 billion to KZT 217.1 billion for the year ended 31 December 2019 compared to KZT 182.1 billion for the year ended 31 December 2018 was primarily due to an increase in oil refining volumes and a change in the basket of produced petroleum products in light of modernisation. Cost increases for the reporting period affected the purchase of reagents, auxiliary materials, alternative raw materials as well as other relevant materials. The increase in the cost of materials and supplies was also attributable to a rise in oil producing companies resulting from higher sales volumes of chemical reagents.

The decrease in purchased petroleum products for resale by KZT 351.2 billion to KZT 116.6 billion for the year ended 31 December 2019 compared to KZT 467.8 billion for the year ended 31 December 2018 was primarily attributable to a decrease in the volume of petroleum products purchased in connection with the termination of KMG-Onimderi.

Production Expenses

For the year ended 31 December 2019, production expenses were KZT 721.7 billion compared to KZT 604.5 billion for the year ended 31 December 2018, reflecting an increase of KZT 117.2 billion, or 19.4 per cent. This increase was primarily attributable to increased repair and maintenance expenses, lease expenses and payroll expenses.

The following table sets forth certain information regarding the Company's production expenses for the periods indicated:

	For the year ended 31 December		Percentage change between the years ended 31 December 2018 and 2019
	2019	2018* (reclassed)	
	(KZT millions)		(per cent.)
Payroll	338,120	291,693	15.9%
Repair and maintenance*	129,450	98,424	31.5%
Energy	88,910	71,914	23.6%
Transportation costs	30,456	21,988	38.5%
Lease expenses*	52,091	10,085	416.5%
Others	82,666	110,371	(25.1%)
	721,693	**604,475**	**19.4%**

* The Group reclassed outsourced repair and maintenance amounts from "Others" for 2018 for KZT 56,527 million. Additionally, "Lease expenses" were shown separately and extracted from "Others" for 2018.

The increase in payroll expenses by KZT 46.4 billion to KZT 338.1 billion for the year ended 31 December 2019 compared to KZT 291.7 billion for the year ended 31 December 2018 was primarily attributable to the indexation of wages and an increase in the actual average headcount.

The increase in repair and maintenance expenses by KZT 31.1 billion to KZT 129.5 billion for the year ended 31 December 2019 compared to KZT 98.4 billion for the year ended 31 December 2018 was primarily attributable to the distribution of the Company's unrealised profit from the sale of oil products in 2018 (+11 billion tenge), as well as the implementation of investment projects, including through the maintenance of commissioned wells, buildings and structures. Additionally, this was attributable to scheduled preventive maintenance of the processing complex, integrated gas treatment units 1 and 2 (KMG-Karachaganak) which was carried out in the reporting period.

The increase in energy expenses by KZT 17.0 billion to KZT 88.9 billion for the year ended 31 December 2019 compared to KZT 71.9 billion for the year ended 31 December 2018 was primarily due to the increase in the tariff in Romania (KMG Int.), as well as fluctuations in the exchange rate of the tenge against the US dollar. Furthermore this increase was a result of investment projects implemented by the Atyrau Refinery.

The increase in transportation costs by KZT 8.5 billion to KZT 30.5 billion for the year ended 31 December 2019 compared to KZT 22.0 billion for the year ended 31 December 2018 was primarily due to an increase in serviced wells, as well as transportation divisions being outsourced.

The increase in lease expenses by KZT 42.0 billion to KZT 52.1 billion for the year ended 31 December 2019 from KZT 10.1 billion for the year ended 31 December 2018 was primarily due to the overfulfillment of the production programme for the Caspian Sea and the Open Seas (KMTF) in the reporting period.

The decrease in other expenses by KZT 27.7 billion to KZT 82.7 billion for the year ended 31 December 2019 from KZT 110.4 billion for the year ended 31 December 2018 was primarily due to the distribution of the Company's unrealised profit from the sale of oil products in 2018 (-37.7 billion tenge).

Taxes other than Income Tax

For the year ended 31 December 2019, taxes other than income tax were KZT 454.3 billion compared to KZT 477.7 billion for the year ended 31 December 2018, reflecting a decrease of KZT 23.4 billion or 4.9 per cent. This decrease was primarily due to a lower rent tax on crude oil export and a lower mineral extraction tax.

	For the year ended 31 December		**Percentage change between the years ended 31 December 20 18 and 2019**
	2019	**2018**	
	(KZT millions)		*(per cent.)*
Rent tax on crude oil export	133,144	145,523	(8.5%)
Export customs duty	131,326	131,128	0.2%
Mineral extraction tax	100,300	115,968	(13.5%)
Other taxes	89,525	85,113	5.2%
	454,295	**477,732**	(4.9%)

The decrease in the rent tax on crude oil export by KZT 12.4 billion to KZT 133.1 billion for the year ended 31 December 2019 from KZT 145.5 billion for the year ended 31 December 2018 was primarily due to a decrease in the global price for Brent oil from $71.3/bbl in 2018 to $64.1/bbl in the reporting period, as well as the redistribution of oil volumes (EMG, OMG, KTM) from export to the domestic market, according to the transportation schedule approved by the Ministry of Energy of the Republic of Kazakhstan oil.

The decrease in the mineral extraction tax by KZT 15.7 billion to KZT 100.3 billion for the year ended 31 December 2019 from KZT 116.0 billion for the year ended 31 December 2018 was primarily due to a decrease in the world price for Brent crude from US$71.3/bbl in 2018 to US$64.1/bbl for the reporting period and the redistribution of oil volumes (EMG, OMG, KTM) from export to the domestic market. A reduced mineral extraction tax rate of 2.6 per cent. was applied, which was received by OMG for three years (2019-2021) pursuant to a Resolution of the Government of the Republic of Kazakhstan.

Depreciation, Depletion and Amortisation

For the year ended 31 December 2019, depreciation, depletion and amortisation was KZT 337.4 billion compared to KZT 285.2 billion for the year ended 31 December 2018, reflecting an increase of KZT 52.2 billion or 18.3 per cent. This increase was attributed to increased depreciation, depletion and amortisation in the refining and trading of crude oil and refined products segment of KZT 22.0 billion and increased depreciation, depletion and amortisation in the exploration and production of oil and gas unit of KZT 12.2 billion. This increase was primarily due to the increase in the value of fixed assets resulting from the implementation of investment projects. These included the modernisation of refineries and the construction of three compressor stations. The increase was also attributable to a rise in the value of fixed assets in the mining companies.

Transportation and Selling Expenses

For the year ended 31 December 2019, transportation and selling expenses were KZT 420.4 billion compared to KZT 370.8 billion for the year ended 31 December 2018, reflecting an increase of KZT 49.6 billion, or 13.4 per cent. This increase was primarily attributable to increased transportation expenses.

The following table sets forth certain information regarding the Company's transportation and selling expenses during the periods indicated:

	For the year ended 31 December		Percentage change between the years ended 31 December 2018 and 2019
	2019	2018	
	(KZT millions)		
Transportation	374,686	317,402	18.0%
Payroll	12,542	16,180	(22.5%)
Other	33,174	37,195	(10.8%)
Total	**420,402**	**370,777**	13.4%

The increase in transportation expenses to KZT 374.7 billion for the year ended 31 December 2019 compared to KZT 317.4 billion for the year ended 31 December 2018 was primarily attributable to an increase in the volume of gas transportation for export to China (which rose by 1,607 m^3), as well as due to changes in the exchange rate.

The decrease in payroll expenses to KZT 12.5 billion for the year ended 31 December 2019 compared to KZT 16.2 billion for the year ended 31 December 2018 was primarily attributable to optimisations and the revision of remuneration system, which included the sale of the retail network of filling stations (KMG-Onimderi).

General and Administrative Expenses

For the year ended 31 December 2019, general and administrative expenses were KZT 214.0 billion compared to KZT 213.5 billion for the year ended 31 December 2018, reflecting a slight increase of KZT 0.5 billion, or 0.2 per cent.

The following table sets forth certain information regarding the Company's general and administrative expenses for the periods indicated:

	For the year ended 31 December		Percentage change between the years ended 31 December 2018 and 2019
	2019	2018	
	(KZT millions)		
Payroll	78,055	73,632	6.0%
Provision under Consortium case(1)	34,132	—	n.a.
Consulting services	25,448	22,435	13.4%
Accrual/(reversal) of impairment of VAT receivable	15,703	4,215	272.6%
Accrual/(reversal) of expected credit losses for other current assets	12,246	1,225	899.7%
Social payments	8,933	24,095	(62.9%)
VAT that could not offset	6,910	3,031	128.0%
Rent of property, plant and equipment and intangible assets	2,309	5,750	(59.8%)
Accrual/(reversal) of expected credit losses for trade receivables	1,892	(1,489)	(227.1%)
Charitable donations and sponsorship	381	1,699	(77.6%)
(Reversal of) /allowance for impairment of long term advances	(11)	—	n.a.
(Reversal of) /allowance for obsolete inventories	(80)	4,339	(101.8%)
(Reversal of) /allowance for fines, penalties and tax provisions	(19,755)	29,836	(166.2%)
Other(2)	47,804	44,717	6.9%
Total	**213,967**	**213,485**	0.2%

Note:

(1) KMG Drilling and Services LLP, a subsidiary of the Group, was involved in arbitration proceedings with the consortium of Ersai Caspian Contractor LLP and Caspian Offshore & Marine Construction Kazakhstan LLP on issues arising from a contract for the purchase of integrated works on construction of a jack-up floating drilling rig dated 5 July 2012. On 8 November 2019, the Group sent a notification to the LCIA to suspend the proceedings as parties decided to resolve the dispute by peaceful means. As of 31 December 2019 in accordance with legal advice and existing international practice, the Group accrued a provision of 90,000 thousand US dollars (equivalent to 34,132 million tenge at the exchange rate for 31 December 2019) in the general and administrative expenses in the statement of comprehensive income. As of the date of the issue of the consolidated financial statements the negotiations were underway with the consortium.

(2) The other general and administrative expenses are composed of travel, communication, representative offices, rental, security, bank services expenses and fines.

The increase in payroll expenses to KZT 78.1 billion for the year ended 31 December 2019 compared to KZT 73.6 billion for the year ended 31 December 2018 was primarily attributable to the indexation of fixed assets in accordance with the terms of remuneration, as well as the exchange rate effect on international projects (KMGI).

The increase in the cost of consulting services to KZT 25.4 billion for the year ended 31 December 2019 compared to KZT 22.4 billion for the year ended 31 December 2018 was primarily attributable to arbitration proceedings and litigation in foreign jurisdictions.

The KZT 15.7 billion accrual of impairment of VAT receivable for the year ended 31 December 2019 compared to an accrual in respect of impairment of VAT receivable of KZT 4.2 billion for the year ended 31 December 2018 was primarily attributable to the accrual of VAT which was not credited in the reporting period for KTG, as well as the depreciation of VAT recoverable in the reporting period for EMG.

The KZT 12.2 billion accrual of expected credit losses for other current assets for the year ended 31 December 2019 compared to an accrual of expected credit losses for other current assets of KZT 1.2 billion for the year ended 31 December 2018 was primarily attributable to a provision established for the unfinished construction of the Martial Arts Palace, as well as the creation of a provision for accounts receivable of UnionField Group Ltd. before the Company.

The decrease in social payments to KZT 8.9 billion for the year ended 31 December 2018 compared to KZT 24.1 billion for the year ended 31 December 2018 was primarily attributable to the reorganisation of the Aktau Nefte Service (Aktau Oil Service) group of companies in 2018.

The increase in VAT that cannot be offset to KZT 6.9 billion for the year ended 31 December 2019 compared to KZT 3.0 billion for the year ended 31 December 2018 was primarily attributable to a reserve for taxes at KazMunayGas Onimderi LLP.

The reversal in fines, penalties and tax provisions of KZT 19.8 billion for the year ended 31 December 2019 compared to the allowance in fines, penalties and tax provisions of KZT 29.8 billion for the year ended 31 December 2018 was primarily attributable to the formation of reserves in 2018 for fines and penalties arising from environmental violations by EMG.

The increase in other general and administrative expenses to KZT 47.8 billion for the year ended 31 December 2019 compared to KZT 44.7 billion for the year ended 31 December 2018 was primarily attributable to litigation expenses incurred by KMG Drilling & Services LLP arising from a dispute relating to a contract for the purchase of integrated works on the construction of a jack-up floating drilling rig.

Impairment of Property, Plant and Equipment, Intangible Assets, Exploration and Evaluation Assets

For the year ended 31 December 2019, the Company recorded KZT 207.8 billion in impairment of property, plant and equipment, intangible assets, exploration and evaluation assets compared to KZT 165.5 billion for the year ended 31 December 2018, reflecting an increase of KZT 42.3 billion, or 25.6 per cent. This increase was primarily attributable to higher impairment of property, plant and equipment, partially offset by less impairment of exploration and evaluation assets.

	For the year ended 31 December		**Percentage change between the years ended 31 December 2018 and 2019**
	2019	**2018**	
	(KZT millions)		*(per cent.)*
Property, plant and equipment	144,482	33,603	330.0%
Exploration and evaluation assets	57,239	107,745	(46.9%)
Investment property	(142)	1,538	(109.2%)
Intangible assets	6,240	22,636	(72.4%)
	207,819	**165,522**	25.6%

The increase in property, plant and equipment impairment by KZT 110.9 billion to KZT 144.5 billion for the year ended 31 December 2019 from KZT 33.6 billion for the year ended 31 December 2018 was primarily attributable to refinery assets, which recorded impairment of KZT 86.9 billion in the year ended

31 December 2019 as compared to no impairment in the year ended 31 December 2018. This increase was primarily due to a construction write-off at KMG International in 2019.

The decrease in exploration and evaluation asset impairment by KZT 50.5 billion to KZT 57.2 billion for the year ended 31 December 2019 from KZT 107.7 billion for the year ended 31 December 2018 was primarily attributable to a decrease in exploration and evaluation asset impairment for tangible assets to KZT 51.7 billion for the year ended 31 December 2019 from KZT 96.2 billion for the year ended 31 December 2018. This decrease was primarily due to a write-off of a KMG EP subsoil use contract as well as impairments at Saypayev and N project.

The decrease in impairment of intangible assets by KZT 16.4 billion to KZT 6.2 billion for the year ended 31 December 2019 from KZT 22.6 billion for the year ended 31 December 2018 was primarily due to the sale of gas by KTG to the domestic market at a price below production cost.

Other Expenses

For the year ended 31 December 2019, the Company recorded KZT 7.2 billion of other expenses compared to KZT 23.3 billion for the year ended 31 December 2018, reflecting a decrease of KZT 16.1 billion, or 69.1 per cent. This decrease was primarily attributable to a write-off of fixed assets used in service activities.

Finance Cost

For the year ended 31 December 2019, the Company recorded finance costs of KZT 317.4 billion compared to KZT 427.7 billion for the year ended 31 December 2018, reflecting a decrease of KZT 110.3 billion, or 25.8 per cent. This decrease was primarily attributable to lower interest expenses in the year ended 31 December 2019, coupled with the fact that the Company made early redemption of Notes in the year ended 31 December 2018 which resulted in the recognition of interest of KZT 89.6 billion. The Company had total borrowings of KZT 3,837.5 billion as at 31 December 2019 compared to KZT 4,153.2 billion as at 31 December 2018.

Net Foreign Exchange Loss

For the year ended 31 December 2019, the Company recorded a net foreign exchange gain of KZT 8.5 billion compared to a net foreign exchange loss of KZT 38.3 billion for the year ended 31 December 2018. The net foreign exchange gain in each year was primarily attributable to fluctuations of exchange rates in the market.

Profit/loss before Income Tax

As a result of the foregoing, the Company's profit before income tax for the year ended 31 December 2019 was KZT 1,384.6 billion compared to a profit of KZT 969.3 billion for the year ended 31 December 2018.

Income Tax Expenses

The Company's effective tax rate decreased to 16.3 per cent. for the year ended 31 December 2019 compared to 28.7 per cent. for the year ended 31 December 2018, as a result of higher share income in 2018, as well as an increase in non-deductible expenses related to the redemption of Notes. This decrease was also as a result of the transfer of processing from EP to the level of the Company that had an impact, with the Company using its tax losses carried over against processing income).

For the year ended 31 December 2019, the Company recorded income tax expenses of KZT 226.2 billion compared to an income tax expense of KZT 279.3 billion for the year ended 31 December 2018, reflecting a decrease of KZT 53.1 billion, or 19.0 per cent. This decrease was primarily due to lower corporate income taxes and withholding taxes, as a result of: (i) a change in taxable income; (ii) a decrease in the global price of Brent oil from US$71.3/bbl in 2018 to US$64.1/bbl; (iii) the volumes of gas sold for export; and (iv) the wholesale price of gas sold to the domestic market. This was offset by an increase in the exchange rate of KZT/USD from 345.0 KZT/USD in 2018 to 382.9 KZT/USD in 2019, as well as an increase in the volume of oil transportation to the domestic market and an increase in the tariff for pumping oil to the domestic market, which rose to 10 per cent. from 1 January 2019.

Profit for the Year from Continuing Operations

As a result of the foregoing, the Company's profit for the year from continuing operations increased by KZT 468.4 billion, or 67.9 per cent., to KZT 1,158.5 billion for the year ended 31 December 2019 from KZT 690.1 billion for the year ended 31 December 2018.

Profit after Income Tax for the Year from Discontinued Operations

The Company's profit after income tax for the year ended 31 December 2019 from discontinued operations was KZT nil billion compared to KZT 3.5 billion for the year ended 31 December 2018. This reflects the fact that the Company had less assets and liabilities classified as discontinued operations in the year ended 31 December 2019 as compared to the year ended 31 December 2018.

Net Profit for the Year

As a result of the foregoing, the Company's net profit for the year ended 31 December 2019 was KZT 1,158.5 billion compared to KZT 693.5 billion for the year ended 31 December 2018, reflecting an increase of KZT 465.0 billion, or 67.1 per cent. The Company's net profit for 2019 and 2018 represented 16.9 per cent. and 9.9 per cent., respectively, of the Company's revenue for such years.

Results of Operations for the Year Ended 31 December 2018 Compared to the Year Ended 31 December 2017

	For the years ended December 31	
	2018 (Reclassed)	**2017 (Reclassed)**
	(KZT millions)(audited)	
Revenue and other income		
Revenue	6,988,964	4,793,763
Share in profit of joint ventures and associates, net	697,326	414,950
Finance income	161,027	122,574
Gain on sale of subsidiaries	18,359	—
Other operating income	23,035	20,165
Total revenue and other income	**7,888,711**	**5,351,452**
Costs and expenses		
Cost of purchased oil, gas, petroleum products and other materials	(4,312,958)	(2,729,514)
Production expenses	(604,475)	(624,346)
Taxes other than income tax	(477,732)	(354,447)
Depreciation, depletion and amortisation	(285,186)	(238,021)
Transportation and selling expenses	(370,777)	(238,063)
General and administrative expenses	(213,485)	(163,780)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(165,522)	(24,660)
Reversal of impairment of investments in joint ventures	—	14,845
Other expenses	(23,283)	(34,767)
Finance costs	(427,655)	(306,355)
Net foreign exchange gain/(loss)	(38,320)	67,055
Total costs and expenses	**(6,919,393)**	**(4,632,053)**
Profit before income tax	**969,318**	**719,399**
Income tax expenses	(279,260)	(190,285)
Profit for the year from continuing operations	**690,058**	**529,114**
Discontinued operations		
Profit/(loss) after income tax for the year from discontinued operations	3,453	(3,666)
Net profit for the year	**693,511**	**525,448**
Net profit/(loss) for the year attributable to:		
Equity holders of the Parent Company	695,864	443,408
Non-controlling interest	(2,353)	82,040
	693,511	**525,448**

Revenue

For the year ended 31 December 2018, total revenue was KZT 6,989.0 billion compared to KZT 4,793.8 billion for the year ended 31 December 2017, reflecting an increase of KZT 2,195.2 billion. This increase was primarily due to increased sales of crude oil and gas and refined products.

The following table sets forth certain information regarding the Company's revenue for the periods indicated:

	For the year ended 31 December	
	2018* (reclassed)	**2017* (reclassed)**
	(KZT millions)	
Sales of crude oil and gas*	4,094,011	2,677,102
Sales of refined products*	2,175,909	1,422,391
Oil and gas transportation services	315,229	333,038
Refining of oil and oil products	175,618	129,067
Other revenue	228,197	232,165
Total	**6,988,964**	**4,793,763**

* In 2019, the Group decided to present sales gas products within *Sales of refined products* and thus reclassed from *Sales of crude oil and gas* of KZT 58,026 million for 2018 and 29,309 million tenge for 2017.

Sales of Crude Oil and Gas

Total revenue from the Company's sales of crude oil and gas increased by KZT 1,416.9 billion, or 52.9 per cent., to KZT 4,094.0 billion for the year ended 31 December 2018 compared to KZT 2,677.1 billion for the year ended 31 December 2017. This increase was primarily a result of an increase in the Brent price.

The following table sets forth certain information regarding the Company's sales revenue and sales volumes of crude oil and gas for the periods indicated:

	For the year ended 31 December	
	2018	**2017**
Crude oil sales revenue (*KZT billions*)	3,321	2,313
Crude oil sales volumes (*thousands of tonnes*)	18,319	17,665
Average price per tonne of crude oil (*KZT per tonne*)	181,299	130,944

Sales of Refined Products

Total revenue from the Company's sales of refined oil products for the year ended 31 December 2018 increased by KZT 753.5 billion, to KZT 2,175.9 billion compared to KZT 1,422.4 billion for the year ended 31 December 2017. This increase was primarily a result of an increase in sale prices and sale volumes.

The following table sets forth certain information regarding the Company's refined oil products sales, where the Company is a principal, excluding tolling volumes and sales, for the periods indicated:

	For the year ended 31 December	
	2018	**2017**
Refined oil products sales (*KZT billions*)	2,176	1,422
Refined oil products volumes sold (*thousands of tonnes*)	11,249	8,755
Average price per tonne of refined oil products (*KZT per tonne*)	188,266	159,122

Oil and Gas Transportation Services

In the year ended 31 December 2018, revenue from oil and gas transportation services was KZT 315.2 billion, as compared to KZT 333.0 billion in the year ended 31 December 2017, reflecting a decrease of KZT 17.8 billion or 5.3 per cent. This decrease was primarily attributable to falling transportation volumes affecting exports to the Russian Federation for the counterparty of TCO.

Refining of Oil and Oil Products

For the year ended 31 December 2018, revenue from refining of oil and oil products was KZT 175.6 billion compared to KZT 129.1 billion for the year ended 31 December 2017, reflecting an increase of KZT

46.5 billion, or 36.0 per cent. This increase was primarily attributable to increased refining volumes at the refineries after the completion of the modernisation programme.

Other Revenue

For the year ended 31 December 2018, other revenue was KZT 228.2 billion compared to KZT 232.2 billion for the year ended 31 December 2017, reflecting a decrease of KZT 4.0 billion, or 1.7 per cent. This decrease was primarily due to income from the sale of KTG-Tbilisi, income under the agreement to assign the right to claims for the sold Saryagash branch, disposal of subsidiaries and affiliates in Georgia and the sale of certain fixed and land assets.

Share in Profit of Joint Ventures and Associates, Net

For the year ended 31 December 2018, the net share in profit from joint ventures and associates increased by KZT 282.3 billion, or 68.0 per cent., to KZT 697.3 billion from KZT 415.0 billion for the year ended 31 December 2017. This increase was primarily due to increased profits of KZT 149.1 billion from Tengischevroil LLP in the year ended 31 December 2018 as compared to the year ended 31 December 2017.

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	
	2018	2017
	(KZT millions)	
Tengizchevroil LLP	439,149	289,980
Asian Gas Pipeline LLP (AGP)	—	—
Mangistau Investments B.V.	95,510	49,605
Caspian Pipeline Consortium	57,965	54,666
Beineu-Shymkent Pipeline	16,710	(668)
KazGerMunay LLP	27,915	17,713
KazRosGas LLP	5,254	8,622
Kashagan B.V.	34,034	(10,208)
Kazakhoil-Aktobe LLP	9,057	(16,788)
Tenizservice LLP	13,897	1,653
Kazakh-Chinese pipeline JSC	—	—
Valsera Holdings B.V.	(7,989)	9,751
PetroKazakhstan Inc.	14,590	7,233
Ural Group Limited	(18,822)	(1,877)
Other joint ventures and associates(1)	10,056	5,268
	697,326	**414,950**

Note:

(1) Includes (amongst others) Rompetrol France SAS, Uzina Termoelectrica Midia S., LLP "RTI-ANPZ", LLP "Karagandy CCI", Air Liquide Munay Tech Gases LLP, KMG Nabors Drilling Co LLP, KMG Parker Drilling Co. LLP, Kylysh Trade Partnership, Borjomi-Likani Int, LLC "Oil and Gas Company Centralnaya", KMG-Ustyurt LLP, Professional Geo Solutions LLP, Isatai Operating Company LLP, LLP "Beineu-Munaigas", MunayTas, LLP "KMG Automation", AvtoGazAlmaty, Gas Storage Park LLP, LLP "Grace Kazakhstan Catalists.

Finance Income

For the year ended 31 December 2018, finance income was KZT 161.0 billion compared to KZT 122.6 billion for the year ended 31 December 2017, reflecting an increase of KZT 38.4 billion, or 31.3 per cent. This increase was primarily attributable to derecognition of a loan in the year ended 31 December 2018. In 2018, the Company derecognised a loan from ONGC Videsh, a partner in the Satpayev project, for the total amount of KZT 53,263 million, including an interest of KZT 4,620 million. The derecognition of the loan is related to the planned withdrawal from the project and return of the contract area to the Government.

Gain on Sale of Subsidiaries

For the year ended 31 December 2018, gain on sale of subsidiaries was KZT 18.4 billion compared to nil for the year ended 31 December 2017, reflecting the sale of KMG Service Georgia, Kaskor-Transservice, Aktau Oil Equipment Plant, KBTU and KazTransGas-Tbilisi for KZT 18 billion in 2018.

Other Operating Income

For the year ended 31 December 2018, the Company recorded KZT 23.0 billion of other operating income compared to KZT 20.2 billion for the year ended 31 December 2017, reflecting an increase of KZT 2.8 billion, or 13.9 per cent.

Cost of Purchased Oil, Gas, Petroleum Products and Other Materials

For the year ended 31 December 2018, cost of purchased oil, gas, petroleum products and other materials was KZT 4,313.0 billion compared to KZT 2,729.5 billion for the year ended 31 December 2017, reflecting an increase of KZT 1,583.5 billion, or 58.0 per cent. This increase was primarily attributable to a KZT 1,162.3 billion increase in purchased oil for resale year on year.

The following table sets forth certain information regarding the Company's cost of sales for the periods indicated:

	For the year ended 31 December		Percentage change between the years ended 31 December 20 17 and 2018
	2018	**2017**	
	(KZT millions)		*(per cent.)*
Purchased oil for resale	2,607,706	1,445,419	80.4%
Cost of oil for refining	698,473	732,682	(4.7%)
Purchased gas for resale	356,932	242,987	46.9%
Materials and supplies	182,067	147,484	23.4%
Purchased petroleum products for resale	467,780	160,942	190.7%
Total	**4,312,958**	**2,729,514**	58.0%

The increase in purchased oil for resale expense by KZT 1,162.3 billion to KZT 2,607.7 billion for the year ended 31 December 2018 compared to KZT 1,445.4 billion for the year ended 31 December 2017 was primarily attributable to an increase in oil purchases for resale, fluctuations in the price of oil. The growth in trading operations is also due to the appointment of TH KMG N.V. as an "Affiliated Trader" of the Republic of Kazakhstan and the Company in July 2017, which affects the procurement processes and sales of oil from the Karachaganak field.

The decrease in cost of oil for refining by KZT 34.2 billion to KZT 698.5 billion for the year ended 31 December 2018 compared to KZT 732.7 billion for the year ended 31 December 2017 was primarily attributable to (i) an increase in the purchase of petroleum products for resale in the Asian market due to higher demand; (ii) the growth of quotations for gasoline and diesel fuel as compared with 2018; and (iii) increased expenses affecting KMG International for the purchase of oil for processing as a result of bad weather conditions in January and February of the 2017 reporting period rendering the Petromidia plant capable of operating at minimum capacity only. The Midia marine terminal was also closed during this time, and transportation by rail and highways was interrupted.

The increase in the cost of purchased gas for resale by KZT 113.9 billion to KZT 356.9 billion for the year ended 31 December 2018 compared to KZT 243.0 billion for the year ended 31 December 2017 was primarily due to an increase in sales of commercial gas for export to China, Kyrgyzstan and the domestic market as a result of increased demand, as well as an increase in the average purchase price of gas.

The increase in the cost of materials and supplies by KZT 34.6 billion to KZT 182.1 billion for the year ended 31 December 2018 compared to KZT 147.5 billion for the year ended 31 December 2017 was primarily due to an increase in crude oil refining costs, the average price of Brent, transportation costs and expenses for mineral extraction tax.

The increase in purchased petroleum products for resale by KZT 306.9 billion to KZT 467.8 billion for the year ended 31 December 2018 compared to KZT 160.9 billion for the year ended 31 December 2017 was primarily attributable to an increase in sale prices and sale volumes.

Production Expenses

For the year ended 31 December 2018, production expenses were KZT 604.5 billion compared to KZT 624.3 billion for the year ended 31 December 2017, reflecting a decrease of KZT 19.8 billion, or 3.2 per cent. This decrease was primarily attributable to decreased lease expenses and payroll expenses, partially offset by increased repair and maintenance expenses.

The following table sets forth certain information regarding the Company's production expenses for the periods indicated:

	For the year ended 31 December		Percentage change between the years ended 31 December 20 17 and 2018
	2018* (reclassed)	**2017* (reclassed)**	
	(KZT millions)		*(per cent.)*
Payroll	291,693	311,973	(6.5%)
Repair and maintenance*	98,424	86,570	13.7%
Energy	71,914	63,082	14.0%
Transportation costs	21,988	15,685	40.2%
Lease expenses*	10,085	8,293	21.6%
Others	110,371	138,743	(20.4%)
	604,475	**624,346**	(3.2%)

* The Group reclassed outsourced "repair and maintenance" amounts from "Others" for 2018 and 2017 for 56,527 million tenge and 43,912 million tenge, respectively. Additionally, "Lease expenses" were shown separately and extracted from "Others" for 2017 and 2018.

The decrease in payroll expenses by KZT 20.3 billion to KZT 291.7 billion for the year ended 31 December 2018 compared to KZT 312.0 billion for the year ended 31 December 2017 was primarily attributable to a reduction of production personnel (primarily due to the reorganisation of the Aktau Nefte Service (Aktau Oil Service) group of companies in 2018) as well as the integration of KMG EP and the Company.

The increase in repair and maintenance expenses by KZT 11.8 billion to KZT 98.4 billion for the year ended 31 December 2018 compared to KZT 86.6 billion for the year ended 31 December 2017 was primarily attributable to an increase in the purchase of petroleum products for resale in the Asian market resulting in higher volumes which influenced maintenance plans.

The increase in energy expenses by KZT 8.8 billion to KZT 71.9 billion for the year ended 31 December 2018 compared to KZT 63.1 billion for the year ended 31 December 2017 was primarily due to an increase in consumption due to the commissioning of new facilities at the Atyrau Refinery and Pavlodar Refinery, as well as the growth of weighted average tariffs.

The increase in transportation costs by KZT 6.3 billion to KZT 22.0 billion for the year ended 31 December 2018 compared to KZT 15.7 billion for the year ended 31 December 2017 was primarily due to an increase in the export of gas to China.

The decrease in other expenses by KZT 28.3 billion to KZT 110.4 billion for the year ended 31 December 2018 from KZT 138.7 billion for the year ended 31 December 2017 was primarily due to compensation payments and the corresponding social tax to employees of oil service companies being postponed, as well as the termination of employment contracts under a programme which allowed the workers to receive 50 per cent. of their salary for five years and terminate their respective employment contracts. A decrease in expenses in comparison with 2017 is attributable to the creation of reserves for the EMG ecology fund in 2017.

Taxes other than Income Tax

For the year ended 31 December 2018, taxes other than income tax were KZT 477.7 billion compared to KZT 354.4 billion for the year ended 31 December 2017, reflecting an increase of KZT 123.3 billion or 34.8 per cent. This increase was primarily due to a higher rent tax on crude oil export, coupled with increased export customs duties and mineral extraction taxes.

	For the year ended 31 December		Percentage change between the years ended 31 December 20 17 and 2018
	2018	2017	
	(KZT millions)		(per cent.)
Rent tax on crude oil export	145,523	83,183	74.9%
Export customs duty	131,128	105,302	24.5%
Mineral extraction tax	115,968	93,569	23.9%
Other taxes	85,113	72,393	17.5%
	477,732	**354,447**	34.8%

The increase in the rent tax on crude oil export by KZT 62.3 billion to KZT 145.5 billion for the year ended 31 December 2018 from KZT 83.2 billion for the year ended 31 December 2017 was primarily due to: (i) an increase in the volume of export sales; (ii) an increase in the tax rate; (iii) the change in the exchange rate, from 345.0 KZT/U.S$. in 2018 compared with 332.33 KZT/U.S$. in 2017; and (iv) the price of Brent oil rising to 71.3 US$/bbl in 2018 from 64.1 US$/bbl in 2017.

The increase in the export customs duty by KZT 25.8 billion to KZT 131.1 billion for the year ended 31 December 2018 from KZT 105.3 billion for the year ended 31 December 2017 was primarily due to fluctuations in the export custom duty rate related to an increase in the market price of oil.

The increase in the mineral extraction tax by KZT 22.4 billion to KZT 116.0 billion for the year ended 31 December 2018 from KZT 93.6 billion for the year ended 31 December 2017 was primarily due to increase in the global price of oil (to 71.3 US$/bbl in 2018 compared with 54.2 US$/bbl in 2017 and the exchange rate rising from 332.33 tenge/US$ in 2017 to 345.0 tenge/US$ in 2018.

Depreciation, Depletion and Amortisation

For the year ended 31 December 2018, depreciation, depletion and amortisation was KZT 285.2 billion compared to KZT 238.0 billion for the year ended 31 December 2017, reflecting an increase of KZT 47.2 billion or 19.8 per cent. This increase was attributed to increased depreciation, depletion and amortisation in the refining and trading of crude oil and refined products segment of KZT 27.8 billion and increased depreciation, depletion and amortisation in the exploration and production of oil and gas unit of KZT 10.3 billion. This increase was primarily due to an increase in depreciation due to the commissioning of new units at the refinery (decommissioning and commissioning of installations after modernisation), as well as a result of the implementation of investment projects and the acquisition of new operating systems.

Transportation and Selling Expenses

For the year ended 31 December 2018, transportation and selling expenses were KZT 370.8 billion compared to KZT 238.1 billion for the year ended 31 December 2017, reflecting an increase of KZT 132.7 billion, or 55.7 per cent. This increase was primarily attributable to increased transportation expenses.

The following table sets forth certain information regarding the Company's transportation and selling expenses during the periods indicated:

	For the year ended 31 December		Percentage change between the years ended 31 December 20 17 and 2018
	2018	2017	
	(KZT millions)		
Transportation	317,402	189,949	67.1%
Payroll	16,180	16,103	0.5%
Other	37,195	32,011	16.2%
Total	**370,777**	**238,063**	**55.7%**

The increase in expenses related to transportation to KZT 317.4 billion for the year ended 31 December 2018 compared to KZT 189.9 billion for the year ended 31 December 2017 was primarily attributable to an increase in transportation tariffs and a rise in transportation volumes of oil and oil products. This was also affected by the export of gas to China in 2018 through the "Beineu-Bozoi-Shymkent" and AGP.

General and Administrative Expenses

For the year ended 31 December 2018, general and administrative expenses were KZT 213.5 billion compared to KZT 163.8 billion for the year ended 31 December 2017, reflecting an increase of KZT 49.7 billion, or 30.3 per cent. This increase was primarily attributable to the allowance for fines, penalties and tax provisions in the year ended 31 December 2018 and the accrual of impairment of VAT receivables in the year ended 31 December 2018.

The following table sets forth certain information regarding the Company's general and administrative expenses for the periods indicated:

	For the year ended 31 December		Percentage change between the years ended 31 December 20 17 and 2018
	2018	2017	
	(KZT millions)		
Payroll	73,632	77,572	(5.1%)
Provision under Consortium case	–	–	n.a.
Consulting services	22,435	19,523	14.9%
Accrual/(reversal) of impairment of VAT receivable	4,215	(24,158)	n.a.
Accrual/(reversal) of expected credit losses for other current assets	1,225	(120)	n.a.
Social payments	24,095	28,024	(14.0%)
VAT that could not offset	3,031	7,923	(61.7%)
Rent of property, plant and equipment and intangible assets	5,750	5,780	(0.5%)
Accrual/(reversal) of expected credit losses for trade receivables	(1,489)	1,056	n.a.
Charitable donations and sponsorship	1,699	1,225	38.7%
(Reversal of) /allowance for impairment of long term advances	–	1,188	n.a.
(Reversal of) /allowance for obsolete inventories	4,339	345	n.a.
(Reversal of) /allowance for fines, penalties and tax provisions	29,836	(4,212)	n.a.
Other[(1)]	44,717	49,634	(9.9%)
Total	**213,485**	**163,780**	(30.3%)

Note:

(1) The other general and administrative expenses are composed of travel, communication, representative offices, rental, security, bank services expenses and fines.

The increase in the cost of consulting services to KZT 22.4 billion for the year ended 31 December 2018 compared to KZT 19.5 billion for the year ended 31 December 2017 was primarily attributable to: (i) the delisting of KMG EP from the London Stock Exchange; (ii) technical assessment reserves; (iii) an increase in the cost of services provided in the framework of the issue of Notes for rating purposes in 2018; and (iv) the implementation of the Company transformation programme under the project "Transformation of the main business functions and ERP implementation".

The recognition of KZT 4.2 billion in respect of impairment of VAT receivable compared to a reversal in respect of impairment of VAT receivable of KZT 24.2 billion for the year ended 31 December 2017 was primarily attributable to a reversal of provisions for VAT refund in 2017 in the amount of 30 billion tenge, affecting VAT devaluation recoverable.

The decrease in VAT that cannot be offset to KZT 3.0 billion for the year ended 31 December 2018 compared to KZT 7.9 billion for the year ended 31 December 2017 was primarily attributable to cancellation of provisions for a VAT refund.

The recognition of a KZT 1.2 billion allowance for impairment of long-term advances for the year ended 31 December 2017 was primarily due to the uncertainty regarding the refund of advances paid by Urikhtau Operating LLP to a vendor for well drilling works following the termination of the vendor's contract and non-completion of related construction works.

The increase in allowance for obsolete inventories to KZT 4.3 billion for the year ended 31 December 2018 compared to an allowance for obsolete inventories of KZT 0.3 billion for the year ended 31 December 2017 was primarily attributable to provisions for the impairment of inventories, with a reversal in 2018 of the previously written-off provision for accounts receivable for shipped oil products.

The increase in fines, penalties and tax provisions to KZT 29.8 billion for the year ended 31 December 2018 compared to a reversal KZT 4.2 billion for the year ended 31 December 2017 was primarily attributable to the environmental and tax fine totalling 34.5 billion tenge which was imposed on EMG in accordance with the instructions of the Department of Ecology of the Atyrau region.

The decrease in other general and administrative expenses to KZT 44.7 billion for the year ended 31 December 2018 compared to KZT 49.6 billion for the year ended 31 December 2017 was primarily attributable to decreased expenses at KMG EP and KTG.

Impairment of Property, Plant and Equipment, Intangible Assets, Exploration and Evaluation Assets

For the year ended 31 December 2018, the Company recorded KZT 165.5 billion in impairment of property, plant and equipment, intangible assets, exploration and evaluation assets compared to KZT 24.7 billion for the year ended 31 December 2017, reflecting an increase of KZT 140.8 billion. This increase was primarily attributable to higher impairment of exploration and evaluation assets of KZT 106.9 billion year over year.

	For the year ended 31 December		Percentage change between the years ended 31 December 2 017 and 2018
	2018	**2017**	
	(KZT millions)		*(per cent.)*
Property, plant and equipment	33,603	22,328	50.5%
Exploration and evaluation assets	107,745	814	n.a.
Investment property	1,538	1,518	(1.3%)
Intangible assets	22,636	—	n.a.
	165,522	**24,660**	571.2%

The increase in property, plant and equipment impairment by KZT 11.3 billion to KZT 33.6 billion in the year ended 31 December 2018 compared to KZT 22.3 billion for the year ended 31 December 2017 was primarily attributable to higher impairment of buildings and improvements and machinery and equipment.

The increase in exploration and evaluation assets impairment by KZT 106.9 billion to KZT 107.7 billion for the year ended 31 December 2018 from KZT 0.8 billion for the year ended 31 December 2017 was primarily attributable to an increase in exploration and evaluation asset impairment for tangible assets to KZT 96.2 billion for the year ended 31 December 2018 from KZT 0.8 billion for the year ended 31 December 2017. This increase was primarily due to mainly due to the recognition of the impairment resulting from loss of exploration and appraisal assets under the Satpayev project (34,539 million tenge) and the project for exploration and development in the Nursultan Block (67,897 million tenge). In addition, an impairment charge was accrued on KMG I assets (KZT 43,702 million) and adjusted to the fair value of the asset in December 2018.

Other Expenses

For the year ended 31 December 2018, the Company recorded KZT 23.3 billion of other expenses compared to KZT 34.8 billion for the year ended 31 December 2017, reflecting a decrease of KZT 11.5 billion, or 33.0 per cent.

Finance Cost

For the year ended 31 December 2018, the Company recorded finance costs of KZT 427.7 billion compared to KZT 306.4 billion for the year ended 31 December 2017, reflecting an increase of KZT 121.3 billion, or 39.6 per cent. This increase was primarily attributable to the recognition of interest of KZT 89.6 billion in the year ended 31 December 2018 due to the Company's early redemption of Notes, coupled with higher interest expenses. The Company had total borrowings of KZT 4,153.2 billion as at 31 December 2018 compared to KZT 4,301.3 billion as at 31 December 2017.

Net Foreign Exchange Loss

For the year ended 31 December 2018, the Company recorded a net foreign exchange loss of KZT 38.3 billion compared to a net foreign exchange gain of KZT 67.1 billion for the year ended 31 December 2017, due to fluctuations in exchange rates.

Profit before Income Tax

As a result of the foregoing, the Company's profit before income tax for the year ended 31 December 2018 was KZT 969.3 billion compared to profit of KZT 719.4 billion for the year ended 31 December 2017.

Income Tax Expenses

The Company's effective tax rate increased to 28.8 per cent. for the year ended 31 December 2018 compared to 26.8 per cent. for the year ended 31 December 2017, as a result of an increase in share income in 2018, as well as an increase in non-deductible expenses related to the redemption of Notes. Furthermore, the effective tax rate was impacted by the transfer of processing from EP to the level of the Company (disposal of tax losses).

For the year ended 31 December 2018, the Company recorded income tax expenses of KZT 279.3 billion compared to KZT 190.3 billion for the year ended 31 December 2017, reflecting an increase of KZT 89.0 billion, or 46.8 per cent. This increase was primarily due to: (i) higher corporate income taxes, resulting from increased taxable income due to a rise in the average global price of oil and export gas sales volumes; and (ii) the value of fixed assets previously accrued to EPT for 2017 has been reversed due to the deduction of KMG EP (EMG). In the reporting period, withholding tax was also charged and withheld on TCO dividends, remuneration on deposits, loans issued and capital remuneration and additional tax on CPC-K in the amount of KZT 6,781 million. Temporary discrepancies in the valuation of assets and liabilities has affected the deferred income tax, with the amount of deferred tax at the source of payment for TCO dividends being recalculated.

Profit for the Year from Continuing Operations

As a result of the foregoing, the Company's profit for the year from continuing operations increased by KZT 161.0 billion, or 30.4 per cent., to KZT 690.1 billion for the year ended 31 December 2018 from KZT 529.1 billion for the year ended 31 December 2017.

Profit/(Loss) after Income Tax for the Year from Discontinued Operations

The Company's profit after income tax for the year from discontinued operations was KZT 3.5 billion for the year ended 31 December 2018 compared to a loss after income tax for the year from discontinued operations of KZT 3.7 billion for the year ended 31 December 2017, reflecting an increase of KZT 7.2 billion.

Net Profit for the Year

As a result of the foregoing, the Company's net profit for the year ended 31 December 2018 was KZT 693.5 billion compared to KZT 525.4 billion for the year ended 31 December 2017, reflecting an increase of KZT 168.1 billion, or 32.0 per cent. The Company's net profit for 2018 and 2017 represented 9.9 per cent. and 11.0 per cent., respectively, of the Company's revenue for such years.

Operating Segments

Overview

For financial reporting purposes, the activities of the Group are divided into four main operating segments. The Group's principal operating segments are: exploration and production of oil and gas; oil transportation; gas trading and transportation; and refining and trading of crude oil and refined products. The Group presents the Company's activities separately under the segment "corporate", since it includes not only the functions of a parent company but also carries out operational activities. The remaining activities of the Company are aggregated and presented as the "other" operating segment, due to their relative insignificance. The operating segments of the Company comprise the following activities:

- ***Exploration and Production of Oil and Gas***. The Group is engaged in oil and gas exploration and production activities at locations in Kazakhstan. The results of operations of these activities are recorded as part of the exploration and production of oil and gas operating segment.

- ***Oil Transportation***. The Group partially owns and solely operates the largest crude oil pipeline network in Kazakhstan in terms of length and throughout capacity. The results of operations of these activities are recorded as part of the oil transportation segment.

- ***Gas Trading and Transportation***. The Group owns and operates Kazakhstan's principal gas pipeline systems, including its two principal networks. The results of operations of these activities are recorded as part of the gas trading and transportation segment.

- ***Refining and Trading of Crude Oil and Refined Products***. The Group is active in the trading of both the crude oil it produces, as well as refined products, including gasoline, jet fuel, diesel and fuel oil. The Group also owns and operates an expanding network of gasoline stations in Kazakhstan and Romania. The results of operations of these activities are recorded as part of the refining and trading of crude oil and refined products operating segment.

- ***Corporate***. The Company carries on both operational activities and administrative functions of a parent company.

- ***Other***. The "other" segment is composed of service subsidiaries of the Company, which provide heating and power, air travel, security and other oil-and gas-related services.

The following tables set forth certain information regarding the revenue, gross profit and net profit of the operating segments of the Company for the periods indicated:

	For the year ended 31 December								
	2019	2018	2017	2019	2018	2017	2019	2018	2017
	Total revenue			Net profit/(loss) for the year			EBITDA		
	(KZT million)								
Exploration and production of oil and gas	1,310,336	1,466,408	1,203,251	842,496	721,376	441,202	962,778	1,000,476	619,839
Oil transportation	336,738	268,404	244,955	136,906	122,986	121,923	219,204	184,024	169,269
Gas Trading and Transportation	1,103,075	921,179	552,588	362,344	183,548	79,625	457,829	298,623	143,279
Refining and trading of crude oil and refined products	5,576,135	6,894,859	4,627,866	(36,553)	(91,735)	26,066	268,013	254,650	198,066
Corporate	430,177	182,077	—	(119,657)	(175,820)	(125,952)	42,345	7,038	(57,452)
Other	212,930	33,500	39,030	(68,083)	(1,161)	(8,474)	(32,309)	12,608	10,697
Elimination[(1)]	(2,100,535)	(2,777,463)	(1,873,927)	41,004	(65,683)	(8,942)	44,874	(50,556)	14,865
Total	**6,858,856**	**6,988,964**	**4,793,763**	**1,158,457**	**693,511**	**525,448**	**1,962,734**	**1,706,863**	**1,098,563**

Note:

(1) Elimination represents the exclusion of intra-group transactions.

Exploration and Production of Oil and Gas

The Company's exploration and production of oil and gas segment is the second largest of the Company's segments in terms of revenue before elimination, the Company's most profitable segment in terms of profit on a net basis and the largest of the Company's segments in terms of EBITDA.

For the six months ended 30 June 2020, total revenue before elimination from exploration and production of oil and gas was KZT 417,144 million, net profit for the period was KZT 28,180 million and EBITDA was KZT 148,596 million.

Revenue before elimination attributable to this segment decreased by 10.6 per cent. to KZT 1,310.3 billion for the year ended 31 December 2019 compared to KZT 1,466.4 billion for the year ended 31 December 2018. The decrease in revenue before elimination for the year ended 31 December 2019 compared to the year ended 31 December 2018 was primarily attributable to higher export volumes, higher sales prices in the domestic market and the change in the KZT/USD exchange rate.

Net profit attributable to this segment increased by 16.8 per cent. to KZT 842.5 billion for the year ended 31 December 2019 compared to KZT 721.3 billion for the year ended 31 December 2018. The increase in net profit for the year ended 31 December 2019 compared to the year ended 31 December 2018 was primarily attributable to all the reasons described above.

EBITDA attributable to the exploration and production of oil and gas segment decreased by 3.8 per cent. to KZT 962.8 billion for the year ended 31 December 2019 compared to KZT 1,000.5 billion for the year ended 31 December 2018, primarily as a result of the USD/KZT exchange rate, mineral extraction tax benefits at OMG and the higher price of crude oil in the domestic market.

Oil Transportation

The oil transportation segment is the fifth largest of the Company's segments in terms of revenue, the third largest of the Company's segments in terms of profit on a net basis and the fourth largest of the Company's segments in terms of EBITDA contribution. The Company generates oil transportation revenue from tariffs it charges to its customers under long-term contracts for the transportation of crude oil through the pipeline systems the Group operates. Of the segment's total revenue, 70.2 per cent., 79.4 per cent. and 79.5 per cent. of the segment's total revenue were derived from external customers and 29.8 per cent., 20.6 per cent. and 20.5 per cent. from internal customers (*i.e.*, the Company and its subsidiaries) for the years ended 31 December 2019, 2018 and 2017, respectively.

For the six months ended 30 June 2020, total revenue before elimination from oil transportation was KZT 171,970 million, net profit for the period was KZT 95,333 million and EBITDA was KZT 130,380 million.

Revenue before elimination attributable to this segment increased by 25.4 per cent. to KZT 336.7 billion for the year ended 31 December 2019 compared to KZT 268.4 billion for the year ended 31 December 2018. This increase was primarily attributable to higher transportation volumes.

Net profit attributable to the oil transportation segment increased by 11.3 per cent. to KZT 136.9 billion for the year ended 31 December 2019 compared to KZT 123.0 billion for the year ended 31 December 2018, primarily as a result of higher transportation volumes in the direction of the Mediterranean Sea and the Black Sea as well as the change in the USD/KZT exchange rate.

EBITDA attributable to the oil transportation segment increased by 19.1 per cent. to KZT 219.2 billion for the year ended 31 December 2019 compared to KZT 184.0 billion for the year ended 31 December 2018, primarily as a result of higher transportation volumes in the direction of the Mediterranean Sea and the Black Sea as well as the change in the USD/KZT exchange rate.

Gas Trading and Transportation

The gas trading and transportation segment is the third largest of the Company's segments in terms of revenue, the second largest of the Company's segments in terms of profit on a net basis and the Company's second largest segment in terms of EBITDA contribution. The Company's gas trading and transportation revenue is generated from tariffs charged to customers under long-term contracts for the sales and transportation of natural gas through the pipeline systems the Group operates. The Company's transportation revenue also includes payments made in lieu of shipments under ship-or-pay contracts between the Company and certain of its customers, which did not transport all of their agreed volumes. Such payments generate revenue without offsetting operating costs to the extent of the volumes paid for, but not transported. Of the total revenue of the segment, nearly 100 per cent. is derived from external customers.

For the six months ended 30 June 2020, total revenue before elimination from gas trading and transportation was KZT 505,005 million, net profit for the period was KZT 150,374 million and EBITDA was KZT 193,404 million.

Revenue before elimination attributable to this segment increased by 97.4 per cent. to KZT 362.3 billion for the year ended 31 December 2019 compared to KZT 183.5 billion for the year ended 31 December 2018. This increase was primarily attributable to an increase in the export of gas to China coupled with increased average sales prices for exports.

Net profit attributable to the gas trading and transportation segment was KZT 362.3 billion for the year ended 31 December 2019 compared to KZT 183.5 billion for the year ended 31 December 2018. The increase in the year ended 31 December 2019 was primarily due to: (i) AGP's profit share, with restoration in full of the accumulated unrecognised share in the loss by the end of 2018 (an increase of KZT 168 billion); (iii) an increase in the profit share of BSGP due to a rise in exports to China; (iv) an increase in the share in the KRG resulting from a rise in the weighted average price of gas sold to the domestic market in Kazakhstan (from 17 to 23 tenge/thousand m3 in the reporting period).

EBITDA attributable to the gas trading and transportation segment increased by 53.3 per cent. to KZT 457.8 billion for the year ended 31 December 2019 compared to KZT 298.6 billion for the year ended 31 December 2018. This increase was primarily as a result of an increase in volumes and prices of the export of gas to China as well as the change in the USD/KZT exchange rate.

Refining and Trading of Crude Oil and Refined Products

The refining and trading of crude oil and refined products segment is the largest of the Company's segments in terms of revenue before elimination. This segment is also the third largest of the Company's segments in terms of EBITDA contribution, though it has had a negative contribution on net profit for the year in the years ended 31 December 2019 or 2018. Of this segment's total revenue, 90.3 per cent., 81.2 per cent. and 83.4 per cent. of the segment's total revenue were derived from external customers and 9.7 per cent., 18.8 per cent. and 16.6 per cent. from internal customers for the periods ended 31 December 2019, 31 December 2018 and 31 December 2017, respectively.

For the six months ended 30 June 2020, total revenue before elimination from refining and trading of crude oil and refined products was KZT 1,578,976 million, net loss for the period was KZT 189,632 million and EBITDA was KZT 89,701 million.

Revenue before elimination attributable to this segment decreased by 19.1 per cent. to KZT 5,576.1 billion for the year ended 31 December 2019 compared to KZT 6,894.9 billion for the year ended 31 December 2018. This decrease was primarily attributable to a decrease in the Brent price, a decrease in the volume and price of gasoline and diesel fuel sales.

Net loss attributable to the refining and trading of crude oil and refined products before elimination decreased to a net loss of KZT 36.6 billion for the year ended 31 December 2019 compared to a net loss of KZT 91.7 million for the year ended 31 December 2018. This change was primarily due to an increase in foreign exchange gains from recalculating the amounts owed in the currency of the Atyrau Refinery and Pavlodar Refinery.

EBITDA attributable to the refining and trading of crude oil and refined products before elimination increased by 5.2 per cent. to KZT 268.0 billion for the year ended 31 December 2019 compared to KZT 254.7 billion for the year ended 31 December 2018. This increase was primarily due to a rise in the Brent price in 2018 as compared with 2017.

Corporate

The "corporate" segment is composed of the Company, which engages in operations as well as parent company functional services. This segment is the fifth of the Company's segments in terms of revenue before elimination and EBITDA and the smallest segment by profit on a net basis.

For the six months ended 30 June 2020, total revenue before elimination from corporate was KZT 190,815 million, net loss for the period was KZT 41,708 million and EBITDA was negative KZT 5,606 million.

Revenue before elimination attributable to this segment increased to KZT 430.2 billion for the year ended 31 December 2019 compared to KZT 182.1 billion for the year ended 31 December 2018 due to the process of transferring petroleum product refining and marketing from KMG EP to the Company in mid-2018.

Net loss attributable to this segment increased to a loss of KZT 119.7 billion for the year ended 31 December 2019 compared to a net loss of KZT 175.8 billion for the year ended 31 December 2018 primarily due to the process of transferring petroleum product refining and marketing from KMG EP to the Company in mid-2018.

EBITDA attributable to the "corporate" segment increased to KZT 42.3 billion for the year ended 31 December 2019 compared to KZT 7.0 billion for the year ended 31 December 2018, primarily as a result of the process of transferring petroleum product refining and marketing from KMG EP to the Company in mid-2018.

Other

The "other" segment is composed of service subsidiaries of the Company, which provide heating and power, air travel, security and other oil-and gas-related services. This segment is the smallest of the Company's segments in terms of revenue before elimination and EBITDA and the fifth by profit on a net basis. Of the segment's total revenue, 58.9 per cent., 56.3 per cent. and 53.8 per cent. were derived from external customers and 41.1 per cent., 43.7 per cent. and 46.2 per cent. from internal customers for the years ended 31 December 2019, 31 December 2018 and 31 December 2017, respectively.

For the six months ended 30 June 2020, total revenue before elimination from other was KZT 90,903 million, net loss for the period was KZT 15,285 million and EBITDA was negative KZT 2,916 million.

Net loss attributable to the "other" segment increased to a net loss of KZT 68.1 billion for the year ended 31 December 2019 compared to net loss of KZT 1.2 billion for the year ended 31 December 2018, primarily as a result of the early repayment of Notes issued under the Programme, as well as a decrease in expenses as a result of the change in the USD/KZT exchange rate.

Liquidity and Capital Resources

Cash Flows

The following tables set forth certain information regarding the principal items of the statement of cash flows for the periods indicated:

	For the year ended 31 December		
	2019	**2018**	**2017**
		(KZT millions)	
Net cash flows from operating activities	123,801	629,161	695,393
Net cash flows (used in)/from investing activities	(319,562)	991,081	(1,093,759)
Net cash flows (used in)/from financing activities	(270,371)	(1,520,368)	737,081

Net Cash Flows from Operating Activities

For the year ended 31 December 2019, net cash flows from operating activities were KZT 123.8 billion compared to KZT 629.2 billion for the year ended 31 December 2018, reflecting a decrease of KZT 505.4 billion, or 80.3 per cent. This decrease was primarily attributable to a lower income from the sale of goods and services and increased tax payments due to a change in the rental tax rate.

For the year ended 31 December 2018, net cash flows from operating activities were KZT 629.2 billion compared to KZT 695.4 billion for the year ended 31 December 2017, reflecting a decrease of KZT 66.2 billion, or 9.5 per cent. This decrease was primarily attributable to lower income from the sale of goods and services and increased tax payments due to a change in the rental tax rate.

Net Cash Flows From / (Used in) Investing Activities

Net cash flows from/(used in) investing activities principally reflect acquisitions and dispositions of subsidiaries, joint ventures and associates, purchases and sales of property, plant and equipment and intangible property, distributions received from joint ventures and associates and withdrawals and placements of bank deposits.

For the year ended 31 December 2019, net cash flows used in investing activities were KZT 319.6 billion compared to net cash flows from investing activities of KZT 991.1 billion for the year ended 31 December 2018, reflecting a decrease of KZT 1,310.7 billion. Net cash flows used in investing activities for the year ended 31 December 2019 were primarily related to the buyback of shares of KMG EP.

For the year ended 31 December 2018, net cash flows from investing activities were KZT 991.1 billion compared to net cash flows used in investing activities of KZT 1,093.8 billion for the year ended 31 December 2017. Net cash flows from investing activities for the year ended 31 December 2018 were primarily related to the withdrawal of bank deposits.

Net Cash Flows (Used in) / From Financing Activities

For the year ended 31 December 2019, net cash flows used in financing activities were KZT 270.4 billion compared to net cash flows used in financing activities of KZT 1,520.4 billion for the year ended 31 December 2018. The net cash flows used in financing activities in the year ended 31 December 2019 primarily reflected the repayment of Notes issued under the Programme in the amount of KZT 31 billion, Atyrau Refinery's issuance of debt securities and receipt of a long-term loan, and loans at KMG International.

For the year ended 31 December 2018, net cash flows used in financing activities were KZT 1,520.4 billion compared to net cash flows from financing activities of KZT 737.1 billion for the year ended 31 December 2017. The net cash flows used in financing activities in the year ended 31 December 2018 primarily reflected repayment of Notes issued under the Programme in the amount of KZT 1,145 billion as well as the buyback of KMG EP shares, partially offset by loans to KTG and to KMG International.

Significant Non-Cash Transactions

In the years ended 31 December 2019, 2018 and 2017, the Company entered into a number of significant non-cash transactions and other transactions, which were excluded from the Company's consolidated statement of cash flows. See the Financial Statements.

Total Capital Expenditures

The following table sets forth certain information regarding the Company's total capital expenditures, by segment, including acquisitions through business combinations, for the periods indicated.

	For the six months ended 30 June		For the year ended 31 December		
	2020	2019	2019	2018	2017
				(KZT billions)	
Exploration and production of oil and gas	79.7	87.1	256.7	180.0	145.8
Transportation of oil	12.2	14.3	44.9	65.1	74.8
Gas trading and transportation	87.0	40.3	91.7	156.9	140.5
Refining and trading of crude oil and refined oil products	51.0	20.3	79.5	203.7	291.5
Other	13.5	4.7	32.4	21.3	16.0
Total capital expenditures	**243.4**	**166.7**	**505.3**	**628.1**	**668.6**

For the six months ended 30 June 2020, the Company's most significant capital expenditures included projects in the gas trading and transportation segment (KZT 87.0 billion) including completion of construction of a compressor station at Beineu-Bozoi-Shymkent pipeline and the exploration and production of oil and gas segment (KZT 79.7 billion) to maintain and/or increase the level of oil and gas condensate production.

For the year ended 31 December 2019, the Company's most significant capital expenditures included projects in the exploration and production of oil and gas segment (KZT 256.7 billion) primarily at KMG Karachaganak including a gas production debottlenecking at the processing complex, upgrading of the oil treatment system of the processing complex and upgrading of a gas treatment compressor and gas re-injection compressor.

For the year ended 31 December 2018, the Company's most significant capital expenditures included projects in the refining and trading of crude oil and refined oil products segment (KZT 203.7 billion) including modernisation projects at Atyrau Refinery and Pavlodar Refinery, the exploration and production of oil and gas segment (KZT 180.0 billion) including bulk purchases of fixed assets used in operating and exploratory drilling for EMG and OMG, and the gas trading and transportation segment (KZT 156.9 billion) including the completion of construction and commissioning of two compressor stations at Beineu-Bozoi-Shymkent pipeline.

For the year ended 31 December 2017, the Company's most significant capital expenditures included: modernisation of the refineries owned by the Company, including the construction of a deeper oil refining complex at the Atyrau Refinery (KZT 260 billion); upgrade works to the KTG pipeline systems (KZT 140.5 billion); and production support and volume increases of KMG EP (KZT 135.2 billion).

The exploration and production of oil and gas segment represented 50.8 per cent., 28.7 per cent. and 21.8 per cent. of the capital expenditures of the Company for the years ended 31 December 2019, 2018 and 2017, respectively. Capital expenditures for exploration and production in the years ended 31 December 2019, 2018 and 2017, related mainly to investment projects to increase the level of oil and gas condensate production, as well as maintenance of the current level of oil and gas condensate production and maintenance in working order. In the years ended 31 December 2019, the largest projects of the exploration and production of oil and gas segment in terms of capital expenditures (excluding acquisitions) included the growth in the Ozenmunaigas JSC projects in connection with the drilling of a larger number of production wells, as well as an increase in the cost of their construction and operation. As well as this, KMG Karachaganak LLP has seen the removal of gas production restrictions from the processing complex, the modernisation of the oil treatment system in the refining complex and modernisation of the compressors of the complex gas treatment unit and the fourth compressor of the gas re-injection. An increase in production drilling has also been observed. In 2018, developments included the purchase of fixed assets and carry-over volume in 2017 for OMG, as well as large volumes of production drilling and carry-over volumes of exploration drilling from 2017 on EMG. Furthermore, the Company observed an increase in the costs of maintaining production assets in working order due to an increase in costs for the project to remove gas production restrictions at the Karachaganak Refining Complex (hereinafter referred to as the KPC), as well as to modernise the oil treatment system at the KPC and modernise the compressors of the GPP-2 and the project of the 4th gas re-injection compressor.

The transportation of oil segment represented 8.9 per cent., 10.4 per cent. and 11.2 per cent. of the capital expenditures of the Company for the years ended 31 December 2019, 2018 and 2017, respectively. In the years ended 31 December 2019, 2018 and 2017, the largest projects of the transportation and gas segment in terms of capital expenditures (excluding acquisitions) were the construction of a compressing station at BBS GP; the increase in the volume of gas storage in the Bozoi UGS facility; the construction of CS Karaozek BBS GP; the development of the Amangeldy group of fields; and construction of q booster compressing station.

The gas trading and transportation segment represented 18.1 per cent., 25.0 per cent. and 21.0 per cent. of the capital expenditures of the Company for the years ended 31 December 2019, 2018 and 2017, respectively. In the years ended 31 December 2019, 2018 and 2017, the largest projects of the gas trading and transportation segment in terms of capital expenditures (excluding acquisitions) related to construction of a compressing station at BBS GP; the increase in the volume of gas storage in the Bozoi UGS facility; construction of CS Karaozek BBS GP; development of the Amangeldy group of fields; and construction of booster compressing station.

The refining and trading of crude oil and refined oil products segment represented 15.7 per cent., 32.4 per cent. and 43.6 per cent. of the capital expenditures of the Company for the years ended 31 December 2019, 2018 and 2017, respectively. In the years ended 31 December 2019, 2018 and 2017, the largest project of the refining and trading of crude oil and refined oil products segment was (for 2019) the completion of modernisation projects for the Atyrau and Pavlodar oil refineries in connection with the main commissioning and construction and installation works in 2018. For 2018, the largest project concerned the completion of modernisation projects at the Atyrau and Pavlodar oil refineries in connection with the main commissioning, construction and installation works in 2017.The other segment represented 6.4 per cent., 3.4 per cent. and 2.4 per cent. of the capital expenditures of the Company for the years ended 31 December 2019, 2018 and 2017, respectively. In the years ended 31 December 2019, 2018 and 2017, the largest projects of the refining and trading of crude oil and refined oil products segment were (for 2019) the completion of modernisation projects for the Atyrau and Pavlodar oil refineries in connection with the main commissioning and construction and installation works in 2018. For 2018, the largest project concerned the completion of modernisation projects at the Atyrau and Pavlodar oil refineries in connection with the main commissioning, construction and installation works in 2017.

The following table sets forth the Company's budgeted expenditures for the years indicated:

	For the year ended 31 December				
	2020(E)	**2021(E)**	**2022(E)**	**2023(E)**	**2024(E)**
			(KZT billions)		
Exploration and production of oil and gas	185,9	194,4	161,5	130,9	104,4
Transportation of oil	51,8	50,8	46,5	46,9	50,3
Transportation of gas	116,2	40,7	33,9	22,6	23,0
Refining and trading	102,5	135,4	94,1	66,0	100,6
Other	25,6	19,0	13,4	12,6	8,1
Total capital expenditures	482,0	440,2	349,3	279,0	286,5

Following the completion of a number of capital intensive projects in 2016 and 2017, the Company expects its levels of capital spending to decline. Aside from the construction of three new compressor stations on the

Beineu-Bozoi-Shymkent Gas Pipeline in 2018 and 2019 to facilitate the transportation of gas to China (with work ongoing on a fourth new compressor station, scheduled to be completed in 2023), the capital expenditure commitments in 2020 and 2021 are expected to predominantly relate to exploration projects and capital expenditures at KMG EP to maintain current levels of production and other projects.

For the year ending 31 December 2020, budgeted capital expenditures are KZT 482.0 billion of which KZT 369.3 billion had been expended as at 30 September 2020. The Company's most significant capital expenditures budgeted for in 2020 include projects at ICA (comprising 20.7 per cent. of budgeted capital expenditures), Ozenmunaigas (comprising 18.5 per cent. of budgeted capital expenditures) and KMG International (comprising 13.4 per cent. of budgeted capital expenditures).

Capital expenditures for the projects of the Company's joint ventures are financed at the level of the relevant joint venture. Capital expenditures for these projects are expected to be funded without recourse to the Company.

See "*Risk Factors—Risk relating to the Company's industry—Oil and gas is a capital intensive industry, and the Company's business may require substantial ongoing capital expenditures.*" and "*Forward Looking Statements*".

Commitments

See Note 34 to the Financial Statements and Note 22 to the Interim Financial Statements.

Debt Obligations

The following table sets forth certain information regarding the total borrowings of the Company and its subsidiaries (excluding obligations of non-consolidated joint ventures and associates except to the extent guaranteed by the Company or its subsidiaries) and certain rate and currency denomination information related thereto as at the dates indicated:

	As at 30 June	**As at 31 December**		
	2020	**2019**	**2018**	**2017**
	(KZT million, excluding percentages)			
Total borrowings	3,967,293	3,837,504	4,153,238	4,301,252
Fixed interest rate borrowings	3,338,816	3,146,477	3,029,688	3,137,182
Weighted average of fixed interest rates	5.48%	5.48%	5.42%	6.30%
Floating interest rate borrowings	628,477	691,027	1,123,550	1,164,070
Weighted average of floating interest rates	5.15%	5.73%	5.70%	4.90%
U.S. Dollar-denominated borrowings	3,671,393	3,555,347	3,927,512	4,069,683
Tenge-denominated borrowings	291,085	271,776	207,276	220,729
Euro-denominated borrowings	2,795	2,881	1,866	—
Other currencies-denominated borrowings	2,020	7,500	16,584	10,840
Current portion	380,671	253,428	330,590	884,140
Non-current portion	3,586,622	3,584,076	3,822,648	3,417,112

The Company's total borrowings slightly increased by 3.4 per cent. to KZT 3,967.3 billion as at 30 June 2020 from KZT 3,837.5 billion as at 31 December 2019, primarily due to devaluation of KZT to USD, even though the debt in nominal dollar terms slightly decreased as at 30 June 2020 comapred to 31 December 2019. The Company's long-term borrowings (exclyding the current portion of long-term debt) stayed relatively flat at KZT 3,586.6 billion as at 30 June 2020 as compared to 3,584.1 as at 31 December 2019.

The Company's total borrowings decreased by 7.6 per cent. to KZT 3,837.5 billion as at 31 December 2019 from KZT 4,153.2 billion as at 31 December 2018. The Company's long-term borrowings (excluding the current portion of long-term debt) decreased to KZT 3,584.1 billion as at 31 December 2019 from KZT 3,822.6 billion as at 31 December 2018. The Company's borrowings decreased primarily as a result of derecognition of a loan from partners of the Pearls project, a decrease of ANPZ debt, full repayment of the Notes issued under the Programme with maturity date of 2044, repayment of bonds held by the Development Bank of Kazakhstan, a decrease of a loan to KMG International and repayments of loans by other subsidiaries.

The Company's total borrowings decreased by 3.4 per cent. to KZT 4,153.2 billion as at 31 December 2018 from KZT 4,301.3 billion as at 31 December 2017. This decrease was principally due to the redemption of certain Notes issued under the Programme and full repayment of a loan obtained from PJSC Sberbank of Russia.

The Company's long-term borrowings (excluding the current portion of long-term debt) increased to KZT 3,822.6 billion as at 31 December 2018 from KZT 3,417.1 billion as at 31 December 2017, primarily due to refinancing of debt held at Atyrau Refinery.

Financial Policy

The objectives of the Company's financial policy are to:

- measure, limit and manage the financial risks of the Company;
- monitor the Company's leverage and take steps to decrease the overall level of the Company's debt, by repayment of such debt at maturity without refinancing;
- maintain an optimal working capital position at the level of the Company's subsidiaries; and
- maintain a high level of financial flexibility within the Group.

In line with this policy, the Company aims to finance projects without affecting its balance sheet by entering into non-recourse project financing, by and entering into acquisition financing with limited recourse to the acquired asset and applying its own cash realised from dividends received from its subsidiaries, joint ventures and associates. Separately, the Company encourages its joint ventures and associates to participate in financing directly.

Principal Debt Obligations of the Company and its Subsidiaries

The Company regularly accesses the bank and bond markets. The amount of debt securities outstanding as of 30 June 2020 is KZT 2,924.6 million. The amount available or outstanding in bank loans to the Company as of 30 June 2020 is KZT 1,042.7 million.

Principal Debt Obligations of Non-Consolidated Joint Ventures

In addition, although these are not consolidated with the borrowings of the Company, certain joint ventures and associates of the Company and its subsidiaries have significant debt obligations.

On 17 June 2016, Caspi Bitum LLP entered into two loan agreements with the Bank of China in an aggregate principal amount of US$208 million, for the purposes of refinancing a loan entered into in 2010 funding the proposed road bitumen production plant at the plastics plant in Aktau. AGP, KCP and BSGP have entered into loan facilities in connection with the construction of the Asia Gas Pipeline, the KC Pipeline and the Beineu-Bozoi-Shymkent Gas Pipeline, with an outstanding principal amount of US$612 million as at 30 June 2020.

Certain Provisions and Terms of Debt Obligations

The debt arrangements of the Company and its subsidiaries contain standard market terms, including certain financial and other restrictive covenants. By way of example, under certain debt financing of KTG, the Company (as guarantor) must comply with a number of financial covenants, including maintaining a ratio of Net Debt to consolidated EBITDA of not more than 4.0:1. As at the date of this Base Prospectus, the Company is in compliance with these covenants.

The following table sets forth the estimated scheduled maturities of the Company's long-term debt as at 30 June 2020, assuming that all credit lines available to the Company had been fully-drawn down as at such date:

Year Due	Amount Due (KZT billions)
2020	256.2
2021	217.6
2022	352.7
2023	323.5
2024	142.9
2025	323.4
2026	64.4
2027	691.7
2028	0.6
2029	0.0
2030 and after	1,615.7

The Company's short-term borrowings (including the current portion of long-term debt) decreased to KZT 253.4 billion as at 31 December 2019 from KZT 330.6 billion as at 31 December 2018. This decrease was primarily due to derecognition of a loan from partners of the Pearls project, a decrease of debt at APNZ, full repayment of issued Notes due in 2044, repayment of bonds held by the Development Bank of Kazakhstan, decrease of a loan to KMG International and repayments of loans by other subsidiaries. The Company's short-term borrowings (including the current portion of long-term debt) decreased to KZT 330.6 billion as at 31 December 2018 from KZT 884.1 billion as at 31 December 2017. This decrease was primarily due to a redemption of Notes issued under the Programme, repayment of a loan from PJSC Sberbank and buyback of KMG EP shares.

The weighted average interest rate on the Company's fixed interest rate borrowings slightly increased to 5.48 per cent. as at 31 December 2019 from 5.42 per cent. as at 31 December 2018. The weighted average interest rate on the Company's variable interest rate borrowings slightly increased to 5.73 per cent. as at 31 December 2019 from 5.70 per cent. as at 31 December 2018.

The weighted average interest rate on the Company's fixed interest rate borrowings decreased to 5.42 per cent. as at 31 December 2018 from 6.30 per cent. as at 31 December 2017. The weighted average interest rate on the Company's variable interest rate borrowings increased to 5.70 per cent. as at 31 December 2018 from 4.90 per cent. as at 31 December 2017.

Quantitative and Qualitative Disclosures about Market Risk

The Company operates in a highly competitive industry, and faces intense competition for new subsoil use contracts, qualified staff and markets for its crude oil exports and its refined oil products.

The Company is subject to risks relating to reserves and production, evaluation of oil and gas reserves, Kazakhstan environmental legislation, prices for crude oil, gas and refined oil products, foreign currency, liquidity, credit, interest rates, taxation and other risks. The Company does not use financial instruments, such as foreign exchange forward contracts, foreign currency options, interest rate swaps and commodity agreements, to manage these market risks.

See Note 32 to the Financial Statements and Note 21 to the Interim Financial Statements.

Market Risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency, and securities, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate margin and collateral requirements. The sensitivity analyses in the following sections relate to the position as of 31 December 2019, 2018 and 2017.

Foreign Currency Risk

The Company's principal exchange rate risk involves changes in the value of the U.S. Dollar relative to the Tenge and, to a lesser extent, relative to other currencies. As a result of significant borrowings and accounts payable denominated in the U.S. Dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the U.S. Dollar/Tenge exchange rates. The Group also has transactional currency exposure to the U.S. Dollar as it collects a significant portion of its revenues in U.S. Dollar. Most of the Company's cash inflows, as well as its accounts receivable balances, are denominated in U.S. Dollars, whilst a significant amount of the Company's costs of sales are denominated in Tenge. On the revenue side, all of the Company's export revenue, including the exports of crude oil and refined oil products, are denominated in U.S. Dollars or are correlated with U.S. Dollar-denominated prices for crude oil and refined oil products.

As at 30 June 2020, KZT 3,671.4 billion of the Company's indebtedness was denominated in U.S. Dollars (representing 92.5 per cent. of the Company's total indebtedness of KZT 3,967.3 billion as at that date). 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. See "*—Main Factors Affecting Results of Operations and Liquidity—Impact of Changes in Exchange Rates*".

The Company does not use foreign exchange or forward contracts to manage its exposure to changes in foreign exchange rates. The Company's management regularly monitors the Company's currency risk and keeps track of changes in foreign currency exchange rates and its effect on operations of the Company. The Company maintains a policy of managing its foreign currency risk in U.S. Dollars by matching U.S. Dollar-denominated financial assets with U.S. Dollar-denominated financial liabilities or by designating hedges between non-financial assets and financial liabilities.

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 Company is exposed to interest rate risk on its indebtedness that bears interest at floating rates and, to a lesser extent, on its indebtedness that bears interest at fixed rates. The Company's policy is to manage its interest rate cost using a mix of fixed and variable rate borrowings. As at 30 June 2020, the Company had loans and borrowings outstanding in an aggregate amount of KZT 3,967.3 billion, of which KZT 3,338.8 billion bears interest at fixed rates (at a weighted average rate of 5.48 per cent.) and KZT 628.5 billion bears interest at floating rates (at a weighted average rate of 5.15 per cent.), largely determined by reference to LIBOR for U.S. Dollar deposits. See "*—Debt Obligations*".

The Company incurs debt for general corporate purposes including financing capital expenditures, financing acquisitions and working capital needs. Upward fluctuations in interest rates increase the cost of new debt and the interest cost of outstanding variable rate borrowings. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of the Company's debt obligations. A homogeneous category is defined according to the currency in which financial liabilities are denominated and assumes the same interest rate movement within each homogeneous category (*e.g.,* U.S. Dollars, Tenge). However, the Company's sensitivity to decreases in interest rates and corresponding increases in the fair value of the Company's debt portfolio would negatively affect results and cash flows only to the extent that the Company elected to repurchase or otherwise retire all or a portion of the Company's fixed rate debt portfolio at prices above carrying value.

Credit Risk

The Company trades only with recognised, creditworthy parties, and it has a credit verification policy in place with respect to customers who wish to trade on credit terms. The Company's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of accounts receivable. Whilst the Company may be subject to losses up to the contract value of the instruments in the event of non-performance by its counterparties, it does not expect such losses to occur. Although collection of these receivables could be influenced by economic factors affecting these entities, the Company believes there is not a significant risk of loss beyond allowances already recorded. The maximum exposure is the carrying amount as disclosed in Note 32 of the Financial Statements.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers included in the Company's customer base and the uses of letters of credit for most sales. Insurance for deposits of legal entities is not offered by financial institutions operating in Kazakhstan. The Company's management periodically reviews the creditworthiness of the financial institutions with which it deposits cash.

With respect to credit risks arising on other financial assets of the Company, which comprise cash and cash equivalents, bank deposits, trade accounts receivable, loans and notes receivable and other financial assets, the Company's exposure to credit risks arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

In addition, the Company is also exposed to credit and liquidity risk from its investing activities, principally in relation to its placing of deposits with Kazakhstan banks.

Liquidity Risk

Liquidity risk arises when the maturities of assets and liabilities do not match, causing the Company to 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. The Company's management monitors liquidity requirements on a regular basis and believes that the Company has sufficient funds available to meet its commitments as they arise.

Hedging Policy

Historically, the Company has not utilised forward exchange contracts, currency swaps, put options or other hedging arrangements.

In the six months ended 30 June 2020 and the year ended 31 December 2019, the Company utilised hedging of net investments in certain subsidiaries classified as foreign operations against selected U.S. Dollar-denominated borrowings, the effect of which was equal to a loss of KZT 138.2 billion in the six months ended 30 June 2020 and income of KZT 10.3 billion in the year ended 31 December 2019 (compared to losses of KZT 364.2 billion in the year ended 31 December 2018 and income of KZT 67.2 billion in the year ended 31 December 2017). See Note 25 to the Financial Statements and Note 18 to the Interim Financial Statements.

Off Balance Sheet Arrangements

As at 31 December 2019, the Company had no material off balance sheet items. The Company reports all recognised contingent liabilities and commitments as provisions, or otherwise discloses them in its consolidated financial statements. Credit risk for off balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Company's management does not believe that off balance sheet instruments are material to its consolidated operations or financial position.

Critical Accounting Policies and Estimates

The Financial Statements have been prepared in conformity with IFRS. The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to select appropriate accounting policies and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. For a full description of the Company's significant accounting policies, see Note 4 of the Financial Statements and Note 3 of the Interim Financial Statements. Management's selection of appropriate accounting policies and the making of such estimates and assumptions involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially different amounts would have been reported under different conditions, or if different assumptions had been used, and actual amounts may differ from these estimates. Set forth below are summaries of the most critical accounting estimates and judgments required of the Company's management.

See Note 4 of the Financial Statements, Note 3 of the Interim Financial Statements and "*Presentation of Financial, Reserves and Certain Other Information*".

Oil and Gas Reserves

Oil and gas reserves are a material factor in the Company's computation of depreciation, depletion and amortisation. The Company estimates its reserves of oil and gas for this computation in accordance with the methodology of the Society of Petroleum Engineers ("**SPE**"). In estimating its reserves under SPE methodology, the Company 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. The Company's management believes that long-term planning price assumptions 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 a degree of uncertainty. The extent of such uncertainty depends chiefly 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 and amortisation in relation to oil and gas production assets. The Company 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 related to the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Company's Subsoil use contract periods and a corresponding increase in reported reserves would generally lead to lower depreciation, depletion and amortisation expense and could materially affect earnings. A reduction in proved developed reserves will increase depreciation, depletion and amortisation 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 depreciation, depletion and amortisation.

Recoverability of Oil and Gas Assets, Downstream, Refining and Other Assets

The Company assess 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 and operating performance (including production and sales volumes), which are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. In assessing the 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.

The Company performed its annual impairment tests of downstream, refining and other assets in December 2019, 2018 and 2017. The Company considers the forecast refinery margins and production volumes, amongst other factors, when reviewing for indicators of impairment. Decline in market forecasts indicates a potential impairment of goodwill and/or assets of refining, downstream and other segments. For the years ended 31 December 2019 and 2018, as a result of the impairment analysis, impairment charges were recognised in the Financial Statements.

Pavlodar Refinery

As of 31 December 2019, 2018 and 2017, the Group had material goodwill related to the acquisition of Pavlodar Refinery. The Group considers the forecast for oil tolling volumes, oil tolling tariffs, capital expenditures, amongst other factors, when reviewing for indicators of impairment.

Pavlodar Refinery calculates recoverable amount using a discounted cash flow model. The discount rate of 2019: 9.7 per cent. (2018: 9.7per cent., 2017: 13.25 per cent.) 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 to 2028 were based on a five-year business plan of Pavlodar Refinery 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 2019: 5.49 per cent. (2018: 3.53per cent., 2017: 3.89 per cent.), excluding capital costs, which are based on the best estimate of management as of valuation date.

Based on the results of impairment test, no impairment of Pavlodar Refinery goodwill was identified in 2019. See Note 4 of the Financial Statements.

Assets Retirement Obligations

Oil and Gas Production Facilities

Under the terms of certain subsoil use contracts and applicable legislation and regulations, the Company has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Company's obligation relates to the ongoing closure of all non-productive wells and final closure activities, such as removal of pipes and buildings and the re-cultivation 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 Company, 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 the 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 final closure costs depends on the terms of the respective subsoil use contract and current legislation.

Where neither contracts, legislation nor regulation 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 recognised. There is some uncertainty and significant judgment involved in making such a determination. The Company's management's assessment of the presence or absence of such obligations could change with shifts in the policies and practices of the Government or in the local industry practice.

The Company 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 Company 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 future closure costs involves significant estimates and judgments by the Company's management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Company'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 Company estimates future well abandonment costs 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 companies as at 31 December 2019 ranged from 2.01 per cent. to 5.49 per cent. and from 4.43 per cent. to 8.95 per cent., respectively (as compared to ranges of 2.02 per cent. to 5.96 per cent. and 5.5 per cent. to 10.00 per cent. as at 31 December 2018). As at 31 December 2019, the carrying amounts of the Group's asset retirement obligation relation to the decommissioning of oil and gas facilities was KZT 54,165 million (as compared to KZT 36,288 million as at 31 December 2018). See Note 26 of the Financial Statements for details of the movements in the provision for asset retirement obligations.

Major Oil and Gas Pipelines

According to the Law "On Major Pipelines", which came into force on 4 July 2012, the Company's two subsidiaries, KTO and ICA, have a legal obligation to decommission their oil pipelines at the end of their operating lives and to restore the land to its original condition.

Asset retirement obligations are estimated based on the value of the work to decommission and rehabilitate such pipelines. As at 31 December 2019, the carrying amounts of the Company's asset retirement obligations relation to decommissioning of pipelines and land were KZT 100.2 billion (KZT 79.9 billion as at 31 December 2018).

Environmental Remediation

The Company's management also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalised or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that 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 Company's environmental remediation provision represents management's best estimate, based on an independent assessment, of the anticipated expenditure necessary for the Company to remain in compliance with the current regulatory regime in Kazakhstan and Europe. The Company has classified this obligation as non-current except for the portion of costs, included in the annual budget for 2019. 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. See also Note 26 of the Financial Statements for details of further uncertainties related to environmental remediation obligations.

Employee Benefits

The cost of defined long-term employee benefits before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumption are reviewed at each reporting date.

Taxation

In assessing tax risks, the Company's management considers to be probable obligations the known areas at tax positions that the Company would not appeal or does not believe it could successfully appeal if assessed by tax authorities. 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 Company's subsoil use contracts, the determination of expected outcomes from pending tax proceedings and the outcome of ongoing compliance audits by tax authorities. See Notes 26 and 34 of the Financial Statements.

Taxable income is computed in accordance with the tax legislation enacted as at 1 January 2018. Deferred tax is calculated with respect to both corporate income tax and excess profit tax. Deferred corporate income tax and excess profit tax are calculated based on temporary differences for assets and liabilities allocated to the subsoil use contract at the expected rates that were enacted by the tax authorities as at 31 December 2019.

Deferred tax assets are recognised for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and the business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised deferred tax assets as at 31 December 2019 was KZT 73.7 billion (KZT 97.9 billion as at 31 December 2018).

__Fair Values 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 certain 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 reported fair value of financial instruments. See Note 32 of the Financial Statements.

__Useful Lives of Property, Plant and Equipment__

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year end and, 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.

__Fair Values of Assets and Liabilities Acquired in Business Combinations__

The Company is required to recognise separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in the business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions.

BUSINESS

Overview

The Company is the national oil and gas company of Kazakhstan with vertically-integrated upstream, midstream and downstream operations. The Company is one of the largest crude oil and condensate producers in Kazakhstan in terms of production volume as at 30 June 2020. As at 30 June 2020, the Company also operates the largest crude oil and gas pipeline networks in Kazakhstan in terms of length and throughput capacity. In addition, the Company operates each of the three principal refineries in Kazakhstan, as well as a major refinery in Romania.

The Company's revenues are split 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**"), with 18.5 per cent. of revenues from exploration and production of oil and gas, 7.6 per cent. of revenues from oil transportation, 22.4 per cent. of revenues from gas trading and transportation and 70.1 per cent. of revenues from refining and trading of crude oil and refined products in the six months ended 30 June 2020. In the year ended 31 December 2018, the Group achieved its highest historical levels of production and refining.

The Company's net profit for the year ended 31 December 2019 was KZT 1,158.5 billion compared to KZT 693.5 billion for the year ended 31 December 2018, reflecting an increase of KZT 465.0 billion, or 67 per cent. from 2018 to 2019, and KZT 525.4 billion for the year ended 31 December 2017, reflecting an increase of KZT 168.1 billion, or 32.0 per cent. from 2017 to 2018. The Company's net profit for the six months ended 30 June 2020 was KZT 21 billion, reflecting a significant decrease as compared to KZT 622 billion in the six months ended 30 June 2019. The Company's net profit for the six months ended 30 June 2020 and the years ended 31 December 2019, 2018 and 2017 represented 0.9 per cent., 16.9 per cent., 9.9 per cent. and 11.0 per cent., respectively, of the Company's revenue for such years.

As at 30 June 2020, the Company had total assets of KZT 14,069 billion, as compared to total assets of KZT 14,082 billion, KZT 14,015 billion and KZT 13,550 billion as at 31 December 2019, 2018 and 2017, respectively.

Upstream

The Company's upstream portfolio includes three megafields operated by joint ventures in addition to approximately 122 additional fields operated by the Company, which comprise 23 jointly and individually managed projects, including 14 onshore and 9 offshore projects.

In the year ended 31 December 2019, the Company's production was 485 kbopd (23.6 million tonnes) of crude oil and condensate and 8,455 mcm of gas (including the proportionate share of the Company and its subsidiaries in joint ventures and associates). In the year ended 31 December 2018, the Company's production was 484 kbopd (23.6 million tonnes) of crude oil and condensate and 8,137 mcm of gas (including the proportionate share of the Company and its subsidiaries in joint ventures and associates). Based on the Company's internal information and information obtained from the Statistics Committee, the Company's production of crude oil and condensate (including the proportionate share of the Company and its subsidiaries in joint ventures and associates) represented 26 per cent. of the total crude oil and condensate production in Kazakhstan in 2019 whilst the Company's production of gas (including the proportionate share of the Company and its subsidiaries in joint ventures and associates) represented 15 per cent. of the total gas production in Kazakhstan in 2019.

The Company calculates its reserves using the Kazakhstan methodology, which differs significantly from the internationally accepted classifications and methodologies established by PRMS and SEC Standards, in particular with respect to the manner in which and the extent to which commercial factors are taken into account in calculating reserves. According to Kazakhstan methodology, as at 31 December 2019, the Company's A+B+C1 reserves of crude oil were 639.7 million tonnes, the Company's A+B+C1 reserves of gas condensate were 40.9 million tonnes and the Company's A+B+C1 reserves of gas were 409.7 bcm. In 2019, the Company's A+B+C1 reserves replacement ratio for crude oil (calculated by comparing net new proved crude oil reserves additions in tonnes to yearly crude oil production in tonnes) was 162 per cent. compared to 38 per cent. in 2018. See "*The Oil and Gas Industry in Kazakhstan—Reserve Classifications*" and "*Presentation of Financial, Reserves and Certain Other Information—Certain Reserves Information*".

The Company links the growth of its reserves with the success of exploration projects onshore and in the Kazakhstan sector of the Caspian Sea as well as with further exploration of licence blocks belonging to its subsidiaries.

Additionally, the Company also believes it can sustainably grow its reserve base by, amongst other methods, exercising its rights as beneficiary of the State's pre-emptive rights to acquire interests in Subsoil use contracts and entities that are party to Subsoil use contracts offered for sale. See "*Regulation in Kazakhstan—Regulation of Mineral Rights in Kazakhstan—New Regulation of Subsoil Use Rights under the Subsoil Code—The State's Pre-Emptive Right and Strategic Deposits*".

Midstream

The Company's midstream segment consists of the largest crude oil and gas transportation pipeline in Kazakhstan. As at 31 December 2019, the total length of the crude oil pipeline networks that the Company owns and operates was 9,096 km and the total length of the gas pipeline networks that the Company owns and operates was 17,851 km (primarily through its subsidiary KTO, which transports oil, and its subsidiary KTG, which transports gas, respectively). In addition, as at 31 December 2019, the Company had an interest in a further 1,510 km of crude oil pipeline network and 1,295 km of gas pipeline network as part of its joint-venture network (primarily through its joint venture CPC, which transports crude oil). Through its pipeline networks, the Group transported 78.1 million tonnes of crude oil and 103,494 mcm of gas in the year ended 31 December 2019.

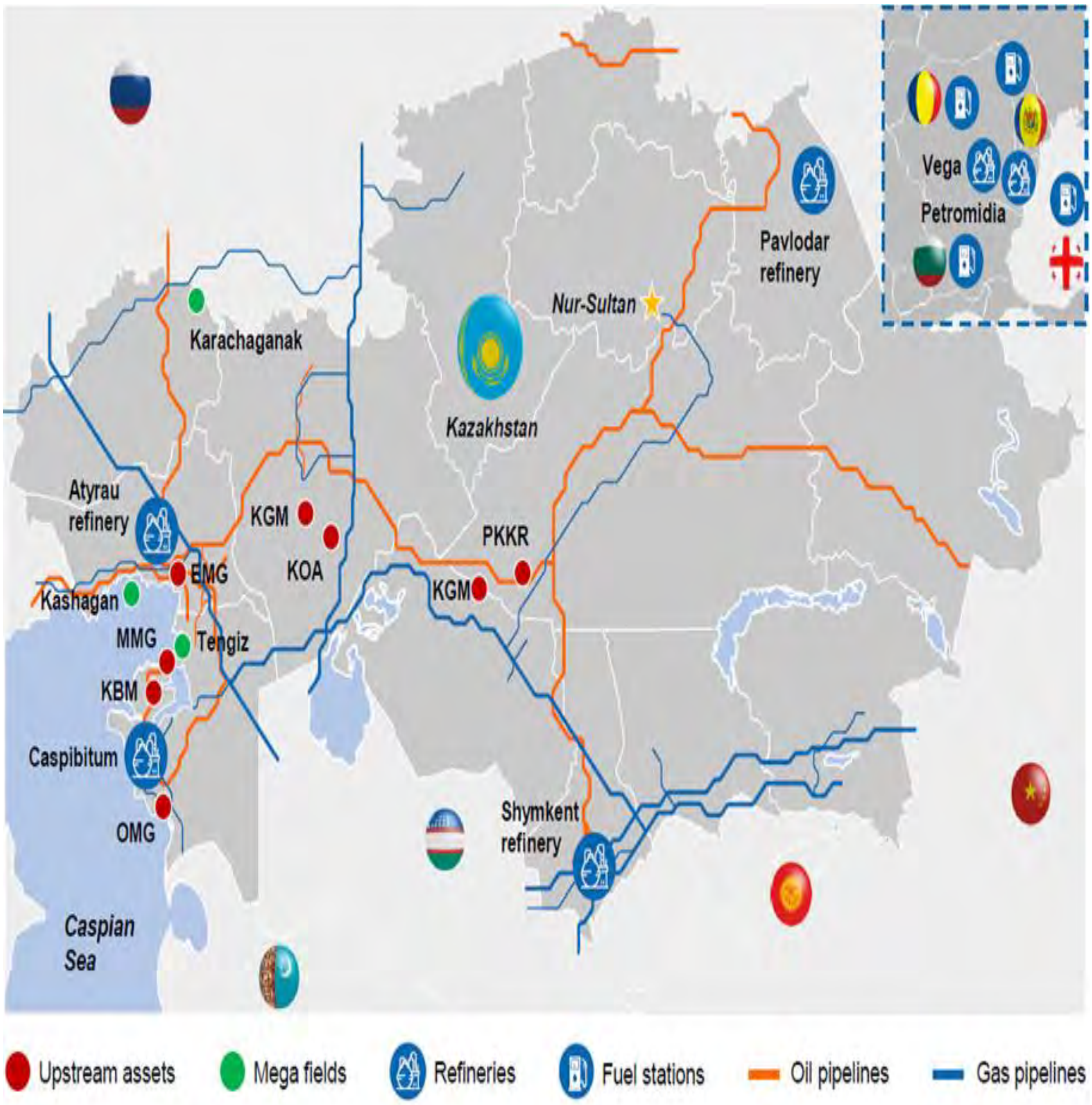
The Company's midstream segment also engages in gas trading primarily through KTG, which exercises the Government's pre-emptive right to purchase raw and/or commercial gas from subsoil users/suppliers. In the year ended 31 December 2019, the Company completed 22.8 bcm of commercial gas sales.

Downstream

The Company's downstream segment includes a controlling or significant interest in all major refineries in Kazakhstan. The Company controls the Atyrau Refinery in western Kazakhstan and the Pavlodar Refinery in north-eastern Kazakhstan and holds a 49.72 per cent. interest in the Shymkent Refinery in southern Kazakhstan and a 50 per cent. interest in CaspiBitum. In addition, the Company has an integrated European downstream platform comprising refining, marketing and trading business through its 54.63 per cent. interest in Rompetrol Rafinare, which owns and operates the Petromidia Refinery in Romania and the Vega Refinery in Romania and also has a retail network of 834 petrol stations across Romania, Georgia, Moldova and Bulgaria. The Group undertook a refinery modernisation programme from 2017 to 2018, including projects at the Atryau Refinery, the Shymkent Refinery and the Pavlodar Refinery.

In the year ended 31 December 2019, in Kazakhstan, the Company produced a total of 12.5 million tonnes of refined oil products (net to the Company, including the proportionate share of the Company and its subsidiaries in joint ventures and associates), as compared to 12.2 million tonnes in 2018 and 11.3 million tonnes in 2017 (each as net to the Company, including the proportionate share of the Company and its subsidiaries in joint ventures and associates). In Romania, the Company produced 6.6, 6.2 and 5.9 million tonnes of refined oil products in 2019, 2018 and 2017, respectively.

The following map sets forth the Group's principal exploration and production, transportation of crude oil, transportation and trading of gas and refining and trading assets as at 30 June 2020:



Corporate Information

The Company's legal and commercial name is JSC NC "KazMunayGas" (or Joint Stock Company "National Company "KazMunayGas"). The Company was organised as a closed joint stock company under the laws of Kazakhstan on 27 February 2002 and is the successor of CJSC "National Oil and Gas Company Kazakhoil" ("Kazakhoil") and CJSC "National Company Oil and Gas Transport". The Company was re-registered as a joint stock company pursuant to the Law on Joint Stock Companies of the Republic of Kazakhstan (No. 415-II, dated 13 May 2003), as amended (the "**JSC Law**") under re-registration certificate No. 11425 1901 AO issued by the Justice Department of the City of Nur-Sultan on 16 March 2004. The Company's business identification number (BIN) is 020240000555. The registered office of the Company is at 8, Kunayev Street, Nur Sultan 010000, Kazakhstan and its telephone number is +7 7172 78 63 43.

Corporate Structure

The Group is comprised of 185 entities in total, including the Company. The organisational structure of the key members of the Group is set out below:

Upstream	Midstream	Downstream

Megafields:
• Tengizchevroil LLP ("**TCO**") – 20%
• Karachaganak Petroleum Operating B.V. ("**KPO**") – 10%
• KMG Kashagan B.V. – 50%(1)
Operated fields:
• JSC Ozenmunaigas ("**OMG**") – 100%
• JSC Mangistaumunaigaz ("**MMG**") – 50%
• JSC Embamunaigaz ("**EMG**") – 100%
• JV Kazgermunai LLP ("**KGM**") – 50%
• Petrokazakhstan Inc. – 33.0%
• JSC Karazhanbasmunai – 50%
• Kazakhoil Aktobe LLP – 50%
• Kazakhturkmunay LLP – 100%
• OOC KazMunayTeniz LLP – 100%
	• JSC KaztransOil – 90%
	  ◦ Kazakhstan-China Pipeline LLP ("**KCP**") – 50%
	  ◦ MunayTas North-West Pipeline Company LLP – 51%
	  ◦ OJSC Batumi Oil Terminal – 100%
	• Caspian Pipeline Consortium – 20.75%(2)
	• LLP NMSC Kazmortransflot – 100%
	• JSC KazTransGas – 100%
	  ◦ JSC Intergas Central Asia ("**ICA**") – 100%
	  ◦ Asia Gas Pipeline LLP ("**AGP**") – 50%
	  ◦ JSC KazTransGas Aimak – 100%
	  ◦ Beineu-Shymkent Gas Pipeline ("**BSGP**") – 50%
	• KazRosGas – 50%
		• Pavlodar Refinery LLP – 100%
		• Atyrau Refinery LLP – 99.53%
		• PetroKazakhstan Oil Products LLP (Shymkent Refinery) – 49.72%
		• KMG International – 100%
		  ◦ Petromidia Refinery – 54.63%
		  ◦ Vega Refinery – 54.63%

(1) KMG Kashagan B.V. holds 16.88 per cent. of NCPC, which develops Kashagan Field. In October 2015, the Company sold 50 per cent. of its shares in KMG Kashagan B.V. (totalling 8.44 per cent. in NCPC) to Samruk-Kazyna with a call option to buy back all or part of such shares at any time between 2020 and 2022.

(2) 19 per cent. through the Company itself and 1.75 per cent. through Kazakhstan Pipeline Ventures (KPV)

Business Model

The Company's assets comprise an entire hydrocarbon added value chain including exploration, production, transportation, refining, marketing and trading.

The Group's production of crude oil led to the export of 70 per cent. of its own crude oil in the year ended 31 December 2019. Following production, 100 per cent. of the Group's crude oil in the year ended 31 December 2019 was transported and stored by the Group. Some crude oil is transported to third parties in Kazakhstan, China and elsewhere and other crude oil is transported to oil refineries, with 30 per cent. of the Group's own oil being sent to refineries in the year ended 31 December 2019. The refined oil is then sold to third parties on a wholesale basis.

The Group's production of crude oil also creates gas by-products which can be used for its gas production. The Group's gas production led to the export of 60 per cent. of its own gas in the year ended 31 December 2019. The Group also transports and stores gas to and for third parties.

History

Key Strengths

The Company believes that it benefits from the following key strengths:

The Company Enjoys Strong Support from the Government.

As a company that is 90.42 per cent. owned by Samruk-Kazyna and 9.58 per cent. owned by the NBK, both of which are, in turn, State-owned, the Company benefits from the strong support of the Government, Samruk-Kazyna and the NBK.

Amongst other things, the Government historically has assisted the Company by providing significant equity and debt financing and strategic support and has played an important role in assisting the Company in the expansion of its operations, reserves, production levels and transportation and refining networks. The Company is a significant contributor to the Government's budget, having contributed KZT 780.4 billion in taxes in the year ended 31 December 2019. The Company is also a significant employer in Kazakhstan and, as at 31 December 2019, employed approximately 70,938 people (including employees from the companies with a share of 50 per cent. or more).

Under Kazakhstan law, the State has a pre-emptive right of acquisition with respect to any transfer of subsoil use rights and any transfer of interests in a legal entity directly or indirectly controlling another legal entity with subsoil use rights, if the core business of the controlling entity is related to subsoil use in Kazakhstan. See "*Regulation in Kazakhstan—Regulation of Subsoil Use Rights in Kazakhstan—The State's Pre-Emptive Right*". The State has designated the Company to be the beneficiary of such pre-emptive right. The Company used this pre-emptive right to acquire interests in MMG, PKI, Kazgermunai and CCEL. The Company's management believes that this pre-emptive right will continue to enable the Company to further expand its interests in the Kazakhstan oil and gas production and exploration industry over time. In addition, KTG has been appointed as the "national operator" for the transportation of gas, which gives KTG a priority right (on behalf of the State) to purchase all associated gas produced in Kazakhstan, which it resells on the domestic market.

The Company is a Vertically-Integrated Oil and Gas Company.

The Company is vertically-integrated across the energy value chain and conducts prospecting, exploration and development, preparation, refining, transportation and retail activities, principally in Kazakhstan. Its exploration and development and transportation activities are conducted onshore and offshore (in the Caspian Sea). Whilst the Company is considering certain disposals and continually assesses strategic reorganisations, the Company's value chain currently benefits from full vertical integration and control over captive midstream and downstream infrastructure, which supports earnings and financial performance throughout the oil price cycle, and allows to maximise the incremental margin captured by the Company. See also "*Risk Factors—Risk Factors Relating to the Company's Business—The Company has conducted and is considering further internal reorganisations*". This is reflected in the Company's solid financial performance and sustainable growth in the recent years despite the oil price volatility. The Company's EBITDA has increased steadily from US$3,369 million in 2017 to US$4,947 million in 2018 and US$5,126 million in 2019. During the same period, the Brent oil price remained volatile, seeing average annual price of US$54.2 per barrel of oil in 2017, US$71.2 in 2018 and US$64.3 in 2019. The Company's EBITDA decreased from approximately US$2.90 billion in the six months ended 30 June 2019 to approximately US$1.35 billion in the six months ended 30 June 2020.

The Company is the Largest Producer of Crude Oil in Kazakhstan.

The Company is the largest producer of oil in Kazakhstan (based on information obtained from the Statistics Committee, and the Company's own statistics and including the proportionate share of the Company and its subsidiaries in joint ventures and associates). Its market share in Kazakhstan was 26 per cent. and 14 per cent. of oil and gas condensate and gas production volumes, respectively, in the year ended 31 December 2019. According to PRMS international standards, the Company had 4.2 billion barrels of proved and probable oil and gas condensate reserves and produced 483,000 boepd in the year ended 31 December 2019, and the Company also had 253 billion cubic metres of gas reserves and produced 8.4 billion cubic metres of gas in the year ended 31 December 2019.

In the upstream segment, the Company has a broad and diversified exposure to all major brownfield and greenfield projects in the country, both onshore and offshore, including megaprojects Tengiz Field (through its joint venture partner TCO), Karachaganak Field (through its indirect interest in KPO) and Kashagan Field (indirectly through a joint venture), as well as other exploration and production companies such as MMG, PKI, Kazgermunai and CCEL, which also are significant producers of crude oil.

The Company is the Operator of Kazakhstan's Extensive Oil and Gas Pipeline Networks.

In the midstream segment, the Company controls the nationwide trunk pipeline infrastructure, covering all export destinations, and providing critical transit infrastructure for the broader Central Asian region. Due to its strategic location and hydrocarbon reserves, Kazakhstan is a key focal point in the transportation of oil and gas from Central Asia to Europe and China. The Company's subsidiaries, KTO and KTG, directly or indirectly are the operators of the primary hydrocarbon transport networks in Kazakhstan and thus the principal pipelines for the transport of oil and gas produced in Kazakhstan within and to the borders of Kazakhstan and through Kazakhstan from other countries. In the year ended 31 December 2019, the Company's midstream segment included 9,096 kilometres and 14,031 kilometres of oil pipeline network and gas pipeline network, respectively, eight oil tankers, 4.6 billion cubic metres of gas storage capacity. Having transported 78.1 million tonnes and 103.5 billion cubic metres of oil and gas, respectively, the Company accounted for 57 per cent. of liquids and 79 per cent. of gas transportation volumes in the year ended 31 December 2019.

The Company believes that its midstream operations, which are subject to less volatility compared to oil and gas production, provide the Company with stable cash flows and support the overall profitability of the Group. In addition, under the Gas Law, KTG has been appointed as the "national operator" for the transportation of gas, which gives KTG a priority right (on behalf of the State) to purchase all associated gas produced in Kazakhstan, which it resells on the domestic market. The Company expects KTG's status as national operator to continue to enhance the Company's revenue from gas sales to end-users and lessen its dependence on gas transportation tariffs.

The Company Owns Significant Interests in, and Exerts Operating Control over, All Three Major Refineries in Kazakhstan.

The Company is also the dominant player in the downstream sector in Kazakhstan, with a market share of 81 per cent. of oil refining volumes in the country in the year ended 31 December 2019. It operates four refineries in Kazakhstan which have gone through a major modernisation programme and are focused on supplying high quality fuels to the local market. More specifically, the Company controls the Atyrau

Refinery in western Kazakhstan and the Pavlodar Refinery in north-eastern Kazakhstan and holds a 49.7 per cent. interest in the Shymkent Refinery in southern Kazakhstan. In the CEE, the Company operates two refineries in Romania, including Petromidia, the largest refinery in the country, and a network of 1,208 gas stations and points of sales across Romania, Bulgaria, Georgia and Moldova as at 31 December 2019. The Company believes that its refining operations comprise an important part of its operations and the Company is continuing its efforts to modernise its refineries with the aim of improving the efficiency and profitability of its downstream business.

The Company is Dedicated to Sustainable Development.

Being one of the largest companies in Kazakhstan, the Company recognises the importance of its impact on the economy, the environment and society. The Company's key initiates and memberships include The World Bank Initiative "Complete Cessation of Regular Flaring of APG by 2030", UN 17 Sustainable Development Goals Initative, Environmental Responsibility Rating for Oil and Gas Companies in Kazakhstan, CDP Climate Programme and Global Methane Initiatives. In November 2016, Kazakhstan ratified the Paris Agreement, which outlines the international and legal principles for global efforts to reduce greenhouse gas emissions, increase energy efficiency, transition to renewable energy sources and gradually move away from fossil fuel flaring. In December 2018, the Company established a new HSE & Sustainable Development Committee, which helps oversee the implementation of sustainable development initiatives. As part of its continued commitment to improve the key health, safety and environment performance indicators, the Company has decreased its lost time injury rate and fatal accident rate by 48 per cent. and 72 per cent. from the year ended 31 December 2016 to the year ended 31 December 2019. In its efforts to decrease emissions, the Company decreased its carbon dioxide emissions rate by 16 per cent. in its upstream segment from the year ended 31 December 2016 to the year ended 31 December 2019. In addition, the Company reduced its sulphur oxide emissions, nitrogen oxide emissions and associated petroleum gas flaring intensity by 54 per cent., 13 per cent. and 75 per cent., respectively, from the year ended 31 December 2016 to the year ended 31 December 2019. The Company is also focused on social responsibility and in the year ended 31 December 2019, the Company allocated KZT 22.7 billion to develop infrastructure at Turkistan for the construction of a 7,000 seat stadium, a congress hall and a 1,000 seat amphitheatre.

The Company has an Experienced Management Team Operating under a Transparent Corporate Governance Structure.

The Company has curated a highly skilled and experienced management team with proven industry expertise and an extensive track record of delivering sustainable growth despite challenging conditions and oil price volatility. The Company's team of managers consists of executives with average experience of over 20 years. KMG has implemented robust corporate governance policies, highlighted by the composition of its Board. The Board has an independent Chairman, two additional highly qualified independent directors with experience with mega-projects in Kazakhstan and five Board committees (Audit, Finance, Nomination & Remuneration, Strategy & Portfolio Management and HSE & Sustainable Development). All Board committees are chaired by the independent directors, who also have a majority in all of them. The members of the Board have broad international and relevant oil and gas experience. Throughout 2019 and continuing into 2020, the Company implemented a number of recommendations received as the result of an independent review by an independent consultant in 2018. These recommendations resulted in the development of the Company's 2019-2020 detailed action plan to improve corporate governance at the Company, which was approved by the Board and includes 500 action points, covering various aspects of corporate governance such as the performance of the board of directors and the executive body, risk management, internal control and audit, sustainability, shareholder rights, and transparency.

Strategy

In 2018, due to changes in market conditions, the Company adopted a new development strategy through to 2028 (the "**Development Strategy**"). Pursuant to this strategy, the Company's vision is to become a highly effective, vertical integrated company and national oil and gas leader that meets the highest safety and corporate governance standards, by focusing on the following four strategic objectives:

Value Creation for Shareholders by Improving Production Efficiency and Investment in Growth

The Company expects to primarily focus on its core business, organic growth and improved operations across all key segments.

The Company plans to boost oil output and maintain production from existing assets whilst continuing to adopt advanced technology and implementing digitalisation projects across its fields.

The Company also intends to expand its oil and gas resource base to ramp-up international and domestic supplies of hydrocarbons and oil products. The Company is committed to optimising the use of its oil and gas pipeline networks to effectively leverage its oil and gas transportation potential and enhance its exports and transit businesses.

The upgrade of the oil transportation network and new trunk gas pipelines have provided the Company with the necessary transportation capacities to accommodate the rising domestic production and international transit.

The Company has completed the upgrade of its refineries in Kazakhstan to boost throughput and increase the yield of light products. As a result, the Company has achieved an important strategic goal for Kazakhstan by fully meeting the domestic demand for oil products. The Company carefully selects and prioritises investment projects, considering only highly profitable projects for investments.

Digitalisation and Process Optimisation

The Company seeks to build a transparent value chain across all subsidiaries, and joint ventures, including through automating end-to-end IT solutions and aligning processes.

The Company is in the process of testing and integrating digital technologies under a phased approach considering existing maturity and digital literacy levels as well as the availability of automation systems at facilities. These goals are achieved through initiatives and projects currently implemented under the Digital Transformation Programme such as Smart Field, Building a Digital General Plan and 3D Model for Kazakhstan Oil Refineries, Adopting a Data Management System, Adopting an Information Security System as part of the Cybershield, Ride Management (Vehicle GPS Monitoring), etc.

The development of the Company's digitalisation strategy began in early 2020 and the Company is currently working on the vision for its further digital development focusing on both the approach to selecting digital solutions and on building a new digital corporate culture through changing employee mind-set and behaviour at all levels from management at the Company's headquarters to personnel in subsidiaries.

Implementation of Best Practices in Sustainability and Corporate Governance

The Company is committed to aligning operations with sustainability principles, and economic, environmental and social goals. In 2020, the Company intends to obtain an environmental, social and governance ("**ESG**") rating from a reputable international rating agency. The Company seeks to be in the top quartile across all ESG metrics and integrated ESG goals within the framework of strategic and medium-term key performance indicators for executives. The Company will also continue to issue regular sustainability reports.

As a major national employer, the Company recognises and meets its important social commitments inspired by principles of partnership with its employees and trade unions.

The Company is committed to enhancing business through greater transparency of operations and adherence to high corporate governance standards. In 2018, the Company approved its new code of business ethics outlining corporate values and defining key principles and rules of business conduct as well as the requirements of corporate ethics binding on all employees. The Company intends to continue monitoring the evolution of global standards to further improve its corporate governance framework whilst meeting the interests of all stakeholders.

Maintaining the Company's Financial Stability

The Company is committed to prudent capital allocation policy and focuses on maximisation of financial stability through the cycle. The Company has historically successfully accessed the debt capital markets through issuances of Notes under the Programme in 2008 (in an amount of US$3.0 billion), 2009 (in an amount of US$1.5 billion), 2010 (in an amount of US$1.5 billion), 2014 (in an amount of $1.5 billion) 2017 (in an amount of US$2.75 billion) and 2018 (in an amont of US$3.25 billion) as well as the equity capital markets through the IPO of KMG EP in 2006 and the People's IPO of KTO in 2012. The Company achieved positive free cash flow in 2019 (before taking into account debt repayment). The Company seeks to adhere to a conservative financial policy maintaining balanced debt profile and securing a strong liquidity position, and had completed payments ahead of schedule on the TCO Advanced Oil Sale Transaction in 2019. See "*Business—Exploration and Production—Megafields—TCO—TCO Advanced Oil Sale Transaction*". The Company currently aims to deleverage, limiting increases in debt and intending to be selective in its approach to potential projects that may require additional debt. The Company is constantly assessing strategic acquisition opportunities and may consider acquisition opportunities which include leveraged assets or disposals of certain businesses, whilst continuing to keep its strategy of maintaining financial stability in mind.

Additionally, the Development Strategy was expanded in terms of gas reserves increase and assurance of efficient gas use in the domestic market. These changes were directly related to the expected increase in natural gas consumption in Kazakhstan and the Company's intention to leverage the export and transit potential of natural gas.

The Company also seeks to implement transformation projects aimed at encouraging rationalisation and simplification of the Company's processes and Group structure. For example, the Group has recently simplified its structure to integrate and reduce the layers of management.

The Company's development plan for 2018-2022 targets, amongst other things: (i) the sale of 51 per cent. of the shares of KMG International, which is expected to be completed by the end of 2025 (in line with, and planned to be conducted under, the 2016 Complex Privatisation Plan); (ii) the exercise of the call option to repurchase shares in KMG Kashagan B.V. sold to Samruk-Kazyna and the raising of financing for purposes of such share repurchase (see "*Risk Factors—Risk Factors Relating to the Company's Business—The Group is subject to legal proceedings from time-to-time*") and (iii) receipt of dividends from TCO.

The Anti-Crisis Measures for 2020-2021

In 2020, oil and gas companies, including the Company, were forced to rethink their strategies and business plans in light of the declining oil and gas prices and deteriorating economic conditions across the globe caused by the Covid-19 pandemic and other factors. The Company proceeded to develop a crisis management strategy (the "**Anti-Crisis Measures**") for 2020-2021 to quickly rank and start implementing strategic initiatives.

The goal of the Anti-Crisis Measures is the Company's adaptation to low oil prices, by focusing on two strategic objectives:

1. ensuring the stability of current operations, including focus on maintaining a positive cash flow; and

2. saving and accumulating resources for post-crisis development.

The main indicators the Company is focused on in connection with the Anti-Crisis Measures are: the Company's operating cash flow, the leverage level, the rate of return on capital employed, the number of management levels and cost optimisations at Company headquarters.

The Company will rely on the Anti-Crisis Measures in making decisions until 2021 and further focus on new directions for development.

Reserves

The Company prepares its reserves information under both Kazakhstan methodology and PRMS. The Company first publicly reported reserves under PRMS in its annual report for the year ended 31 December 2019.

Kazakhstan methodology

According to Kazakhstan methodology, as at 31 December 2019, the Company's A+B+C1 reserves of crude oil were 639.7 million tonnes, the Company's A+B+C1 reserves of gas condensate were 40.9 million tonnes and the Company's A+B+C1 reserves of gas were 409.7 bcm. Reserves are measured only on an annual basis, and, accordingly, no reserve information is available as at any date subsequent to 31 December 2019.

See "*Risk Factors—Risks Relating to the Company's Business—The reported quantities or classifications of the Company's 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*", "*The Oil and Gas Industry in Kazakhstan—Reserve Classifications*" and "*Presentation of Financial, Reserves and Certain Other Information—Presentation of Certain Information Relating to Subsidiaries, Joint Ventures and Associates*".

PRMS

According to PRMS international standards, as at 31 December 2019, the Company had:

- *Proved reserves* of 3,860 million boe, including 2,825 million barrels (371 million tonnes) of crude oil and condensate (including the proportionate share of the Company and its subsidiaries in joint ventures and associates) and 5,204 mmcf (147 bcm) of gas including the proportionate share of the Company and its subsidiaries in joint ventures and associates).

- *Proved plus probable reserves* of 5,220 million boe, comprised of approximately 76 per cent. or 3,993 million barrels (523 million tonnes) of crude oil and condensate (including the proportionate share of the Company and its subsidiaries in joint ventures and associates) and approximately 24 per cent. or 6,228 mmcf (176 bcm) of gas (including the proportionate share of the Company and its subsidiaries in joint ventures and associates).

- *Proved plus probable plus possible reserves* of 6,089 million boe, including 4,686 million barrels (616 million tonnes) of crude oil and condensate (including the proportionate share of the Company and its subsidiaries in joint ventures and associates) and 7,070 mmcf (200 bcm) of gas (including the proportionate share of the Company and its subsidiaries in joint ventures and associates).

Approximately 59 per cent. of the Company's proved and probable reserves are attributed to its megafields Tengiz Field (1,546.9 million boe), Kashagan Field (1,122.7 million boe) and Karachaganak Field (394.8 million boe), each of which was developed in partnership with leading global partners. Approximately 13 per cent. of the Company's proved and probable reserves are attributed to OMG, approximately 6 per cent. to MMG and approximately 6 per cent. to EMG. The oil and condensate reserve life is estimated to be approximately 23 years, based on 2019 production and 2019 proved and probable reserves.

The following table sets forth the Company's PRMS proved plus probable reserves that are attributable to the Company as at 31 December 2019:

Company and Field	For the year ended 31 December 2019								
	ownership structure	% ownership interest[1]	consolidated (Y/N)	Oil	% of total	Gas Condensate	% of total	Gas	% of total
				(tonnes in millions)		*(tonnes in millions)*		*(mcm)*	
Total for TCO	JV	20.00	Y	136.014	26.0	—	—	49,640	28.15
Tengiz Field	—	—	—	122.416	23.4	—	—	44,676	25.33
Other fields	—	—	—	13.598	2.6	—	—	4,964	2.81
Total for NCPC	JV	8.44[2]	Y	121.943	23.31	—	—	26,505	15.03
Kashagan Field	—	—	—	121.943	23.31	—	—	26,505	15.03
Total for KPO	JV	10.00	Y	23.354	4.46	—	—	35,164	19.94
Karachaganak Field	—	—	—	23.354	4.46	—	—	35,164	19.94
Total for MMG	JV	50.00	Y	44.78	8.56	—	—	1,238	0.7
Kalamkas Field	—	—	—	28.658	5.48	—	—	182	0.1
Zhetybai Field	—	—	—	12.53	2.39	—	—	880	0.5
Other fields	—	—	—	3.592	0.69	—	—	176	0.1
Total for EMG Fields	subsidiary	100.00	Y	40.635	7.77	—	—	1,744	0.99
Total for Uzen Field	subsidiary	100.00	Y	93.597	17.89	—	—	164	0.09
Total for Kazgermunai	JV	50.0	Y	13.928	2.66	—	—	1,964	1.11
Akshabulak Field	—	—	—	13.415	2.56	—	—	1,621	0.92
Other fields	—	—	—	0.513	0.1	—	—	343	0.19
Total for CCEL	JV	50.00	Y	18.522	3.54	—	—	—	—
Karazhanbas Field	—	—	—	18.522	3.54	—	—	—	—
Total for PKI	associate	33.00	Y	5.716	1.09	—	—	—	—
PKKR	—	—	—	2.472	0.47	—	—	—	—
Other Fields	—	—	—	3.244	0.62	—	—	—	—
Total for Kazakhoil Aktobe	JV	50.00	Y	4.846	0.93	—	—	2,163	1.23
Alibekmola Field	—	—	—	1.110	0.21	—	—	436	0.25
Other fields	—	—	—	3.736	0.71	—	—	1,727	0.98
Total for other fields	**n.a.**	**n.a.**	**n.a.**	19.857	3.8	0.551	100	57,780	32.76
Total for consolidated entities	**n.a.**	**n.a.**	**n.a.**	523.192	100	0.511	100	176,362	100

Notes:

(1) As at 31 December 2019.

(2) Represents the 8.44 per cent. interest in NCPC held by the Company for its own account only. The Company does not receive economic benefits from the 8.44 per cent. held by the Company on trust for Samruk-Kazyna.

See "*Presentation of Financial, Reserves and Certain Other Information—Certain Reserves Information*" for a description of the differences between PRMS and Kazakhstan methodology.

Exploration and Production

Overview

The Company is a major oil and gas producer in Kazakhstan. In the year ended 31 December 2019, the Company produced 485 kbopd (23.6 million tonnes) of crude oil and condensate (including the proportionate interest of joint ventures and associates), which represented 26 per cent. of the total crude oil and condensate production in Kazakhstan in 2019. The Company's major oil and condensate producing subsidiaries and interests are TCO, NCPC and KPO, representing 26.8 per cent., 5.2 per cent. and 4.5 per cent. of the Company's total production of crude oil and condensate in the year ended 31 December 2019, respectively.

In addition, in the year ended 31 December 2019, the Company produced 8.5 bcm of gas (including the proportionate interest of joint ventures and associates), which represented 15 per cent. of the total gas production in Kazakhstan in 2019. The Company's major gas producing subsidiaries and interests are TCO and KPO, representing 38.5 per cent. (or 3.3 bcm) and 22.0 per cent. (or 1.9 bcm) of the Company's production of gas in 2019, respectively.

Certain of the Company's upstream operations are classified as "production and development assets" whilst others are "exploration projects". Production and development assets are subsidiaries and joint ventures with fields that are either currently producing or are at the development stage, as approved by the Ministry of Energy. Exploration projects are subsidiaries and joint ventures that are not currently approved by the Ministry of Energy as producing fields and are still at the exploration stage. Generally, on completion of an initial exploration programme and if the Ministry of Energy approves the project, a project will enter the development phase and join the production and development assets category.

Production and Development Assets

The following table sets forth the production attributable to the Company from its consolidated subsidiaries and non-consolidated joint ventures and associates for the periods indicated:

	% Ownership interest(1)	Six months ended 30 June 2020 Oil (thousand tonnes)	Oil (kbbl)	Natural and associated gas (mcm)	Year ended 31 December 2019 Oil (thousand tonnes)	Oil (kbbl)	Natural and associated gas (mcm)	2018 Oil (thousand tonnes)	Oil (kbbl)	Natural and associated gas (mcm)	2017 Oil (thousand tonnes)	Oil (kbbl)	Natural and associated gas (mcm)
Operating Assets													
JSC OzenMunayGas + KazGPZ LLP (condensate)	100% / 100%	2,746.2	19,854.9	391.2	5,586.0	40,387.0	708.7	5,487.6	41,705.8	629.8	5,488.3	41,710.7	618.3
JSC EmbaMunayGas	100%	1,352.9	9,835.3	117.5	2,899.7	21,080.8	260.2	2,894.5	21,998.2	221.0	2,840.0	21,584.1	198.1
JSC Karazhanbasmunay	50%	506.4	3,382.7	13.6	1,082.0	7,227.9	27.0	1,081.0	8,215.6	22.4	1,070.6	8,136.2	18.0
Kazgermunay JV LLP	50%	417.2	3,080.4	102.8	1,113.6	8,222.8	224.5	1,354.0	10,290.4	262.4	1,400.0	10,640.0	280.0
JSC PetroKazakhstan Inc	33%	342.8	2,655.7	74.9	843.7	6,535.2	180.5	998.0	7,584.8	195.4	1,076.7	8,183.2	218.0
Amangeldy Gas LLP (condensate)	100%	8.4	63.8	172.0	16.9	128.5	350.5	19.0	144.4	349.0	20.6	156.9	343.7
JSC Mangistaumunaygas	50%	1,526.4	11,035.9	173.1	3,204.4	23,167.5	393.9	3,187.0	24,221.2	393.0	3,177.9	24,152.4	377.7
Kazakhoil Aktobe LLP	50%	147.7	1,108.0	178.7	320.1	2,400.9	348.3	296.0	2,249.6	249.0	351.1	2,668.5	301.1
Kazakhturkmunay LLP	100%	208.9	1,505.6	76.2	409.3	2,949.6	143.2	376.0	2,857.6	161.0	386.9	2,940.4	175.1
Total Operating Assets		**7,256.9**	**52,522.4**	**1,300.0**	**15,475.7**	**112,100.3**	**2,636.8**	**15,693.1**	**119,267.6**	**2,483.0**	**15,812.2**	**120,172.5**	**2,530.1**
Non-Operating Assets													
Tengizchevroil LLP	20%	2,852.3	22,761.4	1,571.1	5,958.2	47,546.7	3,256.5	5,724.0	43,502.4	3,125.0	5,739.3	43,618.9	3,171.9
Karachaganak Petroleum Operating BV	10%(2)	562.3	4,420.0	1,044.0	1,014.7	7,975.3	1,861.5	1,095.0	8,322.0	1,891.3	1,124.7	8,547.7	1,892.4
North Caspial Operating Company BV	8.44%(3)	673.1	5,335.7	406.3	1,169.4	9,270.1	706.9	1,094.0	8,314.4	637.0	686.0	5,213.3	397.3
Total Non-Operating Assets		**4,087.7**	**32,517.1**	**3,021.4**	**8,142.3**	**64,792.2**	**5,824.8**	**7,913.0**	**60,138.8**	**5,653.3**	**7,550.0**	**57,379.9**	**5,461.6**
TOTAL (including operating share)		**11,344.6**	**85,039.5**	**4,321.4**	**23,618.0**	**176,892.5**	**8,461.6**	**23,606.1**	**179,406.4**	**8,136.3**	**23,362.2**	**177,552.4**	**7,991.0**

Notes:
(1) As at 31 December 2019.
(2) Recognising that KPO is a consortium operating under a joint operating agreement, the Company also accounts for its interests in KPO under the proportionate consolidation method.
(3) Represents the 8.44 per cent. interest in NCPC held by the Company for its own account and the 8.44 per cent. held by the Company on trust for Samruk-Kazyna.

The following table sets forth certain information relating to the production and development activities of the Company and its subsidiaries, joint ventures and associates at their respective significant fields as at 30 June 2020:

Company and Field	% Ownership Interest	Ownership type	Year Commenced	Expiration of Agreement	Production wells	Injection wells
TCO:	20.00	JV	—	—	—	—
Tengiz Field	—	—	1993	2033	157	8
NCPC:	8.44(2)	JV	—	—	—	—
Kashagan Field	—	—	2001	2041	34	6
KPO:(1)	10.00	JV				
Karachaganak Field	—	—	1984	2037	156	18
MMG Fields:	50	JV	—	—	3 444	1 323
Kalamkas Field	—	—	1979	2028	2 124	731
Zhetybai Field	—	—	1967	2028	1 037	494
Other Fields	—	—	between 1969-1992	between 2022-2028	283	98
EMG Fields	100	subsidiary	between 1935-2019	between 2030-2048	2 234	422
Uzen Field	100	subsidiary	1965	2036	3 961	1 229
Kazgermunai Fields:	50.00	JV	1996	2024	205	38
Akshabulak Field	—	—	—	—	145	28
Other Fields	—	—	—	—	60	10
CCEL Fields:	50]	JV	1997	2035	—	—
Karazhanbas Field	—	—	1980	2035	2 815	771
PKI Fields:	33.00	associate	—	—	—	—
PKKR	—	—	between 1984-2000	between 2021-2042	455	238
Kazakhoil Aktobe Fields:	50.00	JV	—	—	117	36
Alibekmola Field	—	—	2001	2023	51	23
Other Fields	—	n.a.	2003	between 2020-2030	136	46
Total	—	—	—	—	15,788	4,538

Notes:
(1) Because KPO is a consortium operating under a joint operating agreement, the Company also accounts for its interests in KPO under the proportionate consolidation method.
(2) Represents the 8.44 per cent. interest in NCPC held by the Company for its own account only.

The following table sets forth certain information relating to new wells drilled by the Company and its subsidiaries, joint ventures and associates at their respective significant fields as at the dates and for the periods indicated:

	New wells drilled					
	Production wells	Other wells	Production wells	Other wells	Production wells	Other wells
	For the year ended 31 December					
	2019	**2019**	**2018**	**2018**	**2017**	**2017**
TCO:						
Tengiz Field	32	5	26	0	12	0
NCPC:						
Kashagan Field	0	0	0	0	0	0
KPO:[(1)]						
Karachaganak Field	10[(2)]	1[(3)]	5	0	6	0
MMG Fields:	170	26	160	38	158	39
Kalamkas Field	79	4	66	17	72	5
Zhetybai Field	73	13	80	19	76	29
EMG Fields	47	0	47	0	44	0
Uzen Field	151	65	142	38	104	46
Kazgermunai Fields:						
Akshabulak Field	10	4	17	0	16	1
CCEL Fields:						
Karazhanbas Field	113	10	110	13	91	17
PKI Fields:						
PKKR	23	12	28	9	20	8
Kazakhoil Aktobe Fields:	0	0	0	0	0	0
Alibekmola Field	0	0	0	0	0	0
Other Fields	0	0	0	0	0	0
Total	556	123	535	98	**451**	**111**

Note:
(1) Because KPO is a consortium operating under a joint operating agreement, the Company also accounts for its interests in KPO under the proportionate consolidation method.
(2) Includes one injection well
(2) Includes side-track existing wells and without Permian wells

Megafields

TCO

TCO owns the single largest production field in Kazakhstan, is the Company's most significant joint venture in terms of production of oil and was a key driver of the Company's growth in total production in 2019, 2018 and 2017. TCO operates the Tengiz Field in western Kazakhstan, which is amongst the largest fields under development in the world based on estimated reserves and is the world's deepest producing super giant oil field. TCO also operates the nearby Korolevskoye Field. The Government granted TCO exclusive rights to develop an area adjacent to the Caspian Sea under bespoke agreements (rather than a Subsoil use contract) that may be extended by TCO to 2033.

Tengiz Field

As at 30 June 2020, the Tengiz Field had estimated A+B+C1 reserves of crude oil of 198.95 million tonnes and A+B+C1 reserves of gas of 100.43 bcm attributable to the Company, representing 23.4 per cent. and 25.3 per cent. of the Company's A+B+C1 reserves of crude oil and gas, respectively.

The Tengiz Field, located in the Atyrau oblast on the south side of the 500,000 km^2 Pre-Caspian Basin on the north-eastern edge of the Caspian Sea, was discovered in 1979 and started producing in 1991. The Tengiz reservoir is more than 110 km^2 in area at its top and 400 km^2 at its base with a maximum thickness from the top of the reservoir to the bottom of the reservoir of about 1.5 km. The top of the reservoir is 3,850 m below sea level. The lowest known oil is 5,429 m below sea level. The Tengiz reservoir is part of a large ring like complex 50 km in diameter, which includes the Korolevskoye, Karaton, Tazhigali and Pustyn carbonate structures.

The Ural grade of crude oil produced at the Tengiz Field typically has a maximum density of 810 kg per cubic metre, a sulphur content ranging from 0.4 per cent. to 1.9 per cent. and an average watercut of 0.03 per cent.

The Tengiz Field's wellstock consisted of 156 production wells and 8 gas injection wells as at the beginning of 2020, including 32 new wells drilled in 2019. The Tengiz Field produced 6.0 million tonnes of crude oil attributable to the Company in 2019, 5.7 million tonnes of crude oil in 2018 and 5.7 million tonnes of crude oil in 2017, representing 25.4 per cent., 24.1 per cent. and 24.4 per cent., respectively, of the Company's production of crude oil for those years. In 2019, production wells at the Tengiz Field produced an average of 130 kbopd of crude oil per day attributable to the Company (compared to an average of 125 kbopd in 2018).

The Tengiz Field produced 3,258 mcm of gas attributable to the Company in 2019, 3,125 mcm of gas attributable to the Company in 2018 and 3,172 mcm of gas in 2017, representing 38.5 per cent., 38.4 per cent. and 39.7 per cent., respectively, of the Company's production of gas for such years. In 2019, the Tengiz Field produced 58.9 kboepd (compared to 56.5 kboepd in 2018).

Since the oil from Tengiz Field has a high sulphur content, and TCO sold 2.6 million tonnes of sulphur in 2019, 2.5 million tonnes of sulphur in 2018 and 2.5 million tonnes of sulphur in 2017. TCO produced 2.6 million tonnes of sulphur in 2019, 2.6 million tonnes of sulphur in 2018 and 2.6 million tonnes in 2017.

Operating Agreements

TCO is a joint venture between the Company (20 per cent.), Chevron Overseas Company (50 per cent.), ExxonMobil Kazakhstan Ventures Inc. (25 per cent.) and LukArco (5 per cent.). TCO was incorporated under Kazakhstan law on 6 April 1993 for a 40-year term, which may be extended by mutual agreement of all parties. TCO's activities are governed by a number of agreements, including a formation agreement and a project agreement, to which the Company is a party. See "*Share Capital, Shareholders and Related Party Transactions—Relationships Between the Company and TCO*" for a discussion of the agreements relating to the operation and internal governance of TCO.

Expansion Projects

TCO is continuing its future growth expansion project (the "**FGP**") in the Tengiz Field to further increase TCO's oil field production and plant processing capacity using the technologies from the existing second-generation plant and sour gas injection project completed in 2008. In addition to the FGP, TCO is implementing a wellhead pressure management project (the "**WPMP**"). The FGP and WPMP are being executed as an integrated project in order to realise synergies in design and execution. The two projects have a shared scope in respect of utilities, power generation and distribution, infrastructure and the gathering system.

In November 2013, the Government and TCO entered into a memorandum of understanding with the aim of promoting investment, education, training and employment in Kazakhstan through the implementation of the FGP and WPMP projects. The projects have already created approximately 45,000 jobs in Kazakhstan, and once the project is commissioned, an additional 1,000 permanent jobs are expected to be created.

TCO has completed the first of three phases of the FGP as of the date of this Prospectus, work on which commenced in 2012. The FGP involves the construction of injection and extracting lines and adjacent infrastructure, a large processing train for treating crude oil and the associated sour gas due to the crude oil's high sulphur content, as well as the implementation of a well drilling programme lasting until 2022. TCO expects the completion of the second and third phases of the FGP to further increase its oilfield production and plant processing capacity, allowing TCO to increase its crude oil production capacity by 12 million tonnes per year through to 2025. Work on the two projects is expected to be completed by 2023.

As an integral part of the FGP, TCO is also implementing a WPMP. The WPMP is expected to lower the flowing wellhead pressure at TCO's plants from approximately 90 bar to 30 bar through the installation of a pressure boost facility and the debottlenecking of the gathering system.

Although originally the FGP and WPMP projects were estimated to cost up to US$36.8 billion, TCO has faced cost overruns and announced in 2019 that it will cost up to US$46.5 billion. In February 2020, the joint venture partners approved costs of US$45.2 billion. TCO expects to pay the total cost of the project out of its own cash flows and, to the extent necessary, through non-recourse external financings. In a low oil price environment, amounts required to fund the FGP and WPMP may limit the funds available to be distributed as dividends to the Company, as the Company and TCO have agreed that the level of dividends payable by TCO to the Company will depend on the crude oil price for the relevant year. TCO did not pay a dividend in 2019 (compared to 2018 when TCO paid a dividend of KZT 64.7 billion).

TCO Advanced Oil Sale Transaction

In March 2016, KMG Finance, as seller, and the Company, as guarantor, entered into a transaction (the "**TCO Advanced Oil Sale Transaction**") involving the advanced sale by the Company of up to US$3 billion of crude oil and LPG to a special purpose vehicle, CA-VIT B.V. ("**CA-VIT**").

The principal obligations of the parties in respect of the TCO Advanced Oil Sale Transaction are governed by (i) an export contract between KMG Finance, as seller, and CA-VIT for the purchase of 30.2 million tonnes of crude oil (of which 20.8 million tonnes of crude oil is attributable to TCO and the remainder is attributable to MMG and KBM) and one million tonnes of LPG, rateably on a monthly basis over the period of 48 months starting from 1 May 2016, subject to standard shipment size limitations; (ii) a prepayment addendum to the export contract between CA-VIT and KMG Finance, as seller, documenting the terms on which CA-VIT will make prepayments to KMG Finance in respect of the specified future deliveries of the crude oil and LPG and KMG Finance will deliver the crude oil and LPG to CA-VIT; and (iii) a deed of guarantee between the Company, as guarantor, and CA-VIT, as beneficiary, pursuant to which the Company has agreed to guarantee the performance of the obligations of KMG Finance under the export contract, the prepayment addendum and certain related ancillary documents.

In December 2017, a further addendum was entered into, which increased the contract value by a further US$1 billion and extended the obligation to deliver crude oil for one year from March 2020 to March 2021.

Neither KMG Finance's or the Company's obligations constitute financial indebtedness of the Company under applicable financial covenants in its financings. KMG Finance is expected to discharge its obligations in the contractually specified period after the date on which the commercial contracts relating to the TCO Advanced Oil Sale Transaction were signed, subject to an initial grace period of 12 months. Under the prepayment addendum, KMG Finance is required to comply with a coverage ratio tested over the life of the transaction and a coverage ratio tested for each delivery period, which may require the volume of oil to be delivered under the export contract to be increased from time-to-time.

Pursuant to the second addendum, KMG Finance had received an additional prepayment in the amount of US$488.5 million, to be discharged by the supply of oil from TCO commencing in December 2018. In January 2018, KMG Finance received a further prepayment of US$250.0 million pursuant to the second addendum and a further prepayment of US$250 million was received in April 2018. As at 31 December 2017 the Company had settled US$750 million and as at 31 December 2018 an additional amount of US$1,000 million was settled as contractually agreed monthly prepayment leaving a balance of US$2,250 million.

In 2019, in addition to the contractually agreed monthly repayments, KMG Finance fully redeemed the prepayment by making voluntary discharges to settle the US$2,250 million balance of the prepayment amount received under the TCO Advanced Oil Sale Transaction in full, causing KMG Finance to be to be discharged of its obligations under the prepayment facility and the prepayment addendum between KMG Finance and CA-VIT.

NCPC

The Company has an indirect 8.44 per cent. interest in NCPC through KMG Kashagan B.V. and another 8.44 per cent. interest derives from the shares of KMG Kashagan B.V. held by the Company on trust for Samruk-Kazyna.

Kashagan Field

As at 31 December 2019, the Kashagan Field had A+B+C1 reserves of crude oil of 119,578 million tonnes and A+B+C1 reserves of gas of 19,871 mcm attributable to the Company on a consolidated basis, representing 19.5 per cent. and 10.0 per cent. of the Company's A+B+C1 reserves of crude oil and gas, respectively.

In 2001, a commercial discovery was made in the Kashagan Field in the North Caspian Sea, 80 km southeast of Atyrau. The Kashagan Field extends over a surface of 820 km^2. Crude oil produced at the Kashagan Field typically has a maximum density of 798 kg per cubic metre, a sulphur content ranging from 0.68 per cent. to 0.9 per cent. and an average watercut of less than one per cent. Developing the Kashagan Field combines technical complexity and environmental challenges. The climate in this part of Kazakhstan is extreme with cold winters, hot summers and drastic variations of temperature. Winters are harsh and temperatures can drop to -40°C, whilst summer temperatures can reach +40°C. See "*Risk Factors—Risks Relating to the Company—The Company's production and other activities could be reduced by adverse weather events*". The sea water over the Kashagan Field is only 3-4 m deep and is frozen for four to five months per year, from November to March, with an average ice thickness of 0.6-0.7 m. The combination of ice, shallow waters and sea level fluctuations has represented a significant logistical challenge. The complicated natural and geological conditions at the Kashagan Field, as well as additional design enhancements to the offshore element of the project also added to the complexity of the project.

The Kashagan Field produced 1,169 thousand tonnes of oil and gas condensate attributable to the Company in 2019, as compared to 1,094 and 686.0 thousand tonnes of oil and gas condensate in 2018 and 2017, respectively, representing 4.9 per cent., 4.6 per cent. and 2.9 per cent., respectively, of the Company's production of crude oil for those years. The Kashagan Field produced 700.0 mcm of gas attributable to the Company in 2019 and 649.6 and 405.0 mcm of gas attributable to the Company in 2018 and 2017, respectively, representing 8.3 per cent., 8.0 per cent. and 5.0 per cent., respectively, of the Company's gas production for those years.

Operating Agreements

The participants in NCPC are KMG Kashagan B.V. (8.44 per cent. held by the Company for its own account and 8.44 per cent. held by the Company on trust for Samruk-Kazyna) (16.9 per cent.), ENI S.p.A. (Agip Caspian Sea B.V.) (16.8 per cent.), Exxon-Mobil Kazakhstan Inc. (16.8 per cent.) and Shell Kazakhstan Development B.V. (16.8 per cent.), Total E&P Kazakhstan (16.81 per cent.), CNPC Kazakhstan B.V. (8.33 per cent.) and Inpex North Caspian Sea, Ltd (7.56 per cent.). NCPC operates the Kashagan Field based on the PSA, as amended, and the amended and restated joint operating agreement and shareholders agreement dated 13 June 2015 (originally entered into on 6 July 1998).

In December 1993, the Kazakhstan sector of the Caspian Sea was opened for international oil exploration. Seven international oil companies and the state-owned company KazakhstanCaspiShelf were selected by the Government to form NCPC, the purpose of which is to develop the major offshore oil and gas fields, including the Kashagan Field, in the north part of the Kazakhstan sector of the Caspian Sea. On 18 November 1997, the NCPC participants at the time (a consortium consisting of AGIP Caspian Sea B.V., BG Exploration and Production Limited, BP Kazakhstan Limited, Den Norske Stats Oljeselskap a.s., Mobil Oil Kazakhstan Inc., Shell Kazakhstan Development B.V. and Total Exploration Production Kazakhstan) signed the North Caspian Production Sharing Agreement with a term of 40 years from a commercial discovery (20 years with two 10-year extensions for a commercial discovery), and the NCPC participants signed joint operating agreement and shareholders agreement on 6 July 1998 (the "**NC PSA**"). Since then, the NC PSA has been amended on several occasions to reflect, amongst other matters, changes in share ownership of the NCPC participants. The Company became a participant of NCPC in May 2005, having acquired an initial 8.33 per cent. share from the existing participants, which was subsequently transferred to its wholly-owned subsidiary KMG Kashagan B.V.

The experimental phase of the project involved the construction of five artificial islands in the Caspian Sea and 40 wells, including 34 production wells and six injection wells. The parties to the NC PSA estimate that the Kashagan Field has up to 9 billion bbl of recoverable crude oil. As of the date of this Base Prospectus, work is underway to conduct engineering studies and evaluations for the second stage of development which is expected to significantly enhance production.

In accordance with the terms of the NC PSA, KMG Kashagan B.V. must pay deferred consideration for its ownership interest in NCPC in three equal annual instalments following the commencement of commercial production. As at the date of this Base Prospectus, two such instalments have been paid using monies received under the Kashagan Advanced Oil Sale Transaction (as described below). In October 2016, KMG Kashagan B.V. entered into an agreement to borrow US$873 million from the Company in order to fund the third instalment, with such agreement expiring in October 2018 with no funds drawn. In September 2018, KMG Kashagan B.V. and the Company signed an agreement to allow KMG Kashagan B.V. to borrow US$854 million from the Company in order to fund the third instalment. As at the date of this Base Prospectus, however, no funds have been drawdown under this agreement.

Transfer of Interest to Samruk-Kazyna

On 16 October 2015, Coöperatieve KazMunaiGaz U.A., which had been the sole shareholder of KMG Kashagan B.V., sold 50 per cent. of its shares to Samruk-Kazyna for US$4.7 billion, with a call option to buy back all or part of the shares at any time between 1 January 2018 to 31 December 2020. In January 2018, the exercise period for the call option was extended to between 1 January 2020 and 31 December 2022. On 16 October 2015, Samruk-Kazyna transferred the shares it purchased to be held in trust for it to Coöperatieve KazMunaiGaz U.A., a subsidiary of the Company, and the Group continues to control the operations of KMG Kashagan B.V. As a result of the sale, the Company deconsolidated approximately US$2.2 billion of indebtedness relating to NCPC, which, in turn, improved the Group's overall financial profile, reduced the Group's current debt service and, thereby, improved its overall liquidity position, and allowed the Group to continue to fund its on-going capital expenditure programme.

In January 2018, the Amsterdam District Court issued a judgment in which it upheld an earlier *ex parte* attachment granted to Anatolie Stati, Gabriel Stati, Ascom Group S.A. and Terra Raf Trans Traiding Ltd with respect to the Republic of Kazakhstan's 50 per cent. shareholding in KMG Kashagan B.V. held through Samruk-Kazyna. On 7 May 2019, the Amsterdam Court of Appeal confirmed this decision. Whilst the attachment does not relate to the 50 per cent. interest the Company holds indirectly in KMG Kashagan B.V., if the attachment remains in place, or is enforced, the call option to repurchase the 50 per cent. interest in KMG Kashagan B.V. from Samruk-Kazyna can not be exercised by Coöperatieve KazMunaiGaz U.A. See also "*Risk Factors—Risks relating to the Company's business—The Group is subject to legal proceedings from time to time*".

Kashagan Advanced Oil Sale Transaction

In November 2016, KMG Kashagan B.V., as seller, entered into a transaction with Heston B.V., as buyer, and Vitol S.A., as offtaker, relating to the advanced sale by KMG Kashagan B.V. of crude oil produced at the Kashagan Field (the "**Kashagan Advanced Oil Sale Transaction**"). The initial advanced sale amount was US$1.0 billion.

In August 2017, KMG Kashagan B.V. entered into additional agreements with Vitol S.A. for further prepayment amounts up to a total of US$1.0 billion (with US$600 million being by way of a committed further advance and the remaining US$400 million by way of an uncommitted further advance). As a result of these additional agreements, in August 2017, KMG Kashagan B.V. received a further prepayment of US$600 million. The Company acts as a guarantor in respect of the transaction.

The additional amount of US$400 million under the August 2017 extension was not at any time requested by KMG Kashagan B.V. In July 2018 the parties amended the prepayment addendum to provide further prepayment amounts by way of cancelling and replacing the previous optional US$400 million amount with a new committed amount for US$600 million, which was received on 7 August 2018. The export contract was amended to reflect an uplift in oil deliveries. The total prepayment amount is US$2.2 billion with an outstanding amount of US$1.1 billion as of 30 June 2020.

Neither KMG Kashagan B.V.'s nor the Company's obligations constitute financial indebtedness under applicable financial covenants in its financings. Pursuant to the terms of the Kashagan Advanced Oil Sale Transaction documentation, KMG Kashagan B.V. is prohibited from entering into intercompany loan agreements as a creditor in a principal amount of more than US$50 million and is subject to a negative pledge such that it may not create security over any of its assets (including any crude oil from Kashagan Field) without the consent of Heston B.V.

Development Project

The phased development plan of the Kashagan Field provides for the drilling of 240 wells and the construction of production plants located on artificial islands in the Caspian Sea, which are expected to collect production from other satellite artificial islands. Natural gas produced in the Kashagan Field is expected to be used primarily for re-injection into the reservoir to maintain pressure levels.

There were a number of delays to the start of commercial production from 2008 to 2013, which led to significantly increased capital expenditures. Further, sour gas leaks were detected in a section of the pipeline in September 2013 and again in October 2013, leading to a halt in production whilst diagnostics programmes were conducted on the gas and oil pipelines and further diagnostics assessments and tests were also conducted. In 2015, replacement works were carried out on the oil and gas pipeline, whilst maintenance, conservation and modernisation works were carried out on the production facilities. Commercial production at the Kashagan Field commenced in November 2016. As of the date of this Base Prospectus, all facilities planned by the experimental phase are in operation and production volumes have reached 400 kbopd (as compared to designed volume of 370 kbopd).

KPO

KPO is a consortium operating under a joint operating agreement amongst Royal Dutch Shell (following its acquisition of the BG Group in February 2016) (29.25 per cent.), Eni (29.25 per cent.), Chevron (18.0 per cent.), Lukoil (13.5 per cent.) and the Company (10.0 per cent.). The Company holds its interest in KPO through its wholly-owned subsidiary, KMG Karachaganak LLP. KPO operates the Karachaganak Field, which is one of the world's largest gas condensate fields and the largest gas producing field in Kazakhstan.

Karachaganak Field

As at 31 December 2019, the Karachaganak Field had estimated A+B+C1 reserves of crude oil of 75.1 million tonnes, A+B+C1 reserves of gas condensate of 248.8 million tonnes and A+B+C1 reserves of dissolved and free gas of 837 bcm.

The Karachaganak Field is a large oil and gas condensate field located in north-western Kazakhstan, with an area of approximately 280 km^2. The field was discovered in 1979. The Ural grade of crude oil produced at the Karachaganak Field usually has a maximum density of 888 kg per cubic metre, a sulphur content ranging from 0 to 2.0 per cent. and an average watercut of up to 1.0 per cent.

The Karachaganak Field's wellstock consisted of 156 production wells and 18 injection wells as at 31 December 2019, including three new production wells, one new injection well and five side-tracked wells completed in 2019. The KMG Karachaganak share of production from the Karachaganak Field was 1,015 million tonnes of liquid production (stable) in 2019, 1,095 million tonnes of liquid production (stable) in 2018 and 1,125 million tonnes of liquid production (stable) in 2017, representing 10 per cent of the Company's liquid production (stable) for those years.

In 2019 the average production wells annual gas flow rate was 561 kcm per day and production wells liquid flow rate was 340 tonnes per day of gas rate. The Karachaganak Field produced 1861 mcm of gas attributable to the Company in 2019, 1891 mcm of gas attributable to the Company in 2018 and 1125 mcm of gas attributable to the Company in 2017, representing 10 per cent of the Company's gas production for those years.

Operating Agreements

In November 1997, then-members of the international consortium developing the Karachaganak Field (BG Exploration and Production Limited, Agip Karachaganak B.V., Texaco International Petroleum Company and "Lukoil Oil Company" OJSC) entered into a 40-year final production sharing agreement ("FPSA") with the Government that provided for investments of US$16 billion to be made to develop the field. It is anticipated that the Government will be paid 80 per cent. of the shared income from the Karachaganak Field over the life of the PSA. Under the terms of the PSA, British Gas and Agip are the operators of the project.

In 2011, the Government and the international consortium agreed to transfer a 10.0 per cent. interest in the project to the Company. Pursuant to this agreement, the Company purchased 5.0 per cent. of KPO for cash and the remaining 5.0 per cent. was contributed to the Company by Samruk-Kazyna, following Samruk-Kazyna's acquisition of the interest by way of settlement of the Government's arbitration proceedings against the consortium participants, effective in June 2012.

Crude oil produced at the Karachaganak Field is allocated amongst the members of the consortium (including the Company) and is sold through traders affiliated with the consortium members.

The Karachaganak oil is sold in two directions: (1) via the CPC transport system in the port of Novorossiysk (CPC) and (2) via the Atyrau-Samara (A-S) transport system in the port of Ust-Luga.

As for the CPC system, KPO sells oil to affiliated traders of Samruk-Kazyna, NBK and the Government. In December 2012, KMG Trading AG was determined as a trader for acquisition of oil of KMG Karachaganak's share via the CPC route. 6,428 thousand tonnes of oil were sold to KMG Trading AG, with revenues of US$3,466 million received from 2012 to 31 July 2020. In accordance with the FPSA, under the CPC system, the oil price setting for sale to a related party is set on FOB terms at the port of sale (Novorossiysk). The Company is the guarantor and pays off any debt of its affiliate trader in case of its default and/or failure to make payment when purchasing a share of the Company's oil.

Regarding the A-S system, KPO sells oil when CPC's throughput is limited (due to, *e.g.,* planned preventive maintenance activities at CPC or weather conditions). The buyer and the price are determined through a tender. Raw gas from the Karachaganak field is sold to Orenburg gas processing plant under the long-term gas purchase and sale agreement concluded between KPO and KazRosGas LLP until 27 January 2038 (the "**GSA**"). Under the GSA, the annual sales volume reaches 9 billion cubic metres (+/- 10 per cent.). Raw gas is transported to the Orenburg gas processing plant via four gas pipelines of the Karachaganak - Orenburg transport system. 7,551 million cubic metres of raw gas were sold and a revenue of US$129,071 thousand (attributable to the Company) was received from 2012 to 31 July 2020.

Development Project

KPO is in the process of implementing the second phase of industrial development at the Karachaganak Field. After the completion of the second phase of development, KPO plans to initiate an extension project aimed at maintaining the liquid hydrocarbon production shelf. These are forecasted to maintain the liquids plateau. The extension project is expected to be implemented in several stages. The first stage of the extension project, which is expected to begin in 2023, consists of the drilling of new wells, major repair works in respect of existing wells, the construction of gas preparation facilities and the installation of additional compressors to increase the volume of reverse gas injections and the construction of auxiliary facilities.

The Company is required to pay 10 per cent. of the costs of this development (in line with its 10 per cent. ownership interest), which amounted to KZT 32.1 billion in 2019 and is expected to amount to KZT 28.1 billion in 2020, KZT 39.5 billion in 2021, KZT 9.8 billion in 2022; KZT 6.6 billion in 2023 in total, and KZT 5.9 billion in 2024 the Company's contribution in the period 2020-2024 years to the development is expected to be KZT 89.9 billion, although such contributions are expected to be covered by the project company's internal cashflows.

Description	**2020**	**2021**	**2022**	**2023**	**2024**	**Total 2020-2024**
Capex, Plateau Expansion Project................................	28,1	39,5	9,8	6,6	5,9	89,9
Capex, Karachaganak Expansion Project Phase 1..	7,6	24,2	31,2	18,7	19,1	100,7
Total Capex	**35,7**	**63,7**	**41,0**	**25,3**	**25,0**	**190,6**

Significant Production Fields

MMG Fields

MMG is an upstream oil and gas company owned by MIBV, a 50/50 joint venture between KMG and CNPC Exploration and Development Company Ltd. KMG acquired its indirect interest in MMG (through MIBV) on 25 November 2009.

MMG is one of the largest oil producers in Kazakhstan. MMG holds subsurface use rights in respect of fifteen oil, gas and condensate deposits, including the Kalamkas Field, one of the largest fields in Kazakhstan, and the Zhetybai Field, MMG's second largest field (as well as Zhetybai South, Zhetybai East, Assar, Burmasha, Oimasha, Alatyube, Karagiye North, Bekturly, Pridorozhnoye, Akkar North, Atambai-

Sartyube, Aschiagar and Airantakyr), based on an exploration and production contract concluded with the Competent Authority in January 1998 (as amended) ("**MMG Subsurface use contract**"). The MMG Subsurface use contract is concluded based on fifteen historic subsurface use licenses, each issued in respect of each the fifteen deposits on 8 December 1997. Such subsurface use licenses were issued either for the term of 25 years (i.e. until 8 December 2022) or for the term of 31 years (i.e. until 8 December 2028). MMG Subsurface use contract provides that it will exire on the last day of the longest-term license, i.e. in December 2028.

MMG conducts subsurface use operations based on the MMG Subsurface use contract and a work program for 2011-2028 (safe for the Airantakyr Field which work program is approved until 2026).

In addition to development of its fifteen fields, MMG implements a detailed program of additional exploration at its deposits for 2018-2023. As a result of completion of such additional exploration program, MMG expects to re-calculate reserves for all fields. The expected increase in oil reserves of MMG's fields may be about 11 million tons. Implementation of such additional exploration program and replenishment of the resource base is also important for MMG due to high water cut of production, decrease in production rates and high degree of depleted oil reserves at some fields.

Kalamkas Field

MMG operates the Kalamkas Field through PU Kalamkasmunaigas, one of its production units.

As at 31 December 2019, the Kalamkas Field had estimated A+B+C1 reserves of crude oil of 24.138 million tonnes and A+B+C1 reserves of gas of 24.088 bcm attributable to the Company, representing 3.8 per cent. and 2.9 per cent. of the Company's A+B+C1 reserves of crude oil and gas, respectively.

The Kalamkas Field, which is located in the northern part of the Buzachi Peninsula in the Tupkaragansky region of the Mangistau oblast, within the limits of the Caspian Depression adjacent to the Caspian Sea, was discovered in 1976 and started producing in 1979. Oil production at the Kalamkas Field is from 11 horizons in the Lower Cretaceous and Jurassic formations, located at depths shallower than 900 m. The Ural grade of crude oil produced at the Kalamkas Field usually has a maximum density of 904 kg per cubic metre, a sulphur content ranging from 1.21 per cent. to 1.45 per cent. and an average watercut of 85 per cent.

The Kalamkas Field's wellstock consisted of 2,080 production wells and 735 injection wells as at 31 December 2019, including 83 new wells drilled in 2019. The Kalamkas Field produced 3,935 million tonnes of crude oil attributable to the Company in 2019, as compared to 3,975 and 4,047 million tonnes of crude oil in 2018 and 2017, respectively, representing 61.0 per cent., 62.0 per cent. and 64.0 per cent., respectively, of the Company's production of crude oil for those years. In 2019, production wells at the Kalamkas Field produced an average of 10,781 tonnes of crude oil per day attributable to the Company.

The Kalamkas Field produced 119 mcm of associated gas in 2019, 103 mcm of gas in 2018 and 101 mcm of gas in 2017, representing 30.9 per cent., 27.5 per cent. and 28.7 per cent., respectively, of the Company's production of gas for those years.

Zhetybai Field

The Zhetybai Field is MMG's second most significant field. As at 31 December 2019, the Zhetybai Field had estimated A+B+C1 reserves of crude oil of 129,341 million tonnes, A+B+C1 reserves of gas condensate of 1,940 million tonnes and A+B+C1 reserves of gas of 16,229 mcm attributable to the Company, representing 3.7 per cent., 1.4 per cent. and 3.0 per cent. of the Company's A+B+C1 reserves of crude oil, gas condensate and gas, respectively. The Company operates the Zhetybai Field through PU Zhetybaimunaigas.

The Zhetybai Field, which is located in the Karakiyansky region of the Mangistau Oblast, adjacent to the Caspian Sea, was discovered in 1961 and started producing oil in 1967. Oil production at the Zhetybai Field is from 11 horizons in the Middle Jurassic formations, located at depths shallower than 2,450 m. The Ural grade of crude oil produced at the Zhetybai Field usually has a maximum density of 870 kg per cubic metre, a sulphur content of 0.1 per cent. and an average watercut of 58 per cent.

The Zhetybai Field's wellstock consisted of 999 production wells and 506 injection wells as at 31 December 2019, including 86 new wells drilled in 2019. The Zhetybai Field produced 1,988 million tonnes of crude oil in 2019, 1,873 million tonnes of crude oil in 2018 and 1,727 million tonnes of crude oil in 2017, representing 31.0 per cent., 29.4 per cent. and 27.2 per cent., respectively, of the Company's production of crude oil for those years. In 2019, production wells at the Zhetybai Field produced an average of 5,447 tonnes of crude oil per day attributable to the Company.

The Zhetybai Field produced 226,078 mcm of associated gas in 2019, 224,032 mcm of gas in 2018 and 202,045 mcm of gas in 2017, representing 58.7 per cent., 59.7 per cent. and 57.2 per cent. of the Company's production of gas for each of those years, respectively.

EMG Fields

JSC EmbaMunaiGas ("**EMG**") is a wholly owned subsidiary of KMG EP. Its shares are planned to be transferred to the Company as part of the liquidation of KMG EP.

The EMG fields comprise a total of 39 oil fields located around the northern and eastern shores of the Caspian Sea in the Atyrau oblast. Of the producing EMG fields, the following eight fields are the largest in terms of reserves, as well as production volume: (i) Kenbai (East Moldabek/North Kotyrtas) Field; (ii) Nurzhanov Field; (iii) Kamyshitovoye Southwest Field; (iv) Botakhan Field; (v) Makat East Field; (vi) Zaburunye Field; (vii) Zhanatalap Field; and (viii) Kamyshitovoye Southeast Field.

As at 31 December 2019, the EMG fields had estimated A+B+C1 reserves of crude oil of 40,635 million tonnes, A+B+C1 reserves of gas condensate of 1.850 million tonnes and A+B+C1 reserves of gas of 1,744 bcm, representing 7.8 per cent., 4.5 per cent. and 1.0 per cent. of the Company's A+B+C1 reserves of crude oil, gas condensate and gas, respectively. The Ural grade of crude oil produced at the EMG fields typically has a maximum density of 0.839 kg per cubic metre, a sulphur content ranging from 0.16 per cent. to 0.24 per cent. and an average watercut of 81.5 per cent.

The following table sets forth certain information relating to the most significant EMG fields:

Field	Year production commenced	Producing geologic formation
Kenbai (East Moldabek/North Kotyrtas) Field	1996	Production is from 15 horizons in the Cretaceous, Jurassic and Triassic formations, located at depths shallower than 1,900 m
Nurzhanov Field	1967	Production is from nine horizons in the Cretaceous, Jurassic and Triassic formations, located at depths shallower than 3,320 m
Kamyshitovoye Southwest Field	1972	Production is from seven horizons in the Cretaceous, Jurassic and Permotriassic formations, located at depths shallower than 850 m
Botakhan Field	1981	Production is from two horizons in the Jurassic formation, located at depths shallower than 1,400 m
Makat East Field	1993	Production is from six horizons in the Cretaceous, Jurassic and Permotriassic formations, located at depths shallower than 1,350 m
Zaburunye Field	1989	Production is from three horizons in the Cretaceous formation, located at depths shallower than 920 m
Zhanatalap Field	1974	Production is from seven horizons in the Jurassic and Permotriassic formations, located at depths shallower than 1,200 m
Kamyshitovoye Southeast Field	1987	Production is from four horizons in the Cretaceous and Jurassic formations, located at depths shallower than 650 m

The EMG fields' wellstock consisted of 2,242 production wells and 420 injection wells as at 31 December 2019, including 47 new wells drilled in 2019. The EMG fields produced 2,899 million tonnes, 2,895 million tonnes, and 2,840 million tonnes of crude oil in each of 2019, 2018 and 2017, representing 12.3 per cent., 12.3 per cent. and 12.2 per cent., respectively, of the Company's production of crude oil for those years. In 2019, production wells at the EMG fields produced an average of 7,942 tonnes of crude oil per well per day.

In 2019, the EMG fields produced 260.17 mcm of gas, as compared to 221.23 mcm of gas in 2018 and 199.75 mcm of gas in 2017, representing 3.1 per cent., 2.7 per cent. and 2.5 per cent., respectively, of the Company's production of gas for those years. Gas produced at the EMG fields is used exclusively to satisfy

KMG EP's internal needs. Gas utilised for internal needs is used to heat the oil contained in KMG EP's pipelines which otherwise solidifies at temperatures below -35°C due to its paraffinic nature.

Uzen Field

JSC Ozenmunaigaz ("**OMG**") is a wholly owned subsidiary of KMG EP. Its shares are planned to be transferred to the Company as part of the liquidation of KMG EP.

As at 31 December 2019, the Uzen Field had estimated A+B+C1 reserves of crude oil of 117,567 million tonnes and A+B+C1 reserves of gas of 38,378.8 bcm, representing 18.4 per cent. and 3.6 per cent. of the Company's A+B+C1 reserves of crude oil and gas, respectively.

The Uzen Field, located in the Mangistau oblast, was discovered in 1961 and started producing in 1965. Oil production at the Uzen Field is from 13 horizons in the Jurassic formation, located at depths shallower than 1,800 m. The Ural and Brent grades of crude oil produced at the Uzen Field usually have a maximum density of 0.839 kg per cubic metre, a sulphur content ranging from 0.16 per cent. to 0.24 per cent., a significant paraffinic content and an average watercut of 81.5 per cent.

The Uzen Field's wellstock consisted of 3,943 production wells and 1,244 injection wells as at 31 December 2019, including 216 new wells drilled in 2019. The Uzen Field produced 5,579.055 million tonnes of crude oil in 2019, 5,480.360 million tonnes of crude oil in 2018 and 5,480.105 million tonnes of crude oil in 2017, representing 23.6 per cent., 23.2 per cent. and 23.5 per cent., respectively, of the Company's production of crude oil for the respective years. In 2019, production wells at the Uzen Field produced an average of 15,014 tonnes of crude oil per well per day.

In 2019, the Uzen Field produced 405,872 mcm of gas, representing 4.8 per cent. of the Company's production of gas, 708,697 mcm of which was used for the internal needs of the Uzen Field. Gas utilised for internal needs is used to heat the oil contained in KMG EP's pipelines, which otherwise solidifies at temperatures below -35 C° due to its paraffinic nature. The remaining gas is sent to KMG EP's gas processing plant in Uzen for processing and subsequent sale. The Uzen Field produced 315,818 mcm of gas in 2018 and 286,721 mcm of gas in 2017, representing 3.9 per cent. and 3.6 per cent., respectively of the Company's production of gas for those years.

Kazgermunai Fields

Kazgermunai is a joint venture in the form of a joint venture between KMG EP and PKI, with each having a 50 per cent. interest as at 31 December 2019. The Company acquired a 50 per cent. interest in Kazgermunai in July 2006 and sold its entire interest in Kazgermunai to KMG EP on 24 April 2007. Through its 33 per cent. interest in PKI (as at 31 December 2019), KMG EP also realises economic benefits from PKI's 50 per cent. interest in Kazgermunai, which are, in turn, largely passed on to the Company through its interest in KMG EP. Such shares will be transferred to the Company as part of the liquidation of KMG EP. Kazgermunai operates the Akshabulak Field pursuant to a Subsoil use contract that expires in 2024.

As at 31 December 2019, the Akshabulak Field had estimated A+B+C1 reserves of crude oil of 13.4 million tonnes, A+B+C1 reserves of gas condensate of 0.27 million tonnes and A+B+C1 reserves of gas of 1.62 bcm attributable to the Company through KMG EP, representing 2.56 per cent., 0.1 per cent. and 0.9 per cent. of the Company's A+B+C1 reserves of crude oil, gas condensate and gas, respectively.

The Akshabulak Field, located in the Kyzylorda oblast, was discovered in 1984 and started producing in July 1989. Oil production at the Akshabulak Field is from three horizons in the Jurassic and Cretaceous formations, located at depths shallower than 1,800 m. The Ural grade of crude oil produced at the Akshabulak Field usually has a maximum density of 900 kg per cubic metre, a sulphur content ranging from 0.1 per cent. to 0.3 per cent. and an average watercut of 2.0 per cent.

The Akshabulak Field's wellstock consisted of 133 production wells and 27 injection wells as at 31 December 2019, including 14 new wells drilled in the year ended 31 December 2019. The Akshabulak Field produced 2.1 million tonnes, 2.5 million tonnes and 2.6 million tonnes of crude oil in each of 2019, 2018 and 2017, in each case attributable to the Company through KMG EP, representing 4.4 per cent., 5.3 per cent. and 4.5 per cent., respectively, of the Company's production of crude oil for those years. In

2019, production wells at the Akshabulak Field produced an average of 5,753 tonnes of crude oil per day attributable to the Company through KMG EP.

The Akshabulak Field produced 314.7 mcm of gas in 2019, 366 mcm of gas in 2018 and 357.6 mcm of gas in 2017, which was attributable to the Company through KMG EP, representing 1.9 per cent., 2.2 per cent. and 2.2 per cent., respectively, of the Company's production of gas for those years.

CCEL Fields

CCEL is a joint venture between KMG EP and CITIC Resources Holding Limited, with each having a 50 per cent. interest as at 31 December 2019. KMG EP acquired its 50 per cent. interest in CCEL on 12 December 2007. The shares of CCEL will be transferred from KMG EP to the Company as part of the liquidation of KMG EP.

CCEL has a 100.0 per cent. interest in the entity developing the Karazhanbas Field in western Kazakhstan. As at 31 December 2019, the Karazhanbas Field had estimated A+B+C1 reserves of crude oil of 18.5 million tonnes attributable to the Company through KMG EP, representing 3.5 per cent. of the Company's A+B+C1 reserves of crude oil.

The Karazhanbas Field, located in the Mangistau oblast, was discovered in 1974 and started producing in 1980. Oil production at the Karazhanbas Field is from five horizons in the Jurassic and Cretaceous formations, located at depths shallower than 400 m. The Ural grade of crude oil produced at the Karazhanbas Field usually has maximum density of 900 kg per cubic metre, sulphur content ranging from 0.1 per cent. to 0.2 per cent. and an average watercut of 80 per cent.

The Karazhanbas Field's wellstock consisted of 2,837 production wells and 745 injection wells as at 31 December 2019, including 123 new wells drilled in the year ended 31 December 2019. The Karazhanbas Field produced 2,164.1 million tonnes of crude oil in 2019, 2,161.8 million tonnes of crude oil in 2018 and 2,141.1 million tonnes of crude oil in 2017. In 2019, production wells at the Karazhanbas Field produced an average of 5,929 tonnes of crude oil per day.

The Karazhanbas Field produced 54.01 mcm of associated gas in 2019, 44.85 mcm of associated gas in 2018 and 36.04 mcm of associated gas in 2017, representing 0.3 per cent., 0.3 per cent. and 0.2 per cent. of the Company's production of gas in each such year, respectively.

PKI Fields

On 5 July 2006, the Company acquired a 33 per cent. interest in PKI from CNPC Exploration and Development Company Ltd for KZT 169.4 billion. In December 2009, the Company sold its interest in PKI to KMG EP (which it maintains). Accordingly, PKI is an associate of KMG EP, and, as such, the Company does not have a direct interest in PKI's reserves or production as of the date of this Base Prospectus, although the shares of PKI will be transferred from KMG EP to the Company as part of the liquidation of KMG EP. The exploration and development activity of PKI is performed by Kazgermunai (in which PKI has a 50 per cent. interest) and PKKR, PKI's wholly-owned subsidiary. For details of Kazgermunai's operations, see "—*Kazgermunai*". PKKR has obtained two exploration and five exploration and production contracts from the Ministry of Energy and Mineral Resources (now the Ministry of Energy) in exchange for seven fields in the 80,000 km^2 South Turgai Basin in southern Kazakhstan.

As at 31 December 2019, PKKR's fields had estimated A+B+C1 reserves of crude oil of 2.47 million tonnes attributable to the Company through PKI and KMG EP, representing 0.5 per cent. of the Company's A+B+C1 reserves of crude oil.

The Ural grade of crude oil produced at the PKKR's fields typically has a maximum density of 800 kg per cubic metre, a sulphur content of 0.1 per cent. and an average watercut of 65 per cent. The following table sets forth certain information regarding PKKR's five production fields:

Field	Year production commenced	Producing geologic formation
Kumkol South and blocks adjacent thereto	1984	Located in the Kyzylorda oblast in the lower Cretaceous and Jurassic formations with depths ranging from 900 to 1,370 m
Aryskum Field	1985	Located in the Kyzylorda oblast in the lower Cretaceous and Jurassic formations with the depth of 1,200 m
South-east Kumkol Field	1997	Located in the Kyzylorda and Dzheskazgan oblasts in the lower Cretaceous and Jurassic formations with the depth shallower than 1,585 m
Maibulak Field	1988	Located in the Karaganda and Kyzylorda oblast in the lower Cretaceous and Jurassic formations with the depth shallower than 1,160 m
Kyzylkiya Field	2000	Located in the Kyzylorda oblast in the lower Cretaceous and Jurassic formations with the depth shallower than 1,550 m

The PKKR fields' wellstock consisted of 441 production wells and 244 injection wells as at 31 December 2019, including 35 new wells drilled in the year ended 31 December 2019. The PKKR fields produced 0.933 million tonnes of crude oil in 2019, 1.027 million tonnes in 2018 and 1.160 million tonnes of crude oil in 2017, which was attributable to the Company through PKI and KMG EP, representing 1.3 per cent., 1.4 per cent. and 1.6 per cent., respectively, of the Company's production of crude oil for those years. In 2019, production wells at the PKKR fields produced an average of 843 tonnes of crude oil per day attributable to the Company through PKI and KMG EP.

The PKKR fields produced 245.67 mcm of gas in 2019, 270.17 mcm of gas in 2018 and 325.30 mcm of gas in 2017, which were attributable to the Company through PKI and KMG EP, representing 0.96 per cent., 1.09 per cent. and 1.34 per cent., respectively, of the Company's production of gas for those years.

Kazakhoil Aktobe Fields

Kazakhoil Aktobe is a 50/50 joint venture between the Company and Caspian Investments Resources Ltd. Caspian Investments Resources Ltd. is, in turn, controlled by Sinopec International Petroleum E&P Hongkong Overseas Limited. Kazakhoil Aktobe operates both the Alibekmola Field, the largest of its fields, and the Kozhassai Field pursuant to a Subsoil use contract (dated August 1999, as amended) that expires in 2023.

As at 31 December 2019, the Alibekmola Field had estimated A+B+C1 reserves of crude oil of 1.11 million tonnes and A+B+C1 reserves of gas of 0.436 bcm attributable to the Company, representing 0.2 per cent. and 0.25 per cent. of the Company's A+B+C1 reserves of crude oil and gas, respectively.

The Alibekmola Field, located in the Aktobe oblast, was discovered in 1987 and started producing in 2001. Oil production at the Alibekmola Field is from two horizons in the Cretaceous formation, located at depths shallower than 3,500 m. The Ural grade of crude oil produced at the Alibekmola Field usually has a maximum density of 722 kg per cubic metre, a sulphur content ranging from 1.2 per cent. to 1.4 per cent. and an average watercut of 6.7 per cent.

The Alibekmola Field's wellstock consisted of 63 production wells and 21 injection wells as at 31 December 2019, with no new wells drilled in 2019. The Alibekmola Field produced 0.129 million tonnes of crude oil attributable to the Company in 2019 and 0.125 and 0.149 million tonnes of crude oil in 2018 and 2017 respectively, representing 0.5 per cent., 0.5 per cent. and 0.6 per cent., respectively, of the Company's production of crude oil for those years. In 2019, production wells at the Alibekmola Field produced an average of 706 tonnes of crude oil per day attributable to the Company.

The Alibekmola Field produced 114.6 mcm of gas attributable to the Company in 2019, 101.0 mcm of gas in 2018 and 122.3 mcm of gas in 2017, representing 1.4 per cent., 1.2 per cent. and 1.5 per cent., respectively, of the Company's production of gas for those years.

Exploration Projects

Due to the mature nature of many of its fields, the Company has identified exploration as a key aspect of its long-term strategy to keep production stable. The Company must actively pursue exploration opportunities in order to maintain its current reserves base and to support its long-term production growth strategy. The Company believes it will generate sufficient exploration prospects by exercising its rights as beneficiary of the State's pre-emptive right to acquire interests in Subsoil use contracts and entities that are party to Subsoil use contracts offered for sale. See "*Regulation in Kazakhstan—Regulation of Subsoil Use Rights in Kazakhstan—The State's Pre-Emptive Right*". Both the development of the Company's national upstream offerings in Kazakhstan and the strengthening of the Company's position as a key stakeholder in the Kazakhstan oil and gas sector are key strategic aims for the Company. See "*—Strategy*".

The following table sets forth the significant exploration activities of the Company and its subsidiaries and its and their joint ventures as at 31 December 2019:

	As at 31 December 2019					
					% interest in licence or contract	
Exploration area	**Owning entity**[(1)]	**Aggregate project area (in km^2)**	**Expiration**[(2)]	**Number of exploratory wells**	**Sole operations**	**Joint operations**
Offshore						
Zhenis	KMG	4,772	2053	1	50	50
Zhambyl	KMG	1,241	2022	1	100	—
Isatay	KMG	—	2023	0		50.00
Tsentralnaya	NGKC	—	2043	0		50.00
Hvalynskaya		3,199	2022	0		50.00
Mertvyi Kultuk (Ustyurt)	KMG			0		50.00
On-shore						
Urikhtau	KMG	286	2021	2	—	50.00
Orken	KMG	18	2021	0	100	—
Bekturly East	KMG	5,600	2041	0	—	8.44[(3)]
Samtyr	KMG	1,420	2041	0	—	8.44[(3)]
Pribrezhnoye	KMG	286	2021	2	—	50.00

Notes:

(1) Includes direct and indirect ownership.

(2) There is one licence/contract for each exploration area.

(3) Including Samruk-Kazyna's 8.44 per cent. interest in NCPC, which the Company holds on trust for Samruk-Kazyna. Following the disposal of 50 per cent. of the shares in KMG Kashagan B.V. by Coöperatieve KazMunaiGaz U.A to Samruk-Kazyna, the Company holds an 8.44 per cent. interest in NCPC on its own behalf and an 8.44 per cent. interest on trust for Samruk-Kazyna. The Company has a call option to buy back all or part of the shares in KMG Kashagan B.V. transferred to Samruk-Kazyna. In January 2018, the exercise period for the call option was extended to between 1 January 2020 and 31 December 2022.

(4) As at 31 December 2019, as a percentage of ordinary voting shares of KMG EP.

Zhenis Block

The Company and Lukoil Kazakhstan Upstream LLP, a subsidiary of Lukoil and the Company's strategic partner, are currently exploring the Zhenis Block based on an exploration and production contract dated 1 April 2020 to which they are parties. The Company and Lukoil Kazakhstan Upstream LLP each have 50 per cent. of share in the subsurface use right. Zhenis Operating LLP, appointed as the operator, is a joint venture amongst the Company (50 per cent.) and Lukoil Kazakhstan Upstream LLP (50 per cent.).

On 30 November 2018, in connection with the Zhenis project, the Company and Lukoil Kazakhstan Upstream LLP entered into a joint operating agreement ("**Zhenis JOA**") and a financing agreement pursuant to which Lukoil Kazakhstan Upstream LLP undertakes to finance certain Company's expenses related to the Zhenis project, on the terms and conditions of such financing agreement. Obligations of Lukoil Kazakhstan Upstream LLP under the Zhenis JOA and the financing agreement are secured by a limited ultimate parent guarantee of public joint-stock company Lukoil.

The Zhenis Block is located in Kazakhstan's sector of the Caspian Sea and is not a deep water project.

The exploration period for the Zhenis Block began in 2019. No exploratory wells have been drilled yet.

The Company's share in the exploration expenses at Zhenis Block was KZT 0.12 billion in 2019 and is expected to be KZT 2.7 billion in 2020.

Project Zhambyl

The Company conducts subsoil use operations at the Zhambyl area in the Kazakhstan sector of the Caspian Sea (the "**Zhambyl Field**") based on a contract for exploration of raw hydrocarbons with the Competent Authority, dated 21 April 2008, as amended (the "**Zhambyl Subsoil use contract**"). As at 31 December 2019, the Company holds 100 per cent. of the rights and obligations under the Zhambyl Subsoil use contract. Zhambyl Petroleum LLP ("**Zhambyl Petroleum**") is a wholly-owned subsidiary of the Company. Zhambyl Petroleum engages in exploration activities at the Zhambyl Field based on a contract signed with the Company in September 2016.

Initially, the Zhambyl Subsoil use contract provided for a six-year exploration term (*i.e.*, until 22 April 2014), with the possibility of two extensions, each for a two-year period, and further, if appraisal is required. The Company has paid a subscription bonus in the amount of US$3 million in connection with the Zhambyl Subsoil use contract. In the event of a commercial discovery, the Company may exercise its priority right to enter into a production contract with the Competent Authority. The term of the Zhambyl Subsoil use contract has been extended until 21 April 2022.

The Zhambyl Field is situated on the northern slope of the Caspian Sea, 170 km away from Bautino and 160 km away from Atyrau. The Zhambyl Field covers an area of 1,935 km^2, includes five separate prospective oilfields and lies in water depths of four to five metres.

Currently, activities at the Zhambyl Field are limited, but 2D exploration seismology indicates that the Zhambyl Field could hold as much as 651.9 million tonnes of oil in recoverable reserves. In 2011, based on the interpretation of seismic gravity surveys, approval to drill an exploration well was granted. In 2014, oil and gas flows were produced based on the results of exploratory well drilling at the Zhetysu structure. In 2016, field seismic surveys were carried out on the Zhambyl structure covering an area of 400 km^2. In 2017, exploration and preparatory work was conducted in preparation for the evaluation phase of work. In 2019, a 3D survey was carried out on the Zhambyl structure with data interpretation in progress in 2020.

The Company's exploration expenses at the Zhambyl project was KZT 8.1 billion in 2019 and is expected to be KZT 1.7 billion in 2020.

Project Issatay

The Issatay project is being implemented in accordance with the Subsoil use contract (No. 4160-UVS-ME) dated 26 June 2015 for the combined exploration and production of hydrocarbon raw materials at the Issatay site located in the Kazakhstan part of the Caspian Sea, as amended (the "**Issatay Subsoil use contract**").

In May 2014, the Company and ENI International B.V. entered into heads of agreement regarding the Issatay project and, in April 2015, the Ministry of Energy approved ENI Isatay B.V., a subsidiary of ENI, as a strategic partner of the Company for the Issatay project. On 26 June 2015, the Issatay Subsoil use contract was concluded with the Company. In September 2017, the Ministry of Energy granted the Company permission to transfer a 50 per cent. interest in the Issatay Subsoil use contract to ENI Isatay B.V. In December 2017, the Company completed the transfer of a 50 per cent. interest in the Issatay Subsoil use contract to ENI Isatay B.V. under an agreement on subsoil use right share transfer dated 22 June 2017 ("**Issatay Transfer Agreement**"). In December 2017, the Issatay Subsoil use contract was amended to reflect this transfer. On 21 December 2017, a joint operating agreement was concluded amongst the Company and ENI Issatay B.V. ("**Issatay JOA**").

On 27 December 2017, the Company and ENI Isatay B.V. resolved to establish Isatay Operating Company LLP, in which each of them owns 50% of the participating interests. Pursuant to the Issatay JOA and a deed of adherence to the Issatay JOA dated 2 March 2018, Isatay Operating Company LLP is the operator of the Issatay project.

The area of the contract territory is 1,349.89 km^2 and the basic perspective geological structures covered are Issatay, Tolkyn and Sunkar. The projected recoverable resources from the exploration area are 72 million tonnes of crude oil. The depth of water in the area of work is 4-8 metres.

The initial exploration period for Project Issatay is 2015 to 2021. Background environmental studies have been conducted on the site, and seismic surveys were carried out. Well construction is planned for 2020 and 2021.

Pursuant to a carry agreement relating to the Issatay Subsoil use contract dated 21 December 2017 between the Company and ENI Isatay B.V., ENI Isatay B.V. has agreed to finance the Company's portion of the exploration expenses at the Isatay Field; *provided that* the Company reimburse ENI Isaty B.V. for its share of certain expenses upon the commencement of commercial production from the Issatay Field. Obligations of ENI Isatay B.V. under the Issatay JOA, the carry agreement and the Isatay Transfer Agreement are secured by a limited first ultimate parent company guarantee issued by ENI S.a.P. on 22 December 2017.

Project Urikhtau

Urikhtau Operating LLP is a wholly-owned subsidiary of the Company. Urikhtau Operating LLP engages in exploration activities under a contract for exploration and production of raw hydrocarbons at the Urikhtau Field in the Mugodzharskii rayon of the Aktobe oblast between the Company and the then existing Ministry of Energy and Mineral Resources dated 5 December 2008 (as amended) (the "**Urikhtau Subsoil use contract**").

In 2013, Urikhtau Operating LLP received from the Company the subsurface use rights under the Urikhtau Subsoil use contract. On 7 November 2013, the respective amendment No. 4 to the Urikhtau Subsoil use contract was signed, which formalised transfer of the subsoil use right under the Urikhtau Subsoi use contract from the Company to Urikhtau Operating LLP.

The Company discussed joint exploration and development opportunities in the Urikhtau Field with potential joint venture partners, though negotiations were suspended during the Covid-19 pandemic.

The term of the exploration period under the Urikhtau Subsoil use contract was amended several times through execution of the respective amendments to the Urikhtau Subsoil use contract and will expire on 5 December 2020.

The Urikhtau oil and gas field was discovered in 1983. Initial A+B+C1 reserves estimates for free gas, condensate, oil and dissolved gas were 39,815 mcm, 11,623 thousand tonnes, 6,493 thousand tonnes and 2,389 mcm, respectively. In 2010 and 2011, an exploratory well was drilled. Oil and gas were produced from three of the targets and oil and gas occurrences were also discovered in the KT-2 horizon. Four additional wells were drilled. In 2014, construction of an industrial facility near Zhanazhol camp at the Urikhtau Field was completed and studies into the development of the oil rim upon pilot production and integrating the development of the oil and gas condensate field upon pilot production were filed. Further 3D seismic prospecting works were processed and based on the results of the interpretation of such data, reports on the operational calculations of hydrocarbon reserves on such structures were considered by the Central Committee for Exploration and Development in 2017, and an increase in the resource base for recoverable volumes of hydrocarbons for Project Urikhtau to 9.5 million tonnes of liquid hydrocarbons and 7 bcm of gas was recorded.

The Company's share in the exploration expenses at the Urikhtau Field was KZT 3.507 billion in 2019 and is expected to be KZT 2.158 billion in 2020.

Oil Field Development and Rehabilitation

The overall level of crude oil production from the fields described herein has been, and will continue to be, affected by several key factors, including the relative age of the fields and, to a lesser degree, the characteristics of the oil and the complex geological formations of the reservoirs. For example, the Uzen Field and several of the EMG fields with the largest reserves and production volumes contain highly paraffinic oil within shallow, low permeability formations. Additionally, oil from the EMG fields also tends to have a high water content, or watercut. Taken together, these factors make oil from the EMG fields difficult to extract and in some cases transport. However, the Company's long production history has provided it with a comprehensive understanding of the geology of its fields. The relatively shallow depth and predominantly onshore location of its reservoirs have generally enabled the Company to produce oil in a more cost efficient manner than if the reservoirs were deeper or were offshore.

The Company, its subsidiaries and its joint ventures apply a wide variety of field development and rehabilitation techniques, such as drilling new wells, drilling injection wells and utilising secondary, enhanced recovery and well stimulation techniques, including fracking and various chemical and thermal methods. The Company does this to meet its strategic objective of sustaining its current production levels.

Transportation of Crude Oil

Overview

The Group partially owns and solely operates the largest crude oil pipeline network in Kazakhstan in terms of length and throughput capacity. As at each of 31 December 2019, 2018 and 2017, the total length of the Company's oil pipeline system was 9,096 km.

The following tables set forth certain information with respect to volumes of oil transported for the periods indicated:

Transportation asset	For the year ended 31 December		
	2019	2018	2017
	(tonnes in millions)		
KTO	44.5	45.3	46.3
KC Pipeline	16.2	16.0	16.5
MunayTas	3.2	3.9	3.7
CPC Pipeline	63.3	61.1	55.1

In 2019, KTO exported 40 per cent. of oil transported (primarily to Europe and China) and transports 38 per cent. of oil to the domestic market, with the remaining 22 per cent. of oil for transit.

In 2019, KC Pipeline transported 62 per cent. of oil for transit and 33 per cent. of oil to the domestic market, in addition to exporting 5 per cent. of crude oil (primarily to China).

In 2019, MunayTas exported 62 per cent. of crude oil (primarily to China) and transported the remaining 38 per cent. to the domestic market.

In 2019, CPC Pipeline exported 100 per cent. of oil to Europe.

KTO Pipeline System

KTO is the national operator of the trunk oil pipeline of Kazakhstan and fully owns and solely operates two oil pipeline systems, one in western Kazakhstan (the "**Western Branch**") and another that runs from northeast to southwest Kazakhstan (the "**Eastern Branch**"). In addition, KTO has completed and operates a pipeline network that connects western Kazakhstan with the Chinese border (the "**KC Pipeline**"), which is comprised of three sections: (i) the Atasu-Alashankou pipeline; (ii) the Kenkiyak-Atyrau pipeline; and (iii) the Kenkiyak-Kumkol pipeline. KTO also owns an interest in and operates the pipeline system, which connects the Kenkiyak-Kumkol pipeline to the Atasu-Alashankou pipeline and forms part of KTO's Eastern Branch. As at 31 December 2019, the KTO pipeline network consisted of 5,378 km of pipe with diameters between 0.5 m and 1.8 m. In the year ended 31 December 2019, the KTO pipeline network transported 44,463 million tonnes of crude oil.

KTO invested KZT 42.8 billion to upgrade its pipeline system in 2019, KZT 51.3 billion in 2018 and KZT 52.8 billion in 2017. In 2020, KTO expects to invest KZT 54.1 billion. These improvements and capacity increases were primarily aimed at supporting existing levels of oil transportation through KTO's pipeline system.

<u>Western Branch</u>

As at 31 December 2019, the Western Branch comprised 2,626 km of main oil pipelines, 1,975 km of main water pipelines, 24 oil pumping stations, seven preheating stations, 60 furnaces and tank farms with a total storage capacity of 865,000 cubic metres, including water storage capacity of 161,100 cubic metres.

In 2019, 28.6 million tonnes of crude oil and condensate, or 32 per cent. of the total crude oil and condensate produced in Kazakhstan, was transported through the Western Branch. The income generated from the tariff for the transportation of this crude oil and condensate totalled KZT 209.6 billion and represented 87 per cent. of KTO's total revenue for 2019.

The most significant pipeline subsystem in the Western Branch is the Kazakhstan segment of the UAS Pipeline. This subsystem runs 1,237 km from Uzen in south-western Kazakhstan north through Atyrau, before crossing into Russia and linking either with Russia's Transneft system at Samara for crude oil export to ports on the Black Sea or through the Druzhba pipeline to ports on the Baltic Sea and Central Europe.

As at 31 December 2019, the Kazakhstan segment of the UAS Pipeline had an annual throughput capacity of 17.5 million tonnes of crude oil per year. The UAS Pipeline serves as the Company's principal export pipeline and transports oil produced by, amongst others, KMG EP, MMG, CCEL and KPO.

Other pipeline subsystems in the Western Branch are the Kalamkas-Karazhanbas-Aktau pipeline, the Uzen-Zhetybai-Aktau pipeline and the Zhanazhol-Kenkiyak pipeline.

Eastern Branch

As at 31 December 2019, the Eastern Branch had a maximum throughput capacity of 37.0 million tonnes of crude oil per year and comprised 2,715 km of main oil pipelines, 12 oil pumping stations, seven furnaces, seven oil heaters and tank farms of total storage capacity of 486,000 cubic metres.

In 2019, 21.6 million tonnes of crude oil and condensate, or 24 per cent. of the total crude oil and condensate produced in Kazakhstan, was transported through the Eastern Branch. The income generated from the tariff for the transportation of this crude oil and condensate totalled KZT 199.9 billion and represented 87 per cent. of KTO's total revenue for 2019.

The Eastern Branch is used by the Company to transport crude oil, primarily produced at the Kumkol and Turgai fields, to the Shymkent Refinery and for export to China.

The trunk oil pipeline system of the Eastern Branch includes the Omsk-Pavlodar pipeline, the Pavlodar-Shymkent pipeline, the Kumkol-Karakoin pipeline and the Tuymazy-Omsk-Novosibirsk-2 pipeline.

Kazakhstan-China Pipeline System

The KC Pipeline network comprises three systems: (i) the Kenkiyak-Atyrau pipeline, from Kenkiyak in western Kazakhstan to Atyrau on the Caspian Sea; (ii) the Atasu-Alashankou pipeline, from Atasu in eastern Kazakhstan to Alashankou in western China; and (iii) the Kenkiyak-Kumkol pipeline, from Kenkiyak to Kumkol in south Kazakhstan. All three systems are currently operational. As of 31 December 2019, the KC Pipeline network consisted of 1,759 kilometres of pipe.

The tariffs applied by the KC Pipeline are regulated by the Natural Monopolies Committee and are set on a cost *plus* basis. As at the date of this Base Prospectus, the tariff applied by the KC Pipeline was KZT 4,292.4 per tonne of crude oil per 1,000 km in respect of domestic transportation and KZT 6,398.9 per tonne of crude oil per 1,000 km in respect of exports.

Kenkiyak-Atyrau Pipeline

MunayTas owns the Kenkiyak-Atyrau pipeline. KTO operates the Kenkiyak-Atyrau pipeline. See "—*MunayTas*" below.

In March 2003, the Kenkiyak-Atyrau pipeline became operational. As at 31 December 2019, the Kenkiyak-Atyrau pipeline had a length of 448.9 km of pipe with diameters between 0.5 m and 1.8 m and a throughput capacity of 4.6 million tonnes of crude oil per year. In 2019, the Kenkiyak-Atyrau pipeline transported 3.2 million tonnes of crude oil, as compared to 3.9 million tonnes and 3.7 million tonnes in 2018 and 2017, respectively. Since 2018, the pipeline flows toward Kenkiyak from Atyaru in order to deliver crude oil from the Atyrau and Aktobe regions of Kazakhstan to China. Prior to this, the pipeline had a lower capacity and flowed towards Atyrau from Kenkiyak, providing oil producers from the Aktobe region with access to the CPC, the UAS or other Atyrau pipeline connections.

Atasu-Alashankou Pipeline

In 2004, KTO and China National Oil and Gas Exploration and Development Corporation created Kazakhstan-China Pipeline JV LLP ("**KCP**"), in which each hold a 50 per cent. interest (as at 31 December 2017). KCP owns and KTO operates the Atasu-Alashankou pipeline.

In July 2006, the Atasu-Alashankou oil pipeline became operational. As at 31 December 2019, the Atasu-Alashankou pipeline had a throughput capacity of 20 million tonnes of crude oil per year. In 2019, the Atasu-Alashankou pipeline transported 12.3 million tonnes of crude oil. As at 31 December 2019, the length of the pipeline was 962 km. The capacity of the Atasu-Alashankou pipeline was increased to 12 million tonnes of crude oil per year in 2011, through the construction and commissioning of an oil pumping station, and was further increased to 20 million tonnes of crude oil per year in December 2013, through the construction and commissioning of two further oil pumping stations.

As of 31 December 2019, thirteen companies supply oil to the Atasu-Alashankou pipeline. As of 31 December 2019, KTO announced that 132 million tonnes of crude oil had been transported through the Atasu-Alashankou pipeline since its launch.

Kenkiyak-Kumkol Pipeline

KCP owns the Kenkiyak-Kumkol pipeline, which is operated by KTO. In October 2009, the Kenkiyak-Kumkol oil pipeline became operational. As at 31 December 2019, the length of the pipeline was 794.0 km and had a throughput capacity of 9.2 million tonnes of crude oil per year. In 2019, 5.6 million tonnes of crude oil were transported through the Kenkiyak-Kumkol pipeline. Pursuant to the agreement between the Company and China National Oil and Gas Exploration and Development Corporation described above, the capacity of the Kenkiyak-Kumkol pipeline was increased from 10.0 million tonnes of crude oil per year to 20.0 million tonnes in 2015, which is expected to enable the Company to accommodate the expected increased production at the Tengiz Field, as well as production at the Kashagan Field when commercial production achieves its expected potential.

Ten companies supply oil to the Kenkiyak-Kumkol pipeline.

MunayTas

On 3 December 2001, KTO and CNPC Exploration and Development Company Ltd established MunayTas, in which KTO holds a 51 per cent. interest (as at 31 December 2017) and CNPC Exploration and Development Company Ltd holds a 49 per cent. interest. MunayTas owns the Kenkiyak-Atyrau pipeline. KTO operates the Kenkiyak-Atyrau pipeline. See "—*Kenkiyak-Atyrau Pipeline*" above. As of 31 December 2019, the MunaiTas pipeline network consisted of 449 km of pipe.

CPC Pipeline System

CPC is a joint venture that owns, operates and maintains the CPC Pipeline. In Kazakhstan, CPC operates through JSC Caspian Pipeline Consortium, in which, as at 31 December 2019, the Republic had a 19 per cent. ownership interest (which the Company manages on behalf of the Government), and Kazakhstan Pipeline Ventures (a subsidiary of the Company since 2009) had a 1.75 per cent. ownership interest. The other participants in JSC Caspian Pipeline Consortium are Transneft (24 per cent.), CPC Company (4 per cent.) Chevron Caspian Pipeline Consortium Co. (15 per cent.), LukArco B.V. (12.5 per cent.), Mobil Caspian Pipeline Co. (7.5 per cent.), Rosneft — Shell Caspian Ventures Ltd. (7.5 per cent.), Agip International (N.A.) N.V. (2 per cent.), Oryx Caspian Pipeline LLC (1.75 per cent.) and BG Overseas Holdings Ltd. (2 per cent.). As at 31 December 2019, the CPC Pipeline was 1,510 km long. In 2019, 63.2 million tonnes of oil and condensate were transported by CPC through the CPC Pipeline, including 55.8 million tonnes of oil produced in Kazakhstan.

The expected increase in production from fields being developed by NCPC, including the Kashagan Field, which recommenced commercial production in November 2016, are expected to require increased capacity of the transportation infrastructure in Kazakhstan, including the CPC Pipeline.

On 16 December 2009, the Ministry of Energy and Mineral Resources (now the Ministry of Energy), the Russian Ministry of Energy and all other CPC shareholders (except LukArco B.V.) agreed to proceed with the expansion of the CPC Pipeline process and signed an agreement on expansion. The CPC expansion project targeted the increase of the design capacity of the CPC Pipeline from 28.2 million tonnes per year to 67.0 million tonnes per year, of which up to 53.7 million tonnes per year of oil and condensate is expected to come from Kazakhstan. Construction works on the Kazakhstan section of the expansion project began in July 2011, and the third and final phase of these construction works was completed in October 2017. The expansion project included the replacement of an 88 km long section of pipeline, the reconstruction of the Atyrau and Tengiz pump stations, the construction of two new pump stations and the installation of external power supply facilities. The total cost of the CPC expansion project was US$5.4 billion, of which the Company made no contribution. As a result of the CPC Pipeline expansion, the Company's preferential capacity rights have increased to 14.3 million tonnes of crude oil per year from 5.8 million tonnes.

CPC charges shippers a transportation tariff based on the quantity of CPC blend delivered to the shipper. In October 2007, the tariff for transportation of and delivery to the CPC marine terminal on the Black Sea, inclusive of all charges for terminal facilities, was increased to US$38 per tonne and has remained unchanged.

Transportation of Russian Oil to China

On 24 December 2013, the Government and the government of the Russian Federation entered into an intergovernmental agreement in relation to the transportation of Russian oil through Kazakhstan from Omsk in the Russian Federation to Kazakhstan Priirtyshsk and further through Kazakhstan Atasu to Anashankou (the People's Republic of China) using the Atasu-Alashankou pipeline, which was completed in 2013 (the "**2013 Intergovernmental Agreement**"). In January 2014, KTO commenced transportation of Russian oil. KTO transports approximately 7 million tonnes of Russian oil to China per year. On 27 December 2016, KTO and Rosneft OC PJSC agreed to increase the volume of Russian oil transported to China to 10 million tonnes a year.

Transportation of Oil from the Kashagan Field

The recommencement of commercial production at the Kashagan Field in November 2016 has contributed to the increase in the levels of oil transported through KTO's pipelines in 2017, as compared to previous years. Initially, KTO transported crude oil from the Kashagan Field through a section of the Atyrau-Samara pipeline for onward shipping through the port of Ust-Luga in Russia. In February 2017, KTO announced the opening of an additional route for the transportation of oil from the Kashagan Field through the Atyrau-Samara pipeline, for its further transportation via the Transneft PJSC system in Russia to the port of Novorossiysk for subsequent export, whilst retaining the quality of the crude oil through the pipelines (rather being mixed with Urals crude oil).

Other Export Routes for Crude Oil

Alternative transportation routes for the export of oil from Kazakhstan that are available to the Company in the event of any capacity constraints on the KTO or CPC Pipeline systems include: (i) by barge from the Aktau seaport to Baku and then through the BTC pipeline; (ii) by railway from Kazakhstan to Black Sea export terminals in Ukraine; and (iii) by oil tankers from the Aktau seaport to Baku and then by rail to Batumi or by oil tankers to Makhachkala and then by rail to Europe. Since the completion of the early stages of the expansion of the capacity of the CPC Pipeline, volumes of crude oil transported by KTO to the Aktau seaport for export have decreased.

Batumi Oil Terminal

In 2007, KTO acquired a 50 per cent. ownership interest in Batumi Capital Partners Limited, and, in February 2008, KTO completed the acquisition of a 100 per cent. ownership interest in Batumi Industrial Holdings Limited. Batumi Industrial Holdings Limited and Batumi Capital Partners Limited (which has been renamed, following a merger with Batumi Services Limited, as Batumi Terminals Limited) jointly own Batumi Oil Terminal LLC, which operates a marine export terminal facility in Batumi, Georgia. Following an internal reorganisation by KTO of a number of its subsidiaries in Georgia, it holds exclusive control rights over Batumi Sea Port LLC (as at 31 December 2019), which operates a seaport in Batumi, Georgia. The Company uses the Batumi port and oil terminal facilities to store and reload crude oil and petroleum products from Kazakhstan, including oil produced by the Company, as well as crude oil and petroleum products produced in Turkmenistan and Azerbaijan, for export. The Company delivers crude oil and petroleum products to the Batumi port and oil terminal facilities by rail.

The Batumi port comprises 12 operating terminals, including crude oil terminals, with a loading capacity of 25 million tonnes of oil per year. The terminals at the Batumi Marine Export Terminal are comprised of three terminals and one single point buoy mooring, with a total projected loading capacity of 15 million tonnes of oil and petroleum products per year.

In the year ended 31 December 2019, KTO transported 0.9 million tonnes of crude oil through the Batumi port and oil terminal facilities, as compared to 1.0 million tonnes of crude oil and 2.2 million tonnes of crude oil in 2018 and 2017, respectively.

Aktau Seaport Terminal

The Aktau seaport was constructed in 1963 and is the only seaport in Kazakhstan with a capacity for the storage and reloading of crude oil and hydrocarbon products. The Aktau seaport comprises 12 operating terminals, including four crude oil terminals. Crude oil terminals are equipped with oil spillage prevention facilities.

The Company uses these terminals to store and reload crude oil and petroleum products from Kazakhstan, including oil produced by the Company, for export. In 2019, KTO transported two million tonnes of crude oil through Aktau Seaport Terminal.

Kazmortransflot National Marine Shipping Company JSC

Kazmortransflot National Marine Shipping Company JSC is the National Sea Carrier (Resolution of the Government of the Republic of Kazakhstan dated 29 April 2011 No. 462). The main activities of Kazmortransflot are the safe and reliable operation of the fleet, development of national sea trade and service fleets, and increasing the profitability of shipping.

In the year ended 31 December 2019, Kazmortransflot transported 10.7 million tonnes of crude oil by sea, of which 0.5 million tonnes of crude oil was transported across the Caspian Sea, 3.7 million tonnes of crude oil was transported across the Black Sea and 6.5 million tonnes of crude oil was transported across the Mediterranean Sea. In 2019 there was a 1,817 thousand tonnes and a 4,029 thousand tonnes increase in crude oil transported across the Black Sea and the Mediterranean Sea, respectively, in line with 2018.

Crude Oil Transportation Tariffs and Minimum Volumes

KTO, which is classified as a natural monopoly in Kazakhstan, charges the Company and other shippers a flat tariff for domestic shipments through the UAS Pipeline and the Omsk-Pavlodar-Shymkent Pipeline. The amount of the tariff is set by the Natural Monopolies Committee based primarily on KTO's costs for maintaining and operating the pipelines for a period of one year, after which KTO may apply to the Natural Monopolies Committee for an increase in the tariff. There is no quality bank adjustment mechanism for shipments through the UAS Pipeline and Omsk-Pavlodar-Shymkent pipeline or the Russian Transneft pipeline system. The Ministry of Energy sets the transportation capacity allocation through the UAS and Omsk-Pavlodar-Shymkent Pipelines.

A contract between KTO and its customers governs general access and terms of payment, and customers, including the subsidiaries, joint ventures and associates of the Company and third-party crude oil shippers, are obligated to transport at least the minimum volume approved by the Ministry of Energy.

KTO has approved the following tariffs for exports of crude oil: KZT 7,358.76 per 1,000 tonne per km (excluding VAT).

The Natural Monopolies Committee approved the following maximum tariffs for domestic transportation of crude oil by KTO: KZT 4,109.5 per tonne per 1,000 km (excluding VAT) from January 2020.

The Minister of Energy, in its capacity of the Competent Authority, and, in accordance with the agreement between Kazakhstan and China, approved the tariff for the transportation of Russian crude oil to China for 2019 through 2023 in an amount of US$15.00 per metric tonne (exclusive of VAT).

Transportation and Trading of Gas

Overview

The Group partially owns and solely operates the largest gas pipeline network in Kazakhstan in terms of length and throughput capacity. As at each of 31 December 2019, the total length of the Company's natural gas pipeline system was 17.85 thousand km.

The majority of the Group's gas transportation business is conducted through KTG, which in turn has three trunk pipeline gas transportation subsidiaries: ICA, AGP and BSGP. KTG also wholly owns KazTransGas Aimak JSC (which provides transportation via gas distribution systems) and Amangeldy Gas LLP (which produces gas and condensates).

Under the Gas Law, KTG has been appointed as the "national operator" for the transportation of gas. Accordingly, KTG has been given a priority right to purchase (on behalf of the State) all associated gas produced in Kazakhstan at a regulated price, which it will then sell on the domestic market. A significant portion of any premium from such sales is typically used to modernise and extend the domestic pipeline network.

The following tables set forth certain information with respect to volumes of gas transported for the periods indicated (net to the Group):

	For the year ended 31 December		
Transportation asset	**2019**	**2018**	**2017**
	(million cubic metres)		
Intergas Central Asia (ICA)	72,961	80,135	76,565
Asia Gas Pipeline (AGP)	22,935	24,635	19,607
Beyneu-Shymkent Gas Pipeline (BSGP)	5,044	4,176	2,185
Total	**103,494**	**111,567**	**100,857**

In 2019, ICA exported 26 per cent. of gas transported and transported 19 per cent. to the domestic market, with the remaining 55 per cent. of oil for transit.

In 2019, AGP transported 83 per cent of gas for transit and exported 15 per cent., with the remainder transported to the domestic market.

In 2019, BSGP exported 70 per cent. of gas transported and transported the remaining 30 per cent. to the domestic market.

ICA

ICA, a wholly-owned subsidiary of KTG, operates Kazakhstan's main natural gas pipelines consisting of two separate networks: (i) a network in western Kazakhstan that services Central Asia's producing natural gas fields (the "**Western Pipeline Network**"); and (ii) a network in southern Kazakhstan that delivers imported natural gas from the Uzbekistan/Kazakhstan border to the southern region of Kazakhstan, including Almaty (the "**Southern Pipeline Network**"). ICA also manages three underground natural gas storage reservoirs in southern and south eastern Kazakhstan with a total active storage capacity of 4.7 bcm.

KTG operates the mainline gas distribution network in Kazakhstan pursuant to a trust management agreement between the State Property and Privatisation Committee of the Ministry of Finance, Samruk-Kazyna and ICA. In November 2019, the parties completed a transfer of the assets from the State to ICA in the form of a contribution to ICA's share capital.

The Company uses ICA's main natural gas pipelines for: (i) the transit of third parties' natural gas, principally from Turkmenistan and Uzbekistan, to Russia; (ii) the export of Kazakhstan's natural gas, in particular from the Tengiz and Karachaganak condensate and natural gas fields, to Russia; (iii) the transportation of natural gas from one part of Russia to another through Kazakhstan; and (iv) the distribution of natural gas produced by the Company and others, including joint ventures and associates of the Company.

Natural gas is highly pressurised as it travels through pipelines, and compressor stations are required periodically along the pipe to ensure that the natural gas flows. As at 31 December 2019, ICA operated 12,481 km of natural gas pipelines and had a capacity of 163.5 bcm per year. The majority of the natural gas transportation system operated by ICA is above-ground with diameters of 1.0 m, 1.2 m or 1.4 m. In some pipelines, the gas flow direction in a pipeline can be reversed by switching the input and output at the compressor stations. ICA has installed additional natural gas metres manufactured in accordance with international specifications in order to improve its collection of revenue, in addition to performing continuous maintenance and general repairs on the stations.

The pipeline system operated by ICA was constructed during the 1960s and 1970s with an initial certificated lifetime of 20 to 50 years, which has been extended as ICA has undertaken its capital expenditure programme to upgrade and modernise its pipeline system. See "—*Gas Pipeline Projects*".

ICA's principal customer is Gazprom, which accounted for 34.5 per cent., 30.2 per cent. and 28.8 per cent. of the gas transportation fees for ICA for 2019, 2018 and 2017, respectively.

The Western Pipeline Network

ICA's Western Pipeline network consists of three separate systems aggregating 8,817 km of pipeline systems that include: the Central Asian pipeline system (the "**Central Asian System**"); (ii) the Uralsk pipeline system (the "**Uralsk System**"); and (iii) the Aktobe pipeline system (the "**Aktobe System**").

Central Asian System

The Central Asian System runs from the Kazakhstan border with Uzbekistan and Turkmenistan in the south to the Kazakhstan border with Russia in the north. It consists of three separate pipeline subsystems, the principal one being the Central Asian Centre pipeline subsystem (the "**CAC Pipeline**"). The CAC Pipeline is used primarily to transport Uzbek and Turkmen natural gas through Kazakhstan to Gazprom's pipeline networks in Russia, through which natural gas is delivered to Ukraine and Europe. In addition, TCO uses the CAC Pipeline for transportation of natural gas from the Tengiz Field to Russia.

The Uralsk System

The Uralsk System comprises the segment of the Western Pipeline Network that runs through north-western Kazakhstan. It links two segments of a Russian pipeline and is used to transport Russian natural gas from eastern to western Russia.

The Aktobe System

The Aktobe System runs from the Kazakhstan border with Uzbekistan in the south to the Russian border in the north. It consists of three separate pipeline subsystems that connect to natural gas production facilities at natural gas fields in Zhanazhol and distribute gas to domestic customers. The Aktobe System may also be used to supplement the CAC pipeline's capacity to transport Turkmenistan gas to Russia and Europe.

The Southern Pipeline Network

The Southern Pipeline Network consists of 2,333 km of pipelines and has a throughput capacity of 14.0 bcm per year and includes the Bukhara-Tashkent-Bishkek-Almaty pipeline system and the Gazly-Shymkent pipeline segment. This system supplies gas to end-users in the most populous regions of Kazakhstan, including Almaty.

Asia Gas Pipeline

The development of the Asia Gas Pipeline was funded by Asia Gas Pipeline LLP ("**AGP**"), a joint venture of the Company (through KTG) and CNPC (acting through Trans-Asia Gas Pipeline Company Limited).

The purpose of the Asia Gas Pipeline is to facilitate (i) the transit of Turkmen and Uzbek gas to China, (ii) export Kazakh gas to China and (iii) the uninterrupted transport of gas to southern regions of Kazakhstan. In 2017, gas was exported to China through the Asia Gas Pipeline for the first time.

In August 2007, an agreement was reached between the Government and China on cooperation for the construction and operation of the first two phases of the Asia Gas Pipeline, which extends from Turkmenistan through Uzbekistan to Khorgos in China, passing through Kazakhstan. The total cost of the first two phases of this project was US$6.8 billion. Further development of the capacity of the Asia Gas Pipeline to 55 bcm per year was planned through a third phase of construction with a total cost for this phase of the project of US$5.2 billion. Construction of the third phase of the Asia Gas Pipeline began in January 2013 and was completed in November 2018.

In the years ended 31 December 2019, 2018 and 2017, the Asia Gas Pipeline transported 22.9 bcm of gas, 24.6 bcm of gas and 19.6 bcm of gas, respectively (each net to the Company). As of 31 December 2019, the Asia Gas Pipeline had a total length of 3,916 kilometres and a total capacity of 55 bcm per year. The Company does not expect to receive dividends from AGP until 2022.

Beineu-Bozoi-Shymkent Gas Pipeline

In 2008, the Company and CNPC entered into a framework agreement (the "**Beineu-Shymkent Agreement**") under which both parties agreed to construct the Beineu-Bozoi-Shymkent Gas Pipeline. The construction of the Beineu-Bozoi-Shymkent Gas Pipeline has increased, and is expected to continue to increase, the Company's flexibility in the transportation of gas and connect the Company's existing major gas pipelines in the western and southern regions of Kazakhstan. The construction of the Beineu-Bozoi-Shymkent Gas Pipeline is funded by Beineu-Shymkent Gas Pipeline LLP ("**BSGP**"), the joint venture entered into between KTG and CNPC in January 2011.

In October 2017, Kazakhstan began exporting gas deliveries to China through this pipeline pursuant to a contract concluded between KTG and PetroChina for the supply of 5.5 bcm of natural gas during the period from 15 October 2017 until 14 October 2018. In October 2018, KTG and PetroChina signed a five-year contract for the supply of 5 to 10 bcm of natural gas for the year to China. The total estimated consideration under this agreement is US$11.6 billion. The price of gas exported to China pursuant to this agreement is linked to the price of Brent crude oil and determined quarterly.

BSGP and the Company expect the transportation of gas to China to increase in the coming years and, in order to facilitate such transportation, constructed three new compressor stations on the Beineu-Bozoi-Shymkent Gas Pipeline between 2018 and 2019 (at a cost of KZT 109.2 billion) with construction of a fourth compression station ongoing and scheduled to be completed in 2023.

In the year ended 31 December 2019, the Beineu-Bozoi-Shymkent Gas Pipeline transported 5.0 bcm of gas, as compared to 4.2 bcm in the year ended 31 December 2018 and 2.2 bcm in the year ended 31 December 2017 (each as net to the Company). As of 31 December 2019, the Beineu-Bozoi-Shymkent Gas Pipeline had a total length of 1,454 kilometres and a total capacity of 13 bcm per year.

Gas Transportation Tariffs

Pursuant to the Law on Natural Monopolies (No. 204-VI, dated 27 December 2018), ICA's tariffs for domestic natural gas transportation are subject to regulation by the Natural Monopolies Committee. The tariffs to be charged by ICA are to be imposed pursuant to Kazakhstan law requirements. However, the Government does not regulate tariffs for export, and, accordingly, only domestic gas transportation tariffs are subject to regulation by the Natural Monopolies Committee.

International Tariffs

In 2019, 2018 and 2017, international tariffs represented 86 per cent., 82.5 per cent. and 87.8 per cent., respectively, of ICA's total revenue.

Since the abolition of Government regulation of export tariffs, ICA freely negotiates, determines and agrees on international transportation tariffs with its international transit contractor counterparties without regulation by the Natural Monopolies Committee. The methodology followed by ICA to set tariffs for international transit is based on a widely-used model, which provides that tariffs are generally a function of costs *plus* the average rate of return on fixed assets and expressed as a rate based on the volume of transported gas and the distance the gas is transported. When considering a return on fixed assets and investments, ICA takes into account its ongoing maintenance expenditures in order to ensure that it will be able to maintain the stable transit of all contracted international volumes of natural gas.

ICA generates gas transportation revenue from tariffs it charges to its international customers under long-term contracts for the transportation of natural gas through the pipeline systems it operates. Most of the tariff rates for international gas transportation, accordingly, are determined by contract and, as such, may be renegotiated as provided in the applicable contract. The contract tariffs are generally a function of costs *plus* the average rate of return on fixed assets. Pursuant to ICA's contract with Gazprom, the rate is set at US$2 per 1,000 cubic metres of natural gas transported per 100 km (excluding VAT).

Domestic Tariffs

Tariffs for domestic transportation are subject to regulation and approval by the Natural Monopolies Committee. Once approved, the tariffs remain in effect for the duration of the approval granted, which is typically for one year. ICA then has the right to apply to the Natural Monopolies Committee with a request to review and modify such tariffs. The Natural Monopolies Committee also has the right to initiate a review of the domestic transportation tariffs. ICA's domestic transportation tariffs are significantly impacted by social and political considerations and have historically been kept at artificially low levels.

The tariffs for domestic transportation generally cover the costs of financing, operating and maintaining the pipeline, increased by a separate profit element. The following tariffs have been approved by the Natural Monopolies Committee and are in effect for the transportation of commercial gas: (i) KZT 2,213 per 1,000 cubic metres of natural gas transported (excluding VAT) in respect of ICA (irrespective of distance) from 1 January 2017; (ii) KZT 555.5 per 1,000 cubic metres of natural gas transported per 100 km (excluding VAT) in respect of the Asia Gas Pipeline from 1 January 2020 (a decrease from KZT 3,494 per 1,000 cubic metres of natural gas transported per 100 km (excluding VAT) from 1 March 2016 to 1 January 2020); (iii) KZT 1,200 per 1,000 cubic metres of natural gas transported per 100 km (excluding VAT) in respect of the Beineu-Bozoi-Shymkent Gas Pipeline from 1 January 2020 (a decrease from 16,574 per 1,000 cubic metres of natural gas transported per 100 km (excluding VAT) from 1 May 2019 to 1 January 2020); and (iv) KZT 592 per 1,000 cubic metres of natural gas transported for KTG-Aimak Trunk Pipeline (irrespective of distance).

ICA also provides services for the storage of gas in underground storage facilities. The prices for such services are regulated by the Natural Monopolies Committee.

Trading of gas

For the year ended 31 December 2019, the Company made gas sales of 22.8 bcm, of which 8.8 bcm was exported.

KTG exercises the Government's pre-emptive right to purchase raw and/or commercial gas from subsoil users/suppliers, including certain Group companies, which it then can resell.

Refining, Marketing and Trading

Refining

Refining Facilities

As at 31 December 2019, the Company held a 99.53 per cent. ownership interest in the Atyrau Refinery; a 100.0 per cent. interest in the Pavlodar Refinery; a 50.0 per cent. interest in the Caspibitum Refinery; and, through Valsera Holdings B.V., indirectly holds a 49.72 per cent. interest in PetroKazakhstan Oil Products LLP, which, in turn, owns the Shymkent Refinery. As at 31 December 2019, the total actual refining capacity of these refineries was 18.5 million tonnes of crude oil per year.

In recent years, the Company has invested significant capital expenditures to conduct a number of modernisation and upgrade projects at its three refineries in Kazakhstan. The total cost of the modernisation of the Atyrau Refinery, which was completed in December 2017, was US$2,050.1 million (KZT 589.9 billion). The total cost of the modernisation and reconstruction of the Pavlodar Refinery, which was also completed in December 2017, was US$895.5 million (KZT 252.1 billion). In addition, the total cost of the improvement works at Company's joint venture at the Shymkent Refinery, which were completed in September 2018, was US$2,094.3 million (KZT 657.9 billion).

The ongoing and recently-completed modernisation and upgrade projects are aimed at improving utilisation rates, profitability and the quality of the refined oil products at the refineries, as well as to enable the refineries to produce fuels that meet Euro 4 and Euro 5 standards, and have the strategic aim of reducing the heavy products currently produced at the refineries and increasing the production of lighter products. See *"Management's Discussion and Analysis of Results of Operations and Financial Performance—Capital Expenditures*", "*—Pavlodar Refinery*", "*—Atyrau Refinery*" and "*— Shymkent Refinery*".

Following the completion of the recent and ongoing modernisation projects, the Company expects capital expenditures at the three refineries to be lower in the future than in recent years, with the majority of such capital expenditures to relate to maintenance rather than modernisation or expansion works.

Pavlodar Refinery

In August 2009, KMG RM acquired a 100.0 per cent. interest in Refinery Company RT, LLP ("**Refinery Company RT**"), which at that time owned all of the assets of the Pavlodar Refinery, together with a 25.1 per cent. interest in Pavlodar Oil Chemistry Refinery JSC, the entity owning the licences to operate the Pavlodar Refinery (with the remaining 74.9 per cent. interest in Pavlodar Oil Chemistry Refinery LLP then being held directly by KMG RM). Refinery Company RT leased the assets comprising the Pavlodar Refinery to Pavlodar Oil Chemistry Refinery LLP, which then operated the Pavlodar Refinery. In April 2013, Refinery Company RT and Pavlodar Oil Chemistry Refinery JSC were merged, with Pavlodar Oil Chemistry Refinery LLP emerging as the surviving entity. Following the merger of KMG RM with the Company, as at 31 December 2019, the Company owns 100 per cent. of the Pavlodar Oil Chemistry Refinery LLP.

The Pavlodar Refinery, which was built in 1978, is located in the city of Pavlodar in north-east Kazakhstan, Pavlodar Oblast, 100 km from the border with Russia and is linked to the Omsk-Pavlodar-Shymkent Pipeline. The Pavlodar Refinery has a catalyst cracker and sulphur granulation unit. All oil supplied to the refinery originates in the western Siberian oil fields and is transported into the refinery through the Transneft and KTO pipeline systems and stored in the associated tank farms located immediately adjacent to the refinery. In addition to western Siberian crude, recent modernisation has allowed for processing of up to 0.5 per cent. of the Pavlodar Refinery's total capacity of crude oil from other origins. The share of non-Siberian oil is limited by its high sulphur content, which reduces the quality of the refined products.

The Pavlodar Refinery is the largest and most technically advanced of the three principal oil refineries in Kazakhstan and has a designed refining capacity of 6.0 million tonnes of crude oil per year. It refined 5.3 million tonnes of refined oil products in 2019, representing 31.2 per cent. of the total oil refined in Kazakhstan in 2019. In addition, the Pavlodar Refinery produced 30.5 per cent. of the gasoline, 35.8 per cent. of the diesel and 23.8 per cent. of the fuel oil produced in Kazakhstan in 2019. The Pavlodar Refinery has a Nelson index of 11.

The Pavlodar Refinery has set tariffs of KZT 16,417 per tonne from August 2017, KZT 17,250 per tonne from January 2018, KZT 19,805 per tonne from January 2019 and KZT 20,904 per tonne from January 2020.

In June 2017, the Pavlodar Refinery entered into a Hydrogen and Steam Supply and Offtake Agreement with Air Liquide Munay Tach Gases LLP, a joint venture of KMG RM (now the Company) and Air Liquide Eastern Europe *société anonyme*. Pursuant to this agreement, the Pavlodar Refinery has agreed to purchase and offtake produced and recovered hydrogen for a period for fifteen years for a monthly purchase price ranging between KZT 171 million and KZT 595 million.

Since 2009, the Company has conducted a number of feasibility and construction projects with the principal aim of modernising the Pavlodar Refinery, to produce transport fuels that meet Euro 5 standards through the construction of new units, as well as the refurbishment of existing units. The modernisation project was successfully completed in December 2017 and included the development of: (i) an isomerisation unit, which permits production of high-octane components of commercial gasoline from low-octane fractions of crude oil; (ii) a naphtha splitter, which separates light and heavy fractions of naphtha for further isomerisation and reforming; (iii) a sulphur recovery unit and tail gas treatment, for the treatment of sour gas; (iv) a sour water stripper for the treatment of incoming effluents from refinery units; and (v) an amine regeneration unit, for the regeneration of amine from process units. The project has permitted the Pavlodar Refinery to increase its supply of high-quality oil products to the market and to compete with oil companies in CIS and other countries. Following completion of the modernisation project, jet fuel recommenced production at the Pavlodar Refinery in 2018 for the first time since 2015, following receipt of the appropriate licences. The total cost of the modernisation project was US$895.5 million (KZT 252.1 billion).

The following table sets forth the historical product mixture and volumes of refined oil products produced at the Pavlodar Refinery for the periods indicated:

	For the year ended 31 December		
	2019	**2018**	**2017**
		(thousand tonnes)	
Light[(1)]	3,271	3,243	2,695
Dark[(2)]	898	1,007	973
Other	576	605	594
Total	**4,746**	**4,855**	**4,262**

Notes:

(1) Includes petrol, diesel fuel and jet fuel.

(2) Includes fuel oil, vacuum gas oil and bitumen.

Atyrau Refinery

As at 31 December 2019, the Company held 99.53 per cent. of the share capital of Atyrau Refinery LLP, which owns the Atyrau Refinery.

The Atyrau Refinery is located in the centre of the major hydrocarbon producing region of western Kazakhstan and is linked to the Uzen-Atyrau-Samara Pipeline. Built in 1945, the Atyrau Refinery is the oldest refinery of the three operating refineries in Kazakhstan. Following a modernisation programme, the Atyrau Refinery has a designed refining capacity of 5.5 million tonnes of crude oil per year. The Atyrau Refinery has a Nelson index of 14.

The Atyrau Refinery refined 5.4 million tonnes of crude oil in 2019, representing 31.8 per cent. of the total oil refined in Kazakhstan in the year ended 31 December 2019. In addition, the Atyrau Refinery produced 26.8 per cent. of the gasoline, 32.4 per cent. of the diesel and 49.7 per cent. of the fuel oil produced in Kazakhstan in 2019. In 2019, the Atyrau Refinery produced a total of 4.8 million tonnes of refined oil products. The Atyrau Refinery has set its tariff at KZT 41,466 per tonne from January 2020 (up from KZT 37,436 per tonne from January 2019).

A modernisation project was completed in December 2017for the construction of an aromatics production complex and deeper oil refining at the Atyrau Refinery and the construction of a catalytic reforming unit, benzene and paraxylene production units and off-site facilities. The total cost of such works was US$2,051.1 million (KZT 589.9 billion). In addition to allowing for production of up to 132,000 tonnes of benzene per year and up to 497,000 tonnes of paraxylene per year, this project has also permitted the production of Euro 4 standard petrol and diesel fuel at the Atyrau Refinery. The deeper oil refining complex has a capacity of up to 2.4 million tonnes, permits a more rational use of the residual heavy oil resource base and is expected to permit increased production of motor fuels, gasoline, diesel and jet fuel. The construction of the deeper oil refining complex has also increased oil refining depth in order to permit the production of gasoline and diesel fuel that complies with Euro 5 standards. It is also expected that the modern machinery and automated processes put in to place at the Atyrau Refinery as part of the modernisation process will reduce emissions and human error going forward.

The following table sets forth the historical product mixture and volumes of refined oil products produced at

	For the year ended 31 December		
	2019	**2018**	**2017**
		(thousand tonnes)	
Light[(1)]	2,850	2,691	2,020
Dark[(2)]	1,580	1,589	2,236
Petrochemicals[(3)]	145	32	8
Other	277	430	217
Total	**4,852**	**4,742**	**4,481**

Notes:
(1) Includes petrol, diesel fuel and jet fuel.
(2) Includes fuel oil, vacuum gas oil and bitumen.
(3) Includes benzene and paraxylene.

Shymkent Refinery

The Shymkent Refinery is located in southern Kazakhstan and was commissioned in 1985. Most product and crude deliveries to the Shymkent Refinery are made by rail in railcars provided by the state-owned railway or third parties. Crude oil production from Kumkol producing fields and from western Siberia are the primary source of crude oil for the Shymkent Refinery.

In July 2007, KMG RM acquired an indirect 49.72 per cent. interest in PetroKazakhstan Oil Products LLP (which is held by the Company), which in turn owns the Shymkent Refinery through Valsera Holdings B.V. The remaining interest in PetroKazakhstan Oil Products LLP is held by CNPC. The Shymkent Refinery had a designed refining capacity of 6.0 million tonnes of crude oil per year and an actual refining capacity of 5.2 million tonnes of crude oil per year.

The Shymkent Refinery refined 5.4 million tonnes of crude oil in 2019, representing 31.8 per cent. of the total oil refined in Kazakhstan in 2019. Crude oil refined at the Shymkent Refinery is supplied by the Company's joint venture partners. Accordingly, whilst the Company is entitled to profits from the operation of the Shymkent Refinery, none of the crude oil refined at the Shymkent Refinery is attributable to the Company.

In addition, the Shymkent Refinery produced 42.7 per cent. of the gasoline, 31.8 per cent. of the diesel and 26.5 per cent. of the fuel oil produced in Kazakhstan in the year ended 31 December 2019. The Shymkent Refinery has a Nelson index of 8.

The Shymkent Refinery has set its tariff to KZT 28,059 per tonne from October 2019, as compared KZT 24,750 per tonne from June 2019 and KZT 22,500 per tonne from July 2018.

A modernisation project at the Shymkent Refinery was completed with two principal aims: (i) to increase the actual refining capacity to 6.0 million tonnes of crude oil per year; and (ii) to increase processing depth and to meet Euro 4 and Euro 5 standards. In June 2017, a light naphtha isomerisation unit, with a preliminary hydro-treating unit for raw materials, was put into operation at the Shymkent Refinery, and the first certified batch of Euro 4 and Euro 5 gasoline was received. This marked the completion of the first phase of the Shymkent Refinery modernisation project. The second phase of the project (to increase the actual refining capacity of the refinery to 6.0 million tonnes) was completed in September 2018. The total cost of the modernisation project at the Skymkent Refinery was US$2,094.3 million (KZT 657.9 billion).

See "Management's Discussion and analysis of Results of Operating and Financial performance —Debt Obligations— Principal Debt Obligations of the Company and its Subsidiaries" for details relating to the financing of the modernisation project.

The following table sets forth the historical product mixture and volumes of refined oil products produced at the Shymkent Refinery for the periods indicated:

	For the year ended 31 December		
	2019	2018	2017
		(thousand tonnes)	
Light[(1)]	1,881	1,422	1,258
Dark[(2)]	447	644	887
Other	148	85	49
Total	**2,476**	**2,151**	**2,195**

Notes:
(1) Includes petrol, diesel fuel and jet fuel.
(2) Includes fuel oil, vacuum gas oil and bitumen.

Caspibitum Refinery

The Caspibitum Refinery is located in Kazakhstan and was commissioned in 2013.

In 2015, the Group purchased a 50 per cent. stake in the Caspibitum Refinery, with the remaining 50 per cent. owned by CITIC. The Caspibitum Refinery has a designed refining capacity of 1.0 million tonnes of crude oil per year.

The Caspibitum Refinery produced 438 thousand tonnes of oil products in the year ended 31 December 2019, 405 thousand tonnes of oil product in the year ended 31 December 2018 and 353 thousand tonnes of oil product in the year ended 31 December 2017 (each net to the Company)

Refined Oil Products Sales and Distribution

The following tables set forth the product mixture and corresponding domestic market share of the Company for the periods indicated:

	For the year ended 31 December 2019		
Product	**Production**	**KMG**	**Market Share**
	(thousand tonnes)		%
Gasoline	4,473	789	18
Jet fuel	634	85	13
Diesel	4,778	1,028	22
Fuel	2,486	188	8
Total	**12,371**	**2,090**	**17**

	For the year ended 31 December 2018		
Product	**Production**	**KMG**	**Market Share**
	(thousand tonnes)		%
Gasoline	3,954	701	18
Jet fuel	389	34	9
Diesel	4,436	954	22
Fuel	2,600	192	7
Total	**11,379**	**1,881**	**17**

	For the year ended 31 December 2017		
Product	**Production**	**KMG RM**	**Market Share[(1)]**
	(thousand tonnes)		%
Gasoline	2,951.6	534.9	18.1
Jet fuel	303.3	55.0	18.1
Diesel	3,979.2	658.8	16.6
Fuel	3,050.5	155.0	5.0
Total	**10,284.6**	**1,403.7**	**13.6**

KMG International

In March 2014, the Board of Directors of The Rompetrol Group N.V. changed its corporate name to KazMunayGas International N.V., in accordance with the Company's strategy to promote a single brand across the Group. KazMunayGas International N.V. owns and operates, amongst other entities, the Petromidia Refinery, which is owned by its 54.6 per cent.-owned subsidiary Rompetrol Rafinare (as at 31 December 2019, the remaining 44.7 per cent. and 0.7 per cent. are owned by the Romanian Government and public shareholders, respectively) and the Vega Refinery, as well as a network of retail stations.

In December 2017, KMG RM was merged with the Company and, accordingly, as at 31 December 2017, the Company was the 100 per cent. direct owner of KMG International.

Petromidia Refinery

The Petromidia Refinery was constructed between 1974 and 1979. The Petromidia Refinery has a designed refining capacity of 6.0 million tonnes of crude oil per year. In 2019, KMG International produced 6.3 million tonnes of refined oil products at the Petromidia Refinery, achieving 97.5 per cent. utilisation of designed refining capacity.

The Petromidia Refinery processes a variety of crude oils with high sulphur content and API. Crude oil processed at the Petromidia Refinery is received at Midia port, which is owned by KMG International and can accommodate ships of up to 24,000 tonnes of deadweight, or through the larger Constanta port, which is connected to the Petromidia Refinery by a 40 km pipeline. The Petromidia Refinery has its own marshalling yard, with 40 loading and unloading points and vehicle loading ramps. The Petromidia Refinery produces different types of vehicle fuels (gasoline, diesel and LPG) and Jet A-1 Fuel. Petromidia Refinery products meet applicable European quality standards and environmental protection regulations for such products. The Petromidia Refinery has a Nelson index of 11.

In Romania, Petromidia oil products are sold through the KMG International downstream distribution network and third-party retail and wholesale distribution networks. The Petromidia Refinery exports oil products to Ukraine, Moldova, Bulgaria, Turkey, Georgia, Hungary, Croatia, Bosnia, Serbia and Western Europe.

The following table sets forth the historical product mixture and volumes of refined oil products produced at the Petromidia Refinery for the periods indicated:

	For the year ended 31 December		
	2019	**2018**	**2017**
		(thousand tonnes)	
Gasoline	1,610.0	1,567.1	1,461.9
Diesel fuel	2,925.9	2,754.7	2,738.5
Jet fuel	405.8	316.7	250.7
Fuel oil	189.7	157.7	140.1
Other products	1,040.7	991.8	938.6
Total	**6,172.1**	**5,788.1**	**5,529.9**

Vega Refinery

The Vega Refinery, which is owned by KMG International, is located in Ploiesti, a small town near Bucharest, Romania. It was constructed in 1905 and modernised between 1970 and 1980. The Vega Refinery has a designed refining capacity of 0.5 million tonnes per year. In the year ended 31 December 2019, the Vega Refinery produced a total of 0.4 million tonnes of refined oil products.

The Vega Refinery uses by-products of other refineries in the region as raw material and specialises in processing alternative raw materials (naphtha, refined RC, C5 C6 fraction, other oil fractions and fuel oil) and in producing ecological solvents, asphalt for special uses, ecological fuels for heating and other specialised products. The Vega Refinery has installations for both atmospheric and vacuum distillation of crude oil and for processing alternative raw materials.

The range of products produced by the Vega Refinery includes polymerisation solvent-normal hexane, ecological petroleum solvents, other oil products, such as gasoline, naphtha, white spirit and petroleum products (heating oil), light liquid fuel and bitumen.

The following table sets forth the historical product mixture and volumes of refined oil products produced at the Vega Refinery for the periods indicated:

	For the year ended 31 December		
	2019	**2018**	**2017**
		(thousand tonnes)	
Special Gasoline (Solvents) and other gasoline	41.3	43,5	41.0
White spirit and petroleum	4.6	4,1	5.1
Gas oil	91.9	84,5	79.5
Heavy fuel	138.9	120,6	107.7
Fuel oil	32.3	33,9	24.5
Bitumen	119.8	101.7	96.4
Other products	12.3	8.8	10.4
Total	**441.2**	**397.1**	**364.6**

Retail Network

KMG International sells a full range of petroleum products, including gasoline, diesel fuel, LPG and heating oil both domestically in Romania and in Eastern Europe, France and Spain. As at 31 December 2019, KMG International, owned and operated 1,208 distribution points, including 271 gas stations and 693 points of sale in Romania, 101 gas stations and points of sale in Georgia, 56 in Bulgaria and 87 in Moldova. As at 31 December 2019, KMG International had an approximate 24 per cent., 19.5 per cent. and a 3 per cent. market share in Moldova, Georgia and Bulgaria, respectively. The Bulgaria, Moldova and Georgia branches of KMG International sold over 3.5 million tonnes of fuels from 2014 to 2019, with sales by these branches increasing by 5.5 per cent. in 2019, as compared to 2018 sales levels.

The trading and marketing of refined oil products in the Romanian market is performed by various KMG International controlled entities, including Rompetrol Downstream, Rom Oil SA (wholesale and retail sale of gasoline and diesel fuel), Romcalor SA and Rompetrol Gas SRL (wholesale and retail sale of liquefied gas) in Romania, and by Vector Energy AG in Eastern Europe. The fuels obtained from the Petromidia Refinery are mainly traded in Romania by Rompetrol Downstream, which sold 2,111 thousand tonnes of petroleum products in 2019. As at 31 December 2019, it had a distribution network of 614 fuel stations in Romania, Georgia, Bulgaria and Moldova.

Principal Customers of Oil and Oil Products

Oil export

The Group's oil producing subsidiaries Ozenmunaigas JSC, Embamunaigas JSC and Kazakhturkmunai LLP sell oil for export exclusively to the Group's system trader, KMG Trading AG, which is a 100 per cent. subsidiary of the Company.

The Group's joint ventures Mangistaumunaigas JSC, Karazhanbasmunai JSC, JV Kazgermunai LLP, PetroKazakhstan Inc JSC and Kazakhoil Aktobe LLP export oil to various participants in the international oil market (in Europe and China), including large international traders as well as KMG Trading AG.

The Group's megafields TCO, Kashagan, Karachaganak (which operate independently of the Company) export oil to various buyers participating in the international oil market. In 2016 and 2017, the Group had been party to advanced oil sale agreements with Vitol pursuant to which the volumes of oil allocated to the Company at Tengiz Field and Kashagan were sold to Vitol.

The main buyer of the Group's oil products for export is Vitol, an international trader. Sales to Vitol are carried out on the basis of a 100 per cent. advance at market prices on the terms of FCA refineries.

Domestic market

The Group's oil producing subsidiaries Ozenmunaigas JSC, Embamunaigas JSC and Kazakhturkmunai LLP sell oil to the domestic market exclusively in favour of the Company within the framework of the relevant oil processing scheme. The Company refines oil purchased from its 100 per cent. oil producing subsidiaries at a price equal to the sum of the cost of oil and its transportation to the Atyrau Refinery or Pavlodar Refinery. Petroleum products obtained as a result of oil producing organisations oil are sold on the domestic market to wholesale buyers, mainly being:

- KazMunayGas-Aero LLP, 100 per cent. subsidiary of the Company (which is, according to the Republic of Kazakhstan Resolution No. 1304 dated 12 December 2014, a single operator for the supply of petroleum products to the Armed Forces of the Republic of Kazakhstan, the Border Service of the National Security Committee of the Republic of Kazakhstan, the National Guard of the Republic of Kazakhstan, an authorised body in the field of civil protection, an authorised body in the field of state material reserves: motor gasoline, diesel fuel, fuel oil, aviation fuel); and
- Since April 2019, through one of the largest gasoline filling networks in the Republic of Kazakhstan with more than 340 filling stations and carries out retail sales of gasoline and diesel fuel throughout the Republic of Kazakhstan.

The Group's joint ventures Mangistaumunaigas JSC, Karazhanbasmunai JSC, JV Kazgermunai LLP, PetroKazakhstan Ink JSC and Kazakhoil Aktobe LLP do not sell oil within the framework of the oil processing scheme when selling oil to the domestic market of Kazakhstan. They sell oil to various participants in the domestic oil market of the Republic of Kazakhstan on market terms for further processing at the oil refineries of the Republic of Kazakhstan. The list of such oil buyers includes various traders, including Petrosun LLP and Petroleum Operating LLP.

Trust Management Agreements in petrochemical projects

In 2007, Kazakhstan initiated creation of a petrochemical cluster in the Atyrau region and construction of an integrated gas-chemical complex.

As part of such complex, a polypropylene plant with production capacity of 500,000 tons per year is expected to be built in 2021 through "Kazakhstan Petrochemical Industries Inc." (Казахстан Петрокемикал Индастриз Инк.) Limited Liability Partnership ("**KPI**").

The second phase contemplates contruction of a polyethylene plant through KLPE LLP ("**KLPE**") and Silleno LLP ("**Silleno**") with the production capacity of 1,250,000 tons per year by 2026.

The Government has indirect stakes in KPI, KPLE and Silleno through UCC LLP ("**UCC**") (a 100 per cent. subsidiary of Samruk-Kazyna) which, in turn holds 99 per cent., 99.90653 per cent. and 49.9 per cent. participating interest in the charter capital of those entities, respectively. As of the date of this Base Prospectus, Borealis A.G. formally controls the majority interest in Silleno, but it has recently been announced that it will exit the project. In June 2018, UCC transferred to the Company's trust management all its participating interest in the charter capital of KPI for 5 years. Then in June 2019, UCC transferred to the Company's trust management all its participating interests in the charter capital of each of KLPE and Silleno for 7 years.

Under the trust management agreements (the provisions of which are identical for KPI, KLPE and Silleno), the Company implements the projects and oversees contruction of the plants. Effectively, the trust management agreements entitle the Company to almost all rights of a participant of the entities in question, subject to certain limitations (*e.g.*, the Company is not permitted to sell the parpticipating interests or create security interest in them, vote on certain significant matters, etc.). The Company also concluded tri-partite agreements on separation of liability sharing with Samruk-Kazyna and UCC in respect of management of the projects. The liability of the Company is limited to the consideration it receives for its trust management services.

Competition

Exploration and Production

Kazakhstan's oil and gas sector has been an attractive investment opportunity for leading western, Asian and Russian oil and gas companies. Since Kazakhstan's independence in 1991, a number of major western and other oil companies have invested in the oil and gas sector of Kazakhstan. In recent years, principal competition in the exploration and production sector has been from China, which has enhanced its presence in Kazakhstan's oil and gas industry by acquiring a number of oil producing companies, as well as by entering into several significant joint ventures with the Company. These joint ventures include, amongst others, (i) PKI, an oil producer which is majority owned by CNPC; (ii) CCEL, a joint venture with CITIC Resources Holding Limited; (iii) KCP, a joint venture of KTO with China National Oil and Gas Exploration and Development Corporation formed to construct and operate the KC Pipeline; (iv) AGP, a joint venture of KTG with CNPC (acting through Trans-Asia Gas Pipeline Company Limited) to construct the Turkmenistan-China gas pipeline across Kazakhstan, which transmits gas from the other Central Asian Republics to major population centres in southern Kazakhstan and to China; (v) BSGP, a joint venture between KTG and CNPC to construct and operate the Beineu-Bozoi-Shymkent Gas Pipeline; (vi) MMG, an oil producer owned by MIBV, a 50-50 joint venture with CNCP E&D; and (vii) MunayTas, which operates the Kenkiyak-Atyrau pipeline and in which CNPC Exploration and Development Company Ltd owns a 49.0 per cent. interest. There are currently approximately 40 oil producers in Kazakhstan which have a Chinese participation interest and approximately 40 per cent. of the crude oil produced in Kazakhstan is produced by companies with a Chinese participant. The last few years have also seen renewed interest, particularly in western Kazakhstan, from numerous smaller companies that have been attracted by development opportunities and the region's existing infrastructure. Companies in this group include, amongst others, Arawak Energy Limited, BMB Munai Inc., CanArgo Energy Corporation, Caspian Holdings PLC, Emir Oil LLP, Kaspiy Neft, JSC Nostrum Oil & Gas and Victoria Oil & Gas PLC.

The Company does not foresee competition for reserves from regional and international oil and gas companies, since the Company is the beneficiary of the Government's pre-emptive right to acquire interests in Subsoil use contracts.

Transportation

Kazakhstan occupies a favourable geographical position as a transit country between major gas producers in Turkmenistan, Uzbekistan and Russia and large gas consumption centres in eastern and Western Europe. ICA is the monopoly operator of the gas transportation system in Kazakhstan and, accordingly, does not face competition for this international transit business or for domestic gas transportation. ICA may, however, face some competition from outside Kazakhstan in the future. A potential future competitor is the Trans-Caspian gas pipeline, the gas sources for which have not yet been determined, and the future of which remains uncertain.

The Company's management believes that the likelihood of ICA becoming subject to significant competition remains remote, in the near-to medium-term.

Refining, Marketing and Trading

Following its purchase in August 2009 of MMG's controlling interest in the Pavlodar Refinery, which is the largest and most technologically-advanced refinery in Kazakhstan and services north Kazakhstan and the adjacent regions in Russia, the Company now has a significant or controlling interest in all three of Kazakhstan's principal oil refineries. Because of the location of these three refineries, the Company is able to supply the domestic market and, if sufficient quantities of refined products are available, to export to Europe. In addition, through its ownership of KazMunayGas International N.V. (formerly, the Rompetrol Group), the Company indirectly owns 54.6 per cent. of the Petromidia Refinery in Romania (as at 31 December 2019). See "*—Refining, Marketing and Trading—KMG International*".

Employees

The following table sets forth the approximate number of employees of the Company, by type of business, as at the dates indicated:

	As at 30 June	As at 31 December		
	2020	**2019**	**2018**	**2017**
Exploration and production	21,932	22,012	22,200	23,906
Oil and gas transportation	19,602	19,641	19,481	19,086
Other (subsidiaries)	23,879	25,097	27,426	29,902
Refining and marketing	3,452	3,541	6,449	6,998
KMG (as a holding company)	476	647	673	514
Total	**69,341**	**70,938**	**76,229**	**80,406**

The Company's trade union was established in September 2007. As at 30 June 2020, the Company's trade union had six members, who are employees of the Company. Certain subsidiaries of the Company also have employees that are members of a trade union, totalling approximately 58,000 employees. The Company is contemplating creating a single trade union comprising employees of the Company and its principal subsidiaries.

There is currently a moratorium in place on the hiring of new personnel from outside of the Group, in connection with the optimisation of costs due to the Covid-19 pandemic.

The Company has not had any material strikes since 1 January 2017.

Litigation

Other than as set out below, there are no governmental, legal or arbitration proceedings, including any such proceedings pending or threatened of which the Company is aware, during the last 12 months preceding the date of this Base Prospectus, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Company or the Company and its consolidated subsidiaries, joint ventures and associates, taken as a whole.

- There is an ongoing arbitration between Oilfield Exploration Business Solutions, a subsidiary of KMG International N.V., and the Romanian National Mineral Resources Agency in respect of a default on exploration activities at Focsani, Romania. The claim is for an amount of approximately US$20 million.

- There is an ongoing arbitration in respect of Kazmortransflot LLP, initiated by the counterparty in mid-2020, for an alleged breach of an obligation under a contract. The claim is for an amount of approximately US$15 million.

- During the six months ended 30 June 2020 the antimonopoly commission of the Republic of Kazakhstan conducted an investigation on potential breach of anti-monopoly provisions at Atyrau Refinery. Based on the results of the investigation, the anti-monopoly commission initiated an administrative case in connection with the addition of third party services at the Atyrau Refinery to contracts with oil suppliers. Atyrau Refinery appealed in court the results of the investigation by the antimonopoly commission. On 10 September 2020, the court ruled to satisfy the claim of the Atyrau Refinery and declared the results of the investigation as illegal. The antimonopoly commission has the right to appeal this court decision within 1 month. The administrative case will be considered by the antimonopoly commission after the entry into force of the court decision. The claim is for an amount of approximately KZT 16 billion.

- In December 2019 the Prosecutor's Office of Romania (the "**POR**") issued an ordinance according to which charges related to the disputes between the Romanian Government and KMG International were dismissed due to, *inter alia,* expiration of the statute of limitations. Three plaintiffs filed a complaint against the above POR's decision. In December 2019, KMG International appealed against the ordinance and required the case to be dismissed on merits, not expiration of statute of limitations. In July 2020, the Supreme Court issued a final decision according to which all the complaints against the POR's decision were rejected as inadmissible and ungrounded.

- As of 31 December 2019, KMG Drilling and Services LLP ("**KMG DS**"), a subsidiary of the Group, accrued a provision of US$90 million dollars in relation to the dispute with a consortium of companies, including Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP. In July 2020, KMG DS signed a settlement agreement with the consortium. The amount of exposure has not changed significantly and amounted to US$90.4 million.

Insurance

The Company implemented in 2001, and modified in 2007, a unified corporate insurance programme (the "**Insurance Programme**"). The terms of the Insurance Programme are similar to those that are generally accepted in the oil and gas industry and are tailored to address the specific activities of the Company. The Insurance Programme is included in the corporate insurance programme of Samruk-Kazyna and regulated by the Samruk-Kazyna rules coverage policy applying to subsidiaries within the Samruk-Kazyna group.

The Insurance Programme covers third-party environmental liability, third-party liability coverage (including employer's liability insurance and hazardous object insurance) and directors' and officers' liability insurance. As it is not a common insurance product in Kazakhstan, insurance for production interruption risks is maintained in respect of only certain of the Company's subsidiaries. The Insurance Programme does not mandate and the Company does not carry insurance against environmental damage caused by its own operations, sabotage or terrorist attacks.

As at 30 June 2020, KMG EP, KTO, ICA, the Atyrau Refinery, the Pavlodar Oil Chemistry Refinery LLP, the Shymkent Refinery and KazMunayTeniz, participated in the Insurance Programme. The Company's captive insurance company, Kazakhstan Energy Reinsurance Company Ltd ("**KERC**"), is responsible for the implementation of the Insurance Programme, as well as addressing other insurance needs of the Company. KERC prepares reports on the implementation of the Insurance Programme for supervisory authorities in Kazakhstan and for the Company and monitors the reinsurance agreements it enters into.

In addition to the Insurance Programme, the Company has purchased additional insurance coverage on a voluntary basis, including: (i) property insurance relating to its head office, with Insurance Company Jysan Garant JSC and (ii) director and officer liability insurance, with Halyk Insurance Company JSC.

The Company maintains compulsory insurance for its employees against accidents arising out of their employment obligations. The Company also maintains the following compulsory insurances: (i) environmental insurance, (ii) vehicle insurance and (iii) liability insurance for owners of certain facilities.

See "*Risk Factors—Risk Factors Relating to the Company's Business—The Company's insurance coverage may not be adequate to cover losses arising from potential operational hazards and unforeseen interruptions*".

Information Technology

The Information Technology ("**IT**") management of the Company 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 Company. As part of the Company's corporate reorganisation, the Company is in the process of integrating the IT systems and operational data of all of the Company's subsidiaries into one centralised IT framework.

The Company does not currently have a separate disaster recovery centre or an off-site server located outside of the Company's main administrative premises. As part of the Company's ongoing transformation projects, the Company leases computer infrastructure, including a virtual data service to permit the storage of data off site.

The Company's information security management systems have been certified to ISO 27001 standards. In line with the Company's transformation projects, efforts have been made to increase IT and information management security and to encourage centralisation. In this respect, a cyber-security department has been established at the Company tasked with implementing efforts to prevent cyber-crime.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

The operations of the Company are subject to environmental, health and safety legislation, laws and other requirements of Kazakhstan applicable to oil and gas companies ("**Environmental Legislation**"). The Subsoil Use Agreements entered into by the Company require that its subsoil operations be carried out in conformity with Environmental Legislation. See "*Business—Exploration and Production—Subsoil Use Agreements*".

Under Articles 68 and 69 of the Environmental Code of Kazakhstan (the "**Environmental Code**"), the Company is also obligated to apply for an environmental permit, which sets out certain levels of permitted environmental pollution. The Company is subject to limitations as to air emissions, water use and disposal, waste management, impact on wildlife and land use and reclamation.

Government authorities conduct inspections on a regular basis. With respect to any findings resulting from such inspections, the Company is required to remedy violations of Environmental Legislation.

The Company has conducted scientific and technological studies to create base standards and implement new engineering mechanisms in its upstream operations that are designed to minimise environmental, health and safety hazards. The Company utilises systems based upon the best practices of environmental protection and certified under the requirements of environmental international standards ("**ISO 14001**") and the occupational health and safety management systems ("**OHSAS 18001**"). Since 2006, the Company has obtained and implemented ISO 14001 and OHSAS 18001 certifications for its environmental management, occupational health and safety management systems. An annual independent ecological audit of the Company has routinely confirmed that its industrial and ecological safety systems conform to the requirements of ISO 14001.

In accordance with Article 81 of the Environmental Code, an environmental audit may be conducted on a mandatory or a voluntary basis. To date, the Company's subsidiaries and affiliates have conducted environmental audits on a voluntary basis and there were no significant cases of violations, environmental incidents or judicial or administrative proceedings during the environmental audits.

In addition to complying with Kazakhstan legislation, the Company has introduced health and safety performance metrics based on best practice industry standards in order to monitor its performance, as well as a number of initiatives to increase health and safety transparency and awareness.

Environmental Capital Expenditures

The Company's 2028 strategy includes strategic initiatives to improve environmental liability, and in 2019, the Company approved a new environmental policy (the "**Environmental Policy**"). Environmental priorities of the Company include management of greenhouse gases, reduction of flaring, water resource management, production waste management, land reclamation and increasing energy efficiency. The Group's management exercises zero tolerance to losses and damage due to environmental pollution. For instance, the Environmental Policy addresses such environmental aspects as climate, biodiversity, commitments to apply additional risk assessment for environmentally valuable sites, reclamation of polluted land, and ensuring integrity of pipelines.

In 2015, KMG supported the World Bank's GGFR initiative intended to achieve zero regular associated petroleum gas (APG) flaring by 2030. As part of implementation of the above initiative, in 2019, KMG approved an air emissions management policy (the "**Air Emissions Management Policy**"). The Air Emissions Management Policy consists of eight key principles, of which six directly concern climate change, and targets zero regular flaring.

To effectively manage environmental risks, the Company constantly monitors and seeks to improve its approach to environmental management and allocates necessary resources for environmental protection. Environmental costs include taxes on permitted emissions, cost of environmental activities, insurance, compensatory environmental measures, and investments to prevent environmental impact, amongst others.

The Company's environmental costs amounted to KZT 18.8 billion in 2019, which is KZT 2.4 billion more than environmental costs of KZT 16.6 billion in 2018 (and KZT 17.6 billion in 2017). The increase was primarily a result of an increase in the budget for historical waste treatment and contaminated land remediation as well as an increase in investments in waste treatment since 2015 (with such investments comprising over a third of all environmental costs), partially offset by a reduction in air pollutant emission fees.

Environmental Impact From Operations

The Company's material environmental liability arises from the requirement to remediate historically contaminated land. These liabilities include approximately three million tonnes of legacy waste associated with historically contaminated land. In this respect the Company has entered into a Memorandum of Understanding with local state authorities to reduce and rehabilitate such legacy waste by 2021, which the Company is in the process of implementing.

Air Emissions

The Company, including KMP EP and TCO, is required under Environmental Legislation to submit to the Ministry of Ecology, Geology and Natural Resources ("**MEGNR**") an application for an environmental permit that certifies the right to emit regulated substances into the environment up to certain permitted levels based on a specific fee. Such permit, which is applied for on an annual basis, specifies maximum levels of air emissions, waste water disposal and municipal and industrial waste permitted to be discharged or disposed of by a Company. In the event that the established limits of discharged contaminants and disposed waste exceed permitted levels, penalties for such environmental contamination are assessed. Total fees paid by the Company, including penalties, were KZT 226 million for the year ended 31 December 2019. For the year ended 31 December 2018, certain fines and penalties previously incurred by the Company were reversed, resulting in the recognition of a receipt of funds of KZT 481 million. These fines amount to penalties paid, except for sour gas flaring without permission. Rates for environmental fines and penalties have been increased in the past, and the Company expects that penalty and emission fees may continue to be assessed against the Company in the future.

The flaring of gas refers to the burning of gas as a means of disposal. The flaring of raw gas is prohibited, except in certain situations, including: (a) if there is a threat of or actual emergency situation, a threat to life of personnel or health of population and to the environment; (b) in the process of testing a well facility (c) or performing a test production at a deposit; and (d) where flaring is technologically unavoidable. Despite the prohibition on flaring, in the past the MEP (whose functions currently belong to MEGNR) has suspended future sanctions for gas flaring violations by companies for subsoil users operating under Subsoil Use Agreements signed before December 2004 and whose programme for the utilisation of gas was approved by (x) a State authority before 1 December 2004 or (y) the Competent Authority and the MEP. The following subsidiaries and joint ventures of the Company have programmes for the reduction and elimination of the volumes of gas flaring in place: TCO, NCPC, Kazgermunai, MMG, KPO, KazakTurkMunai, Kazakhoil Aktobe, Embamunaigas, Karazhanbasmunai.

As part of the Company's efforts to reduce its air emissions, the Company is implementing a programme to review gas utilisation at its fields, with the aim of converting gas from oil production to gas to be used for power generation. As at 31 December 2019, the Company's gas utilisation rate was approximately 97 per cent. As at 31 December 2019, the Company's gas flaring intensity rate was 2.95 tonnes per 1,000 tonnes of produced hydrocarbons (compared to approximately 6 tonnes per 1,000 tonnes in 2018 and approximately 11 tonnes per 1,000 tonnes in 2017), which is lower than the rate of the International Association of Oil & Gas Producers at 10.5 tonnes per 1,000 tonnes.

Municipal and Industrial Wastewater Treatment and Disposal

Municipal wastewater is handled in accordance with accepted international practices, which involves utilising basic treatment and discharge to different unlined evaporation ponds. Industrial wastewaters are discharged only to a lined evaporation pond or injected into a wastewater disposal well. Preliminary wastewater injection permission has been received from most Kazakhstan government agencies. Further, after receiving final approval from the MEP, certain entities of the Company, such as TCO, started to include wastewater injection in environmental use permits. In 2018, the Company adopted a corporate water resources management standard that will be gradually introduced in the Group during subsequent years. The standard sets out eight key water use principles to systemise the water management approach of the Group as well as increase the commitment of the Company's managers and employees to saving fresh water. The Company disclosed information on water security in its 2019 annual report, and published it on Carbon Disclosure Project platform for the first time in 2020.

Municipal and Industrial Solid Waste Management

A number of the Company's subsidiaries, joint ventures and associates, such as KMG EP, have significant quantities of contaminated soils currently stored in various areas. There are also a number of pits and storage areas that have yet to receive environmental permits remaining from periods before current environmental legislation took effect. The critical task that the Company faces today is the liquidation of historical contamination and clean-up of oil-contaminated areas. In this regard, studies were conducted to take inventory of historical contamination; plans to liquidate all historical contamination were developed subject to the specifics of each field, region, and climatic conditions. In addition, on 6 August 2019, a Memorandum of Environmental Cooperation was signed between the Kazakhstan Ministry of Ecology, Geology and Natural Resources and the Company, which is aimed at the disposal and/or treatment of waste stored in the unorganised sludge collectors at OMG and clean-up of oil-contaminated lands in Mangystau Region. In 2019, JSC Embamunaygas reclaimed historically oil-contaminated lands and cleaned up 35 ha of oil-contaminated lands (125 thousand tonnes of oil-contaminated soil), and JSC Ozenmunaygas treated 200 thousand tonnes of oil-contaminated soil from unorganised sludge collectors.

Sulphur Storage

TCO's fields contain high amounts of hydrogen sulphide. See "*Risk Factors—Risk Factors Relating to the Company's Business—Oil at several of the Company's fields has a high sulphur content and produces a high level of sulphur by-product that must be managed carefully*". The production of oil and gas with high hydrogen sulphide content requires additional processing to convert the hydrogen sulphide into elemental sulphur, a useful product. Elemental sulphur is stored in block form until it can be sold. TCO strives to store block sulphur according to internationally-accepted practices, and has included the storage of sulphur in its environmental use permits and pays fees accordingly. The potential environmental and health impacts from the open storage of sulphur have been studied by various institutes selected by an interdepartmental coordination council made up of the MEP, MEMR (now the Ministry of Energy), the Ministry of Health and the Ministry of Emergency Situations. The results of these studies were presented in a public hearing in Atyrau and have been expertised by the MEP. The conclusions confirmed that the impact from the open storage of sulphur beyond the immediate area of the blocks is insignificant. In 2008, TCO began selling sulphur to third parties in order to decrease the amount of sulphur that it is required to store and thereby reduce the risk of incurring fines connected to sulphur storage in the future. TCO sold 2.5 million tonnes of sulphur to third parties in 2017, 2.3 million tonnes in 2016 and 2.7 million tonnes in 2015.

Pursuant to amendments to the Environmental Code dated 13 December 2011, permitted amounts of sulphur storage are specified in environmental permits granted by the environmental authorities. Since 1 January 2013, subsoil users whose operations result in the storage of sulphur have also been obliged to submit a programme to reduce the amounts of accumulated sulphur with their applications for environmental permits.

Land Use and Reclamation, Including Oil Storage Pits and Oil Lakes

Crude oil contaminated earth is carried to sludge collectors that have a waste water drain system, fencing and waterproof membrane. Crude oil contaminated earth itself is treated with the Company's special equipment, as well as the advanced equipment of third party contractors. Additional projects have been launched to rehabilitate the dams at a number of operations and to develop a programme for removing oil storage pits and oil contaminated areas, including by means of various biological treatment methods.

In some instances, the MEP has agreed not to sanction KMG EP with respect to contamination occurring prior to KMG EP's incorporation in March 2004. In a 2012 court decision, it was determined that certain of KMG EP's open reservoirs were orphaned from KMG EP's fields and the open reservoirs were transferred to the Government in 2015.

Under the oil production technology prevailing during the time of the Soviet Union, open reservoirs were formed in natural ground folds or specifically designed on the land surface to store accumulations of water oil fractions for emergency purposes or for the disposal of oil and water oil mixtures. The Company no longer uses open reservoirs for these purposes, and is in the process of gradually remediating these with the assistance of external contractors.

Oil and Chemical Spills

Equipment reliability procedures are in place with the Company's subsidiaries, joint ventures and associates, which are intended to evaluate and correct deficiencies and prevent oil and chemical spills. As a result, spill volumes relating to operations, on a per tonne of production basis, have steadily declined. At the same time, as a precaution, the Company's subsidiaries, joint ventures and associates have prepared emergency response plans and routinely conduct drills and training of key response personnel.

Health and Safety Initiatives

The Group's health and safety policy is based on leadership and top management commitment to health and safety and is intended to get each employee involved in development of the safety culture. Management of the Company and its subsidiaries and associated companies exercises zero tolerance to losses and damage due to accidents and incidents, abuse of alcohol, drugs, psychotropic and their equivalents, road traffic accidents. The Company's commitment is to follow the national law alongside requirements of international and national standards.

A pilot project called the "Near Miss Reporting/Qorgau Card" was launched in 2019 and focused on detection and correction of unsafe behaviour. The Near Miss Reporting/Qorgau Card programme will be aimed to define unsafe working conditions. This programme will involve employees of all levels and seeks to enable them to communicate their concerns, challenges and suggestions.

In 2019, KMG's "Heart Attack and Stroke Prevention" corporate health campaign was developed and is being implemented. The campaign aims at preventing and reducing the heart disease-related death rate amongst employees. Implementation of the "10 Steps to Improve Health" initiative, "KMG Group Emergency First Aid Regulations" and "KMG Group Occupational Health and Workplace Hygiene Corporate Standard" is being controlled and monitored. The standard is primarily aimed at establishing uniform requirements for occupational health and workplace hygiene management.

In order to ensure prompt response, prevent the escalation of possible crisis situations, minimise the severity of consequences and probable loss, if any, a crisis management system was introduced. The Group employs a three-level management system that ensures the escalation of incident response from the level of a production facility and subsidiary up to the level of strategic crisis management by the corporate centre. In 2019, the first drill was held by the crisis management team. In-house training in the crisis management system is conducted within safety assessment codes.

Health and Safety Metrics

The following table sets forth certain key health and safety metrics of the Company for the periods indicated:

	For the year ended 31 December		
	2019	**2018**	**2017**
Work related fatalities	2	1	5
Work related fatalities per 100 million man hours	1.28	0.65	3.25
Non-work related fatalities	13	21	26
Lost time injuries	48	49	77
Lost time injuries per one million man hours	0.31	0.32	0.42
Motor vehicle accidents	44	66	89
Motor vehicle accidents per one million kilometres driven	0.19	0.29	0.50

In 2019, the lost time incident rate per 100 million man hours was 0.31, a decrease of 3 per cent. from 0.32 in 2018 (though higher than the International Association of Oil & Gas Producers average of 0.25 for 2018). In 2019, the fatal accident rate per 100 million man hours was 1.28, an increase of 97 per cent. from 0.65 in 2018 (and higher than the International Association of Oil & Gas Producers average of 0.31 for 2018). In 2019, the APG flaring intensity was 2.95 tonnes per kiloton of hydrocarbon production, a decrease of 51 per cent. from 6.00 in 2018 (and lower than the International Association of Oil & Gas Producers average of 10.5 for 2018). In 2019, the sulphur emissions rate was 0.2 tonnes per kiloton of hydrocarbon production, a 20 per cent. decrease from 0.25 in 2018 (as compared to the International Association of Oil & Gas Producers average of 0.2 in 2017). In 2019, the nitrate omissions rate was 0.21 tonne per kiloton of hydrocarbon production, a five per cent. increase from 0.2 in 2018 (though lower than the International Association of Oil & Gas Producers average of 0.37 in 2017).

In August 2016, an explosion and fire during repair works at the Petromidia Refinery resulted in one fatality and three injuries. This incident was investigated in accordance with the Company's health and safety policies and was determined to be a result of human error at several levels and non-compliance with applicable health and safety guidelines. Actions have been taken at the Petromidia Refinery to reduce the likelihood of the recurrence of similar incidents in the future.

MANAGEMENT

The Company's management structure consists of its shareholders, Samruk-Kazyna and NBK, its Board of Directors, its Management Board and the Chairman of the Management Board, the last two of which are responsible for the day-to-day management of the Company.

Shareholders

On 7 August 2015, NBK purchased 58,420,748 ordinary shares of the Company, or 10 per cent. *plus* one share, from Samruk-Kazyna. Since August 2015, NBK's ownership interest has been diluted (as a result of subsequent issuances of shares) to approximately 9.58 per cent. of the ordinary shares of the Company as of 30 June 2020. NBK has entered into a trust management agreement with Samruk-Kazyna in respect of its shares in the Company. NBK's shares are voting shares.

The shareholders perform the functions of the general shareholders' meeting as set forth in the JSC Law, the Law "On the Sovereign Wealth Fund" (№ 550-IV, dated 13 February 2012, as amended) (the "**Sovereign Wealth Fund Law**"), the Company's charter (the latest edition was approved by a decision of shareholders on 22 April 2016, as amended on 1 August 2016 and 4 November 2016) and the presidential edicts and resolutions of the Government on the establishment of Samruk-Kazyna and its role and functions in Kazakhstan's economy. See "*Share Capital, Shareholders and Related Party Transactions—Samruk-Kazyna*".

Such functions include, amongst others, the following:

- appointing the Company's external auditors;
- approving any increase in the Company's share capital;
- appointing the members of the Board of Directors;
- approving the Company's annual financial statements;
- approving the appointment of the Chairman of the Management Board;
- approving the payment of dividends by the Company; and
- approving purchases by the Company of shares in other legal entities (whether upon the establishment of such entities or otherwise) and participation by the Company in joint ventures where the amount of consideration paid by the Company in cash or in-kind for such acquisition or participation exceeds 25 per cent. of the balance sheet value of the Company's assets.

Board of Directors

The Board of Directors is responsible for the general management of the Company's activities, directs the Company's strategy and policy and has authority to make decisions on all aspects of the Company's activities, except those matters expressly reserved to the shareholders pursuant to the JSC Law and the Company's charter (as outlined above). In particular, the powers of the Board of Directors include, amongst others, the following:

- approving the Company's strategy;
- approving the Company's accounting and taxation policies;
- appointing the members of the Management Board;
- adopting decisions on major transactions (which are defined by the JSC Law as transactions involving amounts greater than or equal to 25 per cent. of the balance sheet value of a company's assets) and interested party transactions (unless the counterparty to an interested party transaction is within the Samruk-Kazyna group, in which case, the Management Board may adopt decisions relating to such transactions); and

- approving purchases by the Company of 10 per cent. or more of the shares in other legal entities.

Members of the Board of Directors are appointed by a resolution of the shareholders for a term of three years and shall not serve on the Board of Directors for more than nine consecutive years (although this limit is subject to certain exceptions). As at the date of this Base Prospectus, the Board of Directors consists of seven members, three of whom, Messrs. Walton, Miller and Holland are considered to be independent directors.

The Company's Board of Directors consists of the following members:

Name	Date of birth	First Appointed	Term expires	Current Position
Christopher John Walton.......	19 June 1957	2014	2023	Chairman of the Board of Directors of the Company, Independent Director
Alik Serikovich Aidarbayev ..	19 May 1963	2018	2023	Chairman of the Management Board of the Company, Member of the Board of Directors of the Company
Timothy Glen Miller.............	13 Nov. 1959	2020	2023	Independent Director, Member of the Board of Directors of the Company
Philip Malcolm Holland	25 Dec. 1954	2020	2023	Independent Director, Member of the Board of Directors of the Company
Uzakbay Suleymenovich Karabalin	14 Oct. 1947	2016	2023	Representative of Samruk-Kazyna, Member of the Board of Directors of the Company
Almassadam Maidanovich Satkaliyev	31 Oct. 1970	2018	2023	Representative of Samruk-Kazyna, Member of the Board of Directors of the Company
Anthony Espina	27 June 1948	2019	2023	Representative of Samruk-Kazyna, Member of the Board of Directors of the Company

The business address of each of the members of the Board of Directors and of the members of the Board's committees is the registered office of the Company at Kunayev Street 8, Nur-Sultan 010000, Kazakhstan.

Christopher Walton. Mr. Walton has been a member of the Board of Directors of the Company since 2014 and chairman of the Board of Directors since 2017. Mr. Walton is a Fellow of the Institute of Directors and a Fellow of the Royal Aeronautical Society. In addition to being the Chairman of the Company, Mr. Walton is also the Audit Chair of the UK's Submarine Delivery Agency and a non-executive member of the Royal Navy's Naval Shipbuilding Strategy Board. He is a trustee of the Guild of Freemen of the City of London Charity. He was Finance Director and CFO of EasyJet Plc and held senior financial and commercial posts at Qantas, Air New Zealand, Australia Post and Australian Airlines. Mr. Walton also served in the Australian Army Reserve. He served as Chairman of Lothian Buses plc, Asia Resource Minerals Plc. and Goldenport Holdings. Mr. Walton was also the Chair of the Audit Committee of JSC Kazakhstan Temir Zholy and a Non-Executive member of the Audit and Risk Committee of the UK Department for Culture, Media and Sport. He graduated from the University of Western Australia with a Bachelor of Arts in Political Science and with a Master's in Business Administration.

Alik Aidarbayev. Mr. Aidarbayev has been a member of the Board of Directors of the Company since 2018 and Chairman of the Management Board of the Company since 2018. Previously, he was Deputy CEO of Samruk-Kazyna in 2018, General Director at KMG EP from 2011 to 2013, and Managing Director for Exploration and Production at the Company from April 2011 to December 2011. Prior to that, he was General Director at Mangistaumunaygas and TURGAY-PETROLEUM. In 1985, he graduated from Kazakh Polytechnic Institute named after V.I. Lenin with a degree in Oil and Gas Fields Development Technology and Complex Mechanisation.

Timothy Glen Miller. Mr. Miller has been a member of the Board of Directors of the Company since 2020. He is a seasoned executive in oil and gas management and operations with more than 39 years of experience across the globe. He also serves as an Executive Director for the Republic of Kazakhstan and Senior Advisor for Global Operations at Integrated Global Services (IGS). He previously worked at Chevron Corporation, serving as Eurasia Business Unit Advisor to the Operating Company President from October 2018 to February 2019, Managing Director of the Eurasia Business Unit from November 2015 to October 2018, Senior Vice President of East Kalimantan from August 2007 to October 2010, Brazil

Country Manager from August 2005 to August 2007 and Management Sponsor from December 2003 to August 2005. He also previously served as General Director at Tengizchevroil LLP from October 2010 to November 2015 and Assistant to the President at Saudi Arabian Texaco, Inc., Texaco Exploration and Production from July 2000 to December 2003.

Philip Malcolm Holland. Mr. Holland has been a member of the Board of Directors of the Company since 2020. Philip joined Bechtel Corporation in 1980 and managed major oil and gas projects in a wide range of international locations. In 2004, he joined Shell where, in 2009, he became executive vice-president downstream projects in Shell's newly formed projects and technology business. In 2010, he was appointed as project director for Shell's Kashagan phase 2 project in Kazakhstan, and subsequently the Shell/QP Al Karaana petrochemicals project. Since 2013, he has operated as an independent project management consultant.

Uzakbay Karabalin. Mr. Karabalin has been a member of the Board of Directors of the Company since 2016 and is a representative of Samruk-Kazyna. Mr. Karabalin has over 20 years of experience in the oil and gas sector and also holds a number of academic positions. He was Head of the Laboratories of Drilling Technology and Drilling Liquids of Kazakh Scientific Research and Exploration Oil Institute from 1974 until 1981, before becoming the Deputy Director for Science and Research of the Kazakh Scientific Research and Exploration Oil Institute between 1981 and 1988, Head of the Department for the Development of Technical Progress and Deep Drilling of the Main Territorial Administration of Prikaspiygeologiya between 1988 and 1990 and the Chair of the Guryev Branch of Kazakh Polytechnical Institute between 1988 and 1990. Mr. Karabalin was the Senior Officer of Industry Division of the Presidential Executive Office of the Republic of Kazakhstan and the Cabinet of Ministers of the Republic of Kazakhstan between 1991 and 1992. He then held the position of Head of the Main Department of Oil and Gas of the Ministry of Energy and Fuel Resources of the Republic of Kazakhstan between 1992 and 1994 and Vice-Minister of Energy and Fuel Resources of the Republic of Kazakhstan and Vice-Minister of Oil and Gas Industry of the Republic of Kazakhstan between 1994 and 1995. Mr. Karabalin was Vice-President for Corporate Development, Director of Perspective Development and for Perspective Development, and the First Vice-President of National Oil and Gas Company KazakhOil between 1997 and 2000. He served as Acting President of the Company in 1999 and as President of KTG between 2000 and 2001, before acting as the Vice Minister of Energy and Mineral Resources of the Republic of Kazakhstan between 2001 and 2003. Mr. Karabalin, was President of the Company between 2003 and 2008. He also served as the Chairman of the Board of Directors of KTO, JSC NC Transport of Oil and Gas, CJSC NC KazMunayGas and KMG EP between 2006 and 2008 and as a Member of the Council of National Investors under the President of the Republic of Kazakhstan between 2007 and 2008. Mr. Karabalin was Acting General Director of JSC "Mangistaumunaigas" in 2008 and General Director of JSC Kazakhstan Institute of Oil and Gas between 2010 and 2013. He served as the Minister of Oil and Gas of the Republic of Kazakhstan between 2013 and 2014. Mr. Karabalin was the First Deputy Minister of Energy of the Republic of Kazakhstan between 2014 and 2016 and currently serves as deputy chairman of KazEnergy, as chairman of the trust fund of the Atyrau University of Oil and Gas and as a member of the Board of Directors of JSC KIOG. Mr. Karabalin graduated from the Moscow Institute of Petrochemical and Gas Industry in 1970. He received a PhD from the Ufa Oil Institute in 1985.

Almassadam Satkaliyev. Mr. Satkaliyev has been a member of the Board of Directors of the Company since 2018 and is a representative of Samruk-Kazyna. Mr. Satkaliyev is the Head of Asset Management Directorate at Samruk-Kazyna. He served as Deputy Chairman at KAZENERGY, Kazakhstan Association of Oil-Gas and Energy Sector Organisations, the association of legal entities in 2018. He was Chairman of the Management Board at Samruk Energo JSC from 2012 through 2018 and was Managing Director at Samruk-Kazyna from 2011 to 2012. His previous positions include Chairman of the Management Board; First Vice President; Chairman of the Management Board and President at KEGOC Kazakhstan Electricity Grid Operating Stock Company; Vice Minister of Energy and Mineral Resources of the Republic of Kazakhstan; Director and Head of KEGOC Group; Director for Management of Assets at Samruk, Kazakhstan's Holding for Management of State Assets; First Vice President at KEGOC Kazakhstan Electricity Grid Operating Stock Company; Finance Director; Vice President for Economy at KEGOC Kazakhstan Electricity Grid Operating Company; Vice President for Economy; Managing Director at Astana Directorate; Head of Project Management Department at KazTransOil JSC, national oil transporter; Bank and Head of Clearing Department at KazTransOil CJSC, national oil transporter; and Director at

TaSSat LLP. Mr. Satkaliyev has been a member of the board at Kazakhstan Temir Zholy National Company, KEGOC, Kazakhstan Electricity Association, World Energy Council, KAZENERGY Association, and others. He studied at Al-Farabi Kazakh National University, Almaty: Mechanic and received a degree for Mathematician-Application Engineer. He also received a Master of Economics from The Russian Presidential Academy of National Economy and Public Administration, Moscow and majored in Economics, Financial Economics Programme, at the Institute of Public Administration and Civil Service, Department of Public Sector Finance. He has an Executive MBA from Nazarbayev University, Graduate School of Business (together with Duke University's Fuqua School of Business) and participated in the Stanford Executive Program.

Anthony Espina. Mr. Espina has been a member of the Board of Directors of the Company since 2019 and is a representative of Samruk-Kazyna. Mr. Espina started his career as a computer programmer computer systems analyst developing business applications for a large shipbuilder. In 1973, he joined Arthur Andersen & Co. as an auditor and was promoted to partner in 1982. His clients included large banks, insurance companies, fund management companies and the Hong Kong Government. During this time, in addition to assisting international banks in the development of IT Strategic Plans and implementation of banking systems, he also developed the housing database for the Hong Kong Housing Authority which housed over three million of the 7.5 million population. In 1986, he joined Deloitte as a partner in charge of consulting. During his time with Deloitte, he was seconded to the Hong Kong Government and developed the Central Clearing and Settlement System for the Stock Exchange of Hong Kong. In 1991, he founded his own securities dealing and investment advisory business. In 2012, he advised on the purchase of ATF Bank, one of the top 10 banks in Kazakhstan. He was also an Independent Non-Executive Director of the ENPF, the central provident fund of Kazakhstan. He has a Bachelor of Business from University of Southern Queensland.

Committees of the Board of Directors

The Company's Board of Directors includes the Audit Committee, the Nomination and Remuneration Committee, the Strategy and Portfolio Management Committee, and the Health, Safety, Environment and Sustainable Development Committee.

Audit Committee

The Audit Committee is an advisory body of the Board of Directors with the role of considering all the issues concerning internal and external financial audit, financial statements and risk management, as well as the development of recommendations to the Board of Directors when necessary to make decisions on emerging issues.

As at the date of this Base Prospectus, the Audit Committee consists of the following members:

Name	Position
Christopher John Walton	Chair since September 2020; Member since September 2020
Philip Malcolm Holland	Member since September 2020
Timothy Glen Miller	Member since September 2020

Nomination and Remuneration Committee

The Nomination and Remuneration Committee makes recommendations to the Board of Directors concerning the general policy of nomination to top positions and remuneration issues. The activity and recommendations of the Nomination and Remuneration Committee form the basis for the succession planning of the Board of Directors and the Management Board and secure continuous and objective control over the performance of members of the Management Board, the Corporate Secretary, and other senior employees. The goals of the Nomination and Remuneration Committee also include ensuring an efficient personnel policy, wage and remuneration system, social support, professional development, and occupational training of Company officials and employees.

As at the date of this Base Prospectus, the Nomination and Remuneration Committee consists of the following members:

Name	Position
Philip Malcolm Holland	Chair since September 2020; Member since September 2020
Christopher John Walton	Member since August 2017
Anthony Espina	Member since June 2019

Strategy and Portfolio Management Committee

The Strategy and Portfolio Management Committee makes recommendations to the Board of Directors in respect of the Company's development strategy and investment policy. The Strategy and Portfolio Management Committee's competence includes recommendations on enhancement of the Company's investment appeal through improvement of corporate governance, recommendations on the Company's financial and economic planning, and innovations.

As at the date of this Base Prospectus, the Strategy and Portfolio Management Committee consists of the following members:

Name	Position
Philip Malcolm Holland	Chair since September 2020; Member since September 2020
Christopher John Walton	Member since August 2017
Uzakbay Karabalin	Member since August 2017
Timothy Glen Miller	Member since September 2020
Anthony Espina	Member since June 2019

Health, Safety, Environment and Sustainable Development Committee

The Health, Safety, Environment and Sustainable Development Committee makes recommendations to the Board of Directors as to maintaining health, safety and environment; what sustainable development principles to incorporate into strategy planning and social and economic growth of the Company; on social commitments and initiatives that the Company has under subsoil use contracts it has entered into; on how to ensure business continuity for the Company; and on environmental effectiveness of the Company.

As at the date of this Base Prospectus, the Health, Safety, Environment and Sustainable Development Committee consists of the following members:

Name	Position
Timothy Glen Miller	Chair since September 2020; Member since September 2020
Christopher John Walton	Member since June 2019
Uzakbay Karabalin	Member since June 2019

Management Board

The Management Board is responsible for the day-to-day management and administration of the Company, subject to the supervision of the Board of Directors and the shareholders. The Management Board's responsibilities include the following:

- approving purchases by the Company of up to 10 per cent. of the shares in other legal entities;
- implementing the Company's strategic development plan;
- implementing and monitoring the implementation of resolutions of the Board of Directors, the shareholders and recommendations of the Company's external auditors and Internal Audit Service;
- adopting decisions relating to interested party transactions concluded with Samruk-Kazyna group companies;
- approving the Company's budget; and
- dealing with all other matters not reserved to the Board of Directors or the shareholders.

As at the date of this Base Prospectus, the Company's Management Board consists of nine members. The Board of Directors appoints the members of the Management Board. The Board of Directors may at any time terminate the authority of any Management Board members, other than the Chairman of the Management Board, who is appointed by the shareholders.

As at the date of this Base Prospectus, the Company's Management Board consists of the following members:

Name	Date of Birth	Appointed	Position with the Company
Alik Serikovich Aidarbayev	19 May 1963	2018	Chief Executive Officer, Chairman of the Management Board
Kairat Kamatayevich Sharipbayev	16 August 1963	2018	Deputy Chairman for Transportation and Marketing
Zhakyp Nasibkaliyevich Marabayev	9 August 1962	2019	Chief Exploration and Production Officer
Dauren Karabayev	11 June 1978	2018	Deputy Chairman for Economy and Finance
Daniyar Suinshlikovich Tiyessov	6 December 1970	2018	Deputy Chairman for Oil Refining and Oil Chemistry
Daniyar Amirbayevich Berlibayev	21 December 1968	2019	Chief Oil Transportation, International Projects and Saryarka Pipeline Construction Officer
Dauletzhan Kenesovich Khassanov	21 October 1971	2018	Director for Oil and Gas Production
Malik Saulebay	7 May 1975	2020	Director, Legal Support Department
Dastan Abdulgafarov	16 December 1974	2020	Deputy Chairman for Strategy, Investment and Business Development

The business address of each of the members of the Management Board is the registered office of the Company at Kunayev Street 8, Nur Sultan 010000, Kazakhstan.

Alik Aidarbayev. See "—*Composition of the Board of Directors*".

Kairat Sharipbayev. Mr. Sharipbayev graduated from the Kazakh Agricultural Institute in 1985 and subsequently began his career as an agrotechnician in the agricultural industry. Between 1991 and 1999, Mr. Sharipbayev held a variety of executive positions at Koktem LLP, Shyn-Assyl JSC and Zhetisu LLP. He graduated from Almaty Public University with a degree in political sciences in 1999 and served as deputy to the Akim of Taraz between 1999 and 2000 before becoming senior vice president of Dauir CJSC in 2000. Mr. Sharipbayev was CEO of Kitap Publishing House between 2001 and 2002. He served as the director of the gas transportation and marketing department and deputy general director for marketing and commerce of Intergas Central Asia CJSC from 2001 until 2003. Mr. Sharipbayev became an advisor to the deputy general director for marketing of KTG in 2003 and he served as advisor to the senior vice president and the managing director for commerce of JSC NC Kazakhstan Temir Zholy between 2005 and 2006. He was the chairman of the board of directors of Danko JSC between 2006 and 2009. Mr. Sharipbayev was a general director and chairman of the management board of KTG Aimak from January 2009 until October 2014. In October 2014, he became a general director and chairman of the management board of KTG and deputy chairman of the management board for KMG EP. He has served as the chairman of the board of directors of KTG since 11 December 2015 and executive vice president for gas transportation and marketing of the Company since August 2016.

Zhakyp Marabayev. Mr. Marabayev was deputy managing director of North Caspian Operating Company from December 2008 to February 2019. Previously, he was employed by SPHINX State-Owned Corporation as a commercial director; the RK Foreign Trade Ministry as a head of raw hydrocarbons and petrochemicals and deputy director of the department, chief engineer; the RK Ministry of Power and Energy as a head of offshore operations; KazakhstanCaspiShelf as vice-president and general director; KazakhOil NC as a director of investments and new projects, commercial director and as gas projects vice-president; and Khalyk Bank of Kazakhstan as deputy CEO and member of the management board. He also previously worked at KaztransOil as operational service vice president and as vice-president of KazakhOil. From September 2001 to March 2002, he was employed by Oil and Gas Transportation NC as a deputy general director. From March 2002 to March 2004, he was employed by KazMunayGas as a managing director, chairman of competent share management authority, Karachaganak Petroleum Operating B.V. (KPO B.V.). From March 2004 to June 2006, he was a general director at KMG EP, and from June to November 2006, held the position of managing director at the Company and chairman of the board of directors of KMG EP. From November 2006 to December 2008, he was chairman of coordination council, KAZENERGY. He graduated from the I. M. Gubkin Moscow Institute of the Petrochemical and Gas Industry with a degree in mining engineering in 1984 and graduated from the Moscow State University of Management in 2002.

Dauren Karabayev. Mr. Karabayev graduated from the Kazakh State Academy of Management in 1999 with bachelor's degree in International Economic Relations. In 2001, he obtained a Master of Finance degree from Texas A&M University. In 2001, Mr. Karabayev commenced his work as a credit analyst at "ABN AMRO Bank Kazakhstan" JSC. In 2003, he was appointed to the position of the head of credit management. Since 2004, he has served as Managing Director in "Halyk Bank of Kazakhstan" JSC. From 2007 to June 2016, he was Deputy Chairman of the Board of "Halyk Bank of Kazakhstan" JSC. From June 2016 to September 2016, he was Project Supervisor at McKinsey & Company Inc. Since October 2016, he has been Executive Vice President and Chief Financial Officer of the Company. He has been awarded "Honoured Financier" of the Kazakhstan's Association of Financiers and also received the "20th Anniversary of the Constitution of the Republic of Kazakhstan" medal.

Daniyar Tiyessov. Mr. Tiyessov started his career in 1994 as manager of the Manas TGP, then worked as manager in the Bata LLP and executive director in the Abyz LLP. From 1999, he worked as assistant to senior vice president, secretary of the board of directors, Atyrau Refinery OJSC. During the same year, he began working in CJSC "NOC "Kazakhoil". In 2002, he was appointed deputy director of the oil and gas refining and petrochemistry department, and later -deputy director of the petrochemistry development department of the Company. From 2003 to 2006, he was employed as head of the capital construction office, general director of the business under construction directorate, chief financial officer of the business under construction directorate of the Atyrau Refinery LLP. In 2006, he was appointed deputy general director for production, "Trade House "KazMunaiGaz" JSC. From 2009 to 2013, he was deputy chairman of management board for refining and petrochemistry, managing director for oil refining and marketing, and an advisor for the Company. In 2013, he was appointed deputy chairman of management board for oil refining and marketing for the company and general director of the company for refining & marketing. Since August 2016, he has been a senior vice president at the Company, and from January 2018, he has been oil transportation, refining and marketing executive vice president at the Company. In 2002, he graduated from the Atyrau Institute of Oil and Gas, qualifying as a process engineer. In 1991, he graduated from the Eastern Kazakhstan State University, qualifying as a lawyer.

Daniyar Berlibayev. Mr. Berlibayev started his career in as a junior research fellow in Academy of Sciences of Kazakh SSR, lawyer, and then head of legal department at Barikon. From 1994, he was employed by the National Agency of Foreign Investments as a projects assessment senior specialist, after which was promoted to deputy head of foreign investments management at the National Agency of Foreign Investments under the RK Ministry of Economic Affairs. He worked in the RK State Export-Import Bank (Eximbank) in 1995 as a head of legal due diligence under legal department, further was appointed as a deputy director of legal department. From 1997 up to the present, Mr. Berlibayev has been employed by the Group. From 1997 to 2000 he was head of investment projects, head of corporate financing, executive director of finance, economic and financial adviser at KazTransOil. From 2000, he was promoted to vice president of KazTransGas, and further was a chief economy and finance officer, senior vice president of KTG and deputy general director of Intergas Central Asia. In 2001, he took the office of the senior deputy general director of Oil and Gas Transport NC. In 2002, he was appointed as senior deputy general director of KasTransGas and later as a managing director of corporate management at KazMunayGas NC. From 2002 to 2004 he served as deputy general director of corporate development at KazTransGas, managing director of finance and economy at KazMunayGas NC, and general director of Kazmortransflot. From 2005 to 2007 he was first deputy general director of KazTransGas and general director of Intergas Central Asia. From 2007 to 2009 he held the position of transportation and refining vice president at KazMunayGas NC. In 2009, he was employed by KazMunayGas – Refining and Marketing as a managing director of gas projects, and further was appointed as a general director. In 2011, he was CEO of KazTransGas, and later was appointed as a managing director of gas projects at KazMunayGas NC. In 2012, he was appointed as a senior deputy chairman of management board at KazMunayGas NC. Since 2014, he has been employed by National Company Corporate Center as a deputy chairman of management board and is in charge of strategic development, international partnership and liaison with the governmental bodies. In 1992, he graduated from Kazakh State University named after Al-Farabi with the degree in Laws.

Dauletzhan Khassanov. Mr. Khassanov was the chief finance and economy officer and member of management board at Tau-Ken Samruk National Mining Company in 2018. Prior to that, he worked at

KMG EP as managing director of upstream assets management and deputy general director and member of management board. He was also general director and CEO at Ozenmunaygas and president at Karazhanbasmunay. From 2010 to 2012, he was managing director of share management at KazMunayGaz EP JV, and was also director of support service vehicles and well services. He served as deputy general director of finance and economy, Kazgermunay JV for four years from 2006 to 2010 and was deputy director of finance and economy, director of finance and deputy accounting manager at Embamunaygas, KMG EP prior to that from 2002 to 2006. He also worked as chief accountant at Kaspi, deputy chief accountant at Ozenmunaygas and Embamunaygas, chief accountant at Kurmangazy TD, Kazakhtelecom and deputy chief accountant at Teniz. He graduated from West Kazakhstan Agricultural University in 1993 with a degree in economics and from Atyrau Oil and Gas Institute in 2007 with a mining engineering degree.

Malik Saulebay. Mr. Saulebay has 25 years of professional experience. He started his career in 1995 and until 2000 held various positions in the banking industry (leading economist and Deputy Department Director at Kazpochtabank, senior accountant/controller at JSC ALFA-BANK, Head of Directorate at OJSC TransAsian Trade Bank), and from 2000 to 2005 in public prosecutions (prosecutor at the Prosecutor's Office in the City of Astana, Almatinsky District, Assistant to Deputy General Prosecutor and Head of Directorate at the Prosecutor's Office in the City of Astana and the Transport Prosecutor's Central Regional Office). From 2005 to 2006, he served as Deputy Chairman of the Management Board at JSC Kazakhstan Mortgage Company, Head of Directorate at the Committee on Insolvent Debtors of the Ministry of Finance of the Republic of Kazakhstan. In 2006, he was Director for Asset Management at JSC KazTransGas; from 2007 to 2009 he served as CEO of JSC KazTransOil-Service; and from 2009 to 2011 he worked as Adviser to the CEO, Managing Director for Legal Affairs at JSC KazMunaiGas – Refining and Marketing. From 2011 to 2016, Mr. Saulebay was Managing Director for Legal Affairs, Head of Staff and member of the Management Board at JSC KazMunaiGas Exploration Production; and from 2016 to 2018 he was Vice President for External and Corporate Relations at JSC Karazhanbasmunai. From 2018 to 2019, he was Managing Director for Risk and Legal Affairs and a member of the Management Board at JSC Samruk-Energy. Mr. Saulebay has served at KMG as Managing Director for Legal Affairs since May 2019 and as a member of the Management Board since February 2020.

Dastan Abdulgafarov. Mr. Abdulgafarov has experience working in the Group for more than 18 years, of which he served 14 years in senior positions. At different periods he worked as a lawyer in the international contract department, Chief Manager of the new projects development department, Director of the new projects development department, Deputy director, then Director of the new offshore projects development department, Head of the project management group at KMG and JSC "MNC KazMunaiTeniz". He held a position as an Advisor of the General Director, Managing Director for Business Development and Deputy General Director for Economics and Finance at JSC KazMunaiGas Exploration Production, Managing Director to support the exploration and production business and worked as Head of Staff – Managing Director for Development at KMG.

Chairman of the Management Board

The Chairman of the Management Board is the Company's chief executive officer. The current Chairman of the Management Board, Alik Aidarbayev, was appointed by a resolution of the Management Board of Samruk-Kazyna in 2018.

The business address of the Chairman of the Management Board is the registered office of the Company at Kunayev Street 8, Nur Sultan 010000, Kazakhstan.

Internal Audit Service

The Internal Audit Service is a unified centralised body of the Company directly subordinate to and accountable to the Board of Directors. The Internal Audit Service exercises control over the financial and economic activities of the Group in accordance with the laws of Kazakhstan (namely the Law of Kazakhstan "On the National Welfare Fund") and internal policies and procedures of the Company, assesses the field of internal control and risk management, executes corporate governance documents and consults in order to improve the activities of the Group.

The main goal of the Internal Audit Service is to provide the Board of Directors with independent and objective information intended for the effective management of the Group by introducing a systematic approach on improving the processes of risk management, internal control and corporate governance. The Internal Audit Service carries out its activities in accordance with the annual plan approved by the Board of Directors.

Management Remuneration

In accordance with the Company's charter, the remuneration of the members of the Board of Directors is determined by the shareholders, whilst remuneration of the Chairman of the Management Board, the members of the Management Board and the Internal Audit Service is determined by the Board of Directors based on the policy of the shareholders.

Total compensation to the key management personnel of the Company amounted to KZT 11,399 million for the year ended 31 December 2019, KZT 8,999 million for the year ended 31 December 2018 and KZT 9,022 million for the year ended 31 December 2017. Compensation to key management personnel consists of salary and a performance bonus based on operating results.

Employment Contracts with Senior Executive Officers

In general, the Company enters into employment contracts of indefinite duration with its senior executive officers. Under these contracts, the senior executive officers of the Company are entitled, in addition to their regular salary, to annual bonuses based on the Company's annual performance.

Conflicts of Interest

There are no potential conflicts of interest between any duties owed to the Company by members of the Board of Directors, the Management Board, the Chairman of the Management Board and the Internal Audit Service and their private interests or other duties, save that Uzakbay Karabalin holds 9,655 ordinary shares in KTO and Daniyar Berlibayev holds 9,655 ordinary shares in KTO.

SHARE CAPITAL, SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Share Capital

The Company was formed in February 2002 with an initial share capital of KZT 47,874.0 million, which was contributed by the transfer to the Company of 14,561,629 common shares of Kazakhoil with a nominal value of KZT 1,000 per share and 333,119,985 common shares of CJSC NC of Oil and Gas Transport with a nominal value of KZT 100 per share. On 7 August 2002, the Company registered its share capital in the amount of KZT 48,874.0 million including a further contribution of KZT 1.0 million in cash, comprising of 95,747,255 common shares with a nominal value of KZT 500 per share.

In 2004, 2005 and 2006, the share capital of the Company was increased as a result of the issue of new shares to the Government in consideration for cash contributions, which was partially offset by certain sums owed to the Government and expenses incurred by the Government and by the transfer of shares of certain Government owned entities to the Company. On 28 January 2006, the Government shares in the Company were transferred to Samruk-Kazyna. Samruk-Kazyna is the majority shareholder of the Company and is, in turn, wholly-owned by the Government. On 7 August 2015, NBK purchased 58,420,748 of ordinary shares of the Company, amounting to a 10 per cent. *plus* one share interest in the Company, from Samruk-Kazyna. As at 31 December 2019, NBK's ownership interest has been diluted to approximately 9.58 per cent. of the ordinary shares of the Company.

As at 31 December 2019, the Company's share capital was KZT 916,541 million, and the Company had 610.1 million shares outstanding and 239.4 unissued shares. In 2018 the Company issued 20,719,604 common shares (compared to an issue 5,187, 152 common shares in 2017). As consideration the Company received high, medium and low pressure gas pipelines and associated facilities with the fair value of KZT 207,196 million (compared to KZT 12,968 million in 2017) that were previously recognised as additional paid-in capital and cash for KZT 7,000 (compared to KZT 1,000 in 2017). The gas pipelines were recognised as additional paid-in capital based on trust management agreement, which served as a mechanism until the legal title for pipelines transferred to the Group.

In 2013, Samruk-Kazyna adopted a new dividend policy, which provides for a differentiated approach to the payment of dividends by entities within the Samruk-Kazyna group depending on their profitability and level of investments required to be used in their operations and expansion plans. According to this policy, all entities in which Samruk-Kazyna holds a controlling interest, including the Company, must pay a dividend of no less than 30 per cent. of their net profit per year, subject to reductions for the costs of social and investment projects. The Company's dividend policy provides for guaranteed payment of dividends on the state-owned stake; ensures financial support for Samruk-Kazyna's activities, including new activities and investment projects financed by Samruk-Kazyna; and requires that the Group companies finance their own growth programmes, including investment activities.

In 2019, the Company declared dividends for 2018 of KZT 60.64 per common share in a total amount of KZT 36.9 billion. In 2018, the Company declared dividends for 2017 of KZT 61.54 per common share in the total amount of KZT 36.3 billion. In 2017, the Company declared dividends for 2016 of KZT 11.32 per common share in the amount of KZT 6.7 billion and dividends for 2013 of KZT 66.52 per common share in the amount of KZT 39.2 billion. See Note 24 to the Financial Statements.

Samruk-Kazyna

Samruk-Kazyna is wholly-owned by the Government and is the national managing holding company for substantially all state enterprises. Samruk-Kazyna was created in 2008 pursuant to the Presidential Edict № 669, dated 13 October 2008, and the Resolution of the Government № 962, dated 17 October 2008, by way of the merger of JSC "Kazakhstan Holding for Management of State Assets", "Samruk" and JSC "Sustainable Development Fund" "Kazyna". Samruk-Kazyna is a joint stock company whose shares are held by the Ministry of Finance's Committee of State Property and Privatisation on behalf of Kazakhstan. At the end of 2008, 100 per cent. of the Company's shares were transferred to Samruk-Kazyna. In August 2015, Samruk-Kazyna sold 10 per cent. *plus* one share of its interest in the Company to NBK. Since August 2015, NBK's ownership interest has been diluted to approximately 9.58 per cent. of the ordinary shares of the Company.

Samruk-Kazyna's primary objective is to manage shares (participatory interests) of legal entities it owns with a goal of maximising long-term value and increasing competitiveness of such legal entities in world markets. Another goal of Samruk-Kazyna is to achieve transparency in operations within its group, including through procurement procedures, which extend to the operations of the Company. See "*Regulation in Kazakhstan—S-K Rules*".

Whilst statements have appeared, from time-to-time, in the press with respect to a potential initial public offering by Samruk-Kazyna of a minority stake in the Company and the Company is included in the list of companies that are candidates for partial privatisation in the 2016 Complex Privatisation Plan, the terms and timing of any such sale have not been finalised. The Company continues to believe that it has the strong support of the Government, which has historically assisted the Company by providing financing and strategic support and otherwise played an important role in the expansion of the Company's operations, reserves, production levels and transportation and refining networks.

The governance of Samruk-Kazyna's activities is subject to general corporate governance applicable to all joint stock companies in Kazakhstan. Accordingly, the corporate governance structure of Samruk-Kazyna is as follows: the Government, as the shareholders constitutes the supreme governing body, the board of directors constitutes the managing body, and the management board constitutes the executive body.

Members of Samruk-Kazyna's board of directors are appointed by the Government, and its members are, amongst others, the Deputy Head of the Administration of the President of the Republic of Kazakhstan, the Minister of National Economy, independent directors and the CEO of Samruk-Kazyna. In addition, the board of directors is chaired by the Prime Minister of Kazakhstan.

NBK

NBK is the central bank of Kazakhstan. It was formed on 13 April 1993 as a result of the reorganisation of the Kazakh Republican bank. It is accountable to the President of the Republic of Kazakhstan, but within the limits of authority granted by its enabling legislation, is independent in its activities.

Relationships between the Company and Subsidiaries, Joint Ventures and Associates of the Company

The Company's subsidiaries, joint ventures and associates enter into transactions with each other from time-to-time. Set out below is a summary of the material agreements and transactions that have been entered into amongst the Company's subsidiaries, joint ventures and associates other than in the ordinary course of business.

Relationships between the Company and TCO

Several material agreements have been entered into amongst TCO and its partner, including the Company and the Government. These agreements set out a number of important rights, including TCO taxation and royalty arrangements with the Government, economic stabilisation provisions relating to changes in taxes or other levies and TCO right to export its products and to receive and retain revenue in hard currency in offshore accounts.

Formation Agreement

The formation agreement establishing TCO was entered into on 2 April 1993 (the "**Formation Agreement**") and was last amended on 13 October 2004. The Formation Agreement provides that TCO's objectives are to develop hydrocarbon resources and explore, produce, process, store, transport, export and sell hydrocarbons, hydrocarbon products, and sulphur. The term of the Formation Agreement is 40 years.

The Formation Agreement may terminate prior to the expiration of its term under the following circumstances: (a) mutual agreement of its partners; (b) insolvency of the partnership or withdrawal of one of the partners in accordance with the Formation Agreement; (c) bankruptcy, liquidation or similar events affecting one of its partners; (d) breach by one of the partners of a material obligation under the Formation Agreement, subject to a cure period; (e) a change of control, merger, amalgamation or reconstruction of one of the partners or any person who has control of a partner, except that, as applicable to the Company, no change of control will be considered to occur in the event the Company, or any Kazakhstan legal entity which has control of the Company is privatised, restructured, merged, amalgamated, reconstructed or incorporated in such a way that no person other than the Government holds, directly or indirectly, more than a 10 per cent. interest in the Company or such Kazakhstan legal entity.

The Formation Agreement provides that each of TCO's partners has an undivided interest in TCO equal to its participatory interest. Parent companies of TCO's partners have entered into guarantees whereby they guarantee to the Government, to TCO and to TCO's partners, their affiliate's cash call obligations under the Formation Agreement. The Company's obligations are guaranteed by the Government.

The Formation Agreement provides that TCO's highest governing body is the general meetings of its partners conducted in the form of (a) Partnership Council meetings or (b) meetings of its partners to accomplish matters reserved to them at law. The Partnership Council consists of eight members: three appointed by Chevron Overseas, two appointed by the Government (failing whom, the Company); two appointed by ExxonMobil Kazakhstan Ventures Inc. and one appointed by LukArco. TCO's General Director and Deputy General Director are unofficial members of the Partnership Council. Unless otherwise agreed, the Government (failing whom, the Company) nominates the Chair of the Partnership Council (subject to a vote) but the Chair has no authority to represent TCO.

The Formation Agreement provides that Partnership Council meetings are held at TCO offices at least quarterly, unless decided otherwise by Partnership Council. A quorum of at least 81 per cent. of TCO's Participatory Interests is required for any Partnership Council meetings. Each partner has one vote weighted in accordance with its participatory interest. All Partnership Council decisions require the affirmative vote of at least 81 per cent. of participatory interests in TCO, except for the fundamental issues that must be decided unanimously, which include:

- termination, liquidation or winding up of TCO's operations, appointment of a receiver or liquidator, or entering into any arrangement with creditors, entering into any scheme or arrangement with its creditors or appointment of a receiver or liquidator or any analogous event;
- commencement of any new businesses, trading under any name other than "Tengizchevroil" or discontinuing any of TCO's business;
- any sale, transfer, lease, licence, right to use or disposal of all or a substantial part of TCO's business, undertaking or assets;
- any consolidation, amalgamation, merger, acquisition or disposal of any interest in securities, business or assets of any other entity or becoming a partner in any other partnership;
- applying for or surrendering any exploration or production licence or relinquishing any area covered by a licence; and
- entering into or amending any loan agreement with a partner or affiliate of a partner representing certain transactions, including cash calls from the partners, unless such agreements or amendments are made on identical terms to all partners (with differences in amounts as required by different participatory interests).

Under the Formation Agreement, Chevron Overseas Company provides management and administrative expertise to TCO, including nomination of all of department heads of TCO except the heads of the Governmental Relations, Human Resources and Legal Departments, which are jointly nominated by the Company, ExxonMobil Kazakhstan Ventures Inc. and Chevron Overseas Company or, failing a joint nomination, Kazakhstan. The Formation Agreement requires that all nominees must be qualified to perform their jobs.

Financial Arrangements under Formation Agreement

The Formation Agreement, to the extent TCO does not have sufficient cash available, establishes its right to require its partners, in proportion to their participatory interests, to make up cash deficiencies required to conduct partnership activities in accordance with approved work programmes and budgets. These cash calls are to be advanced in U.S. Dollars and accounted for as loans between TCO and its partners. If TCO is required to make alternative arrangements in order to obtain cash from other sources to cover the shortage caused by a partner (or partners) not paying its cash call, the defaulting partner shall reimburse TCO all costs incurred for obtaining the cash from such other sources with interest established under the Formation Agreement. Defaults on cash calls may be made up by non-defaulting partners of TCO and are compensated with interest and a pre-emptive right to defaulting partner's share of any of revenue of TCO upon distribution until repaid.

Where such a default lasts for 90 days, non-defaulting partners of TCO may within 60 days thereafter elect to buy the defaulting partner's interest or liquidate TCO. In any such liquidation the non-defaulting partner may purchase TCO's assets for a price to be agreed with the liquidation commission. If a price cannot be agreed, non-defaulting partners have the right of first refusal with respect to the purchase of such assets by others. Under the Formation Agreement, the right to cash calls by TCO partners exists only between TCO and its partners and may be enforced only by TCO and its partners. Nothing in the Formation Agreement confers any rights or remedies on any person other than the parties to it, their respective successors and assigns and TCO, and no provision gives any third person any right of subrogation or action over and against any other party.

TCO Advanced Oil Sale Transaction

In March 2016, KMG Finance, as seller, and KMG, as guarantor, entered into an advanced sale of oil transaction, which was extended in 2017. See "*Business—Exploration and Production—Megafields—TCO—TCO Advanced Oil Sale Transaction*".

Transfer and Assignment of Interest

The Formation Agreement provides that each of TCO's partners has the right to transfer all or part of its interest in TCO to any person capable of performing its obligations, subject to the consent (not to be unreasonably withheld) of the other partners. If any such transfer is to a non-affiliate, the transferring partner shall first offer to sell or transfer all or part of such participatory interest to the non-transferring partners, but where TCO partners cannot agree on terms within 45 days, the transferring partner has 180 days thereafter to sell its interest to qualified third parties (subject to the consent of non-transferring partners of TCO, which shall not be unreasonably withheld) on terms no more favourable than those offered to non-transferring partners of TCO. Under the Formation Agreement TCO's partners may withdraw from the partnership at any time after giving 180 days advance notice. Other partners have 45 days from receipt of such notice to accept the withdrawing partner's interest (subject to assumption of all future obligations related thereto) or join in withdrawal. Withdrawal does not excuse a partner from its financial obligations existing or accrued up to the date of the withdrawal notice.

Project Agreement

The project agreement of TCO was entered into on 2 April 1993 and was last amended on 13 October 2004 (the "**Project Agreement**") and sets forth the parties' obligations with respect to payments, taxes, royalty and other matters associated with the activities of TCO. Pursuant to the Project Agreement, TCO has exclusive rights until 6 April 2033 to develop and produce all hydrocarbons, hydrocarbon products and sulphur from its concession area, as set out in its production licence, which is currently valid until 6 April 2023 with a possibility of extension for another 10-year term. The Government is obligated to ensure that TCO operations are not adversely affected by the actions and operations of other operators in the area with respect to emissions and the use of natural resources and the infrastructure.

The Project Agreement provides that agreements between TCO and Kazakhstan with respect to (a) taxes and other governmental exactions, (b) royalty, (c) exchange, transportation, export and marketing and (d) currency matters until 6 April 2033. The Project Agreement may not be modified or cancelled without the express written agreement of the parties thereto.The Project Agreement, and certain other foundation documents of TCO were approved by the Government Decree No. 260 dated 5 April 1993 and Edict of the President of Kazakhstan No.1168 dated 6 April 1993.

The aforesaid stabilisation provisions allow TCO to apply tax rates set forth in the Project Agreement. For instance, TCO applies 15 per cent. withholding tax on profit distributions made by TCO to the Company.

Kashagan Advanced Oil Sale Transaction

In November 2016, KMG Kashagan B.V. entered into a prepayment transaction in relation to the advanced sale of the crude oil produced at the Kashagan Field. See "*Business—Exploration and Production—Megafields—NCPC—Kashagan Advanced Oil Sale Transaction*."

LLP "PSA"

In June 2010, the Company established LLP "PSA", a 100 per cent.-owned subsidiary (as at 31 December 2017) with charter capital of KZT 4,077.0 million. LLP "PSA" is responsible for the PSAs covering the North Caspian Project (Kashagan Field), Karachaganak Field and Dunga Field, respectively. Although LLP "PSA" is legally owned by the Company, as at the date of this Base Prospectus, 100 per cent. of the participatory interests in LLP "PSA" were transferred to the MOG and are held by the Ministry of Energy under a trust management agreement with the Company.

LLP "PSA" is responsible for the PSAs covering the North Caspian Project (Kashagan Field), Karachaganak Field and Dunga Field, respectively. The primary objective of LLP "PSA" is to monitor and protect the interests of the Government through ensuring compliance of all parties with their respective obligations under certain PSAs. According to the decisions of the Intergovernmental Committee for Development of Oil, Gas and Energy Sectors, certain functions and authorities of the Ministry of Energy (as the successor to the MOG) as the "authorised body" under the PSAs are delegated to LLP "PSA". At the time of the relevant decisions, such delegation was considered to be temporary and the Company understands that the Government has since considered transferring the interests in LLP "PSA" from the Company to the Ministry of Energy. As at the date of this Base Prospectus, however, there has been no change in the ownership or trust management arrangements of LLP "PSA", and the delegation remains in force. The Ministry of Energy, the Company and LLP "PSA" are still engaged in ongoing discussions regarding the most appropriate structure to optimise and protect the interests of all parties. As at the date of this Base Prospectus, no immediate decision or action is expected.

Neither the creation of the MOG in 2010, the subsequent establishment of LLP "PSA" and the delegation to it of the functions of the "authorised body" under the PSAs, nor the recent re-organisation of the Government and creation of the Ministry of Energy have to date, nor are expected to, adversely affect the Company's status as the designated beneficiary of the Government's pre-emptive rights to acquire interests in Subsoil Use Agreements or the Company's reserves or other commercial interests.

Relationships with Certain Related Parties

The Company also enters into transactions with related parties other than those described above. See Note 31 to the Financial Statements and Note 20 to the Interim Financial Statements. The Company identifies related party transactions as transactions between its subsidiaries, joint ventures and associates and:

- the key management personnel of the Company;
- enterprises in which a substantial interest in the voting shares is owned, directly or indirectly, by the Company's key management personnel; or
- Samruk-Kazyna entities and other entities controlled by the Government.

Related party transactions are made in accordance with Kazakhstan law, including the JSC Law, as well as Samruk-Kazyna internal regulations, on terms agreed between the parties. Such terms 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 tables provide the total amount of transactions, which have been entered into with related parties for the periods and as at the dates indicated:

Related party	For the period ended	Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
		(KZT millions)			
Samruk-Kazyna entities[(1)]	30 June 2020 (unaudited)	6,631	12,330	14,165	1,174
	30 June 2019 (unaudited)	22,441	9,932	11,242	1,357
	31 December 2019	42,250	20,030	24,054	2,841
	31 December 2018	63,951	25,372	23,370	—
	31 December 2017	66,161	29,897	28,365	—
Associates	30 June 2020 (unaudited)	12,045	14,329	2,205	—
	30 June 2019 (unaudited)	3,554	14,427	5,054	—
	31 December 2019	19,565	40,930	8,892	—
	31 December 2018	23,150	22,529	9,800	—
	31 December 2017	9,598	38,648	10,414	—
Other state-controlled parties	30 June 2020 (unaudited)	20,318	10,046	11,791	13,458
	30 June 2019 (unaudited)	5,313	1,238	—	12,838
	31 December 2019	7,149	3,540	1,300	20,728
	31 December 2018	157	48,882	—	29,748
	31 December 2017	—	2,942	—	25,694
Joint ventures	30 June 2020 (unaudited)	146,499	548,577	15,863	230
	30 June 2019 (unaudited)	152,759	778,917	15,187	464
	31 December 2019	307,075	1,511,600	43,324	11,183
	31 December 2018	321,806	1,487,044	27,264	3,258
	31 December 2017	318,155	1,000,164	25,869	10,769

Related party	As at	Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowing s payable to related parties
		(KZT millions)			
Samruk-Kazyna entities[(1)]	30 June 2020 (unaudited)	361,022	1,786	—	49,518
	31 December 2019	327,597	6,168	—	52,843
	31 December 2018	268,396	3,656	52	
	31 December 2017	289,084	1,703	54	
Associates	30 June 2020 (unaudited)	28,558	3,360	—	—
	31 December 2019	56,331	3,814	—	—
	31 December 2018	116,670	2,089	—	
	31 December 2017	154,954	3,748	—	
Other state-controlled parties	30 June 2020 (unaudited)	4,279	8,148	163,705	290,235
	31 December 2019	6,381	712	192,548	269,335
	31 December 2018	157	8,813	—	455,540
	31 December 2017	—	8,753	2,676	489,949
Joint ventures	30 June 2020 (unaudited)	436,243	289,567	—	—
	31 December 2019	519,351	217,027	—	—
	31 December 2018	508,260	174,042	—	—
	31 December 2017	556,564	194,182	—	—

Note:
(1) Includes primarily transactions of the Company with Samruk-Kazyna, JSC National Company Kazakhstan Temir Zholy, JSC Kazakhtelecom, JSC Kazatomprom, JSC KEGOK, JSC Kazpost, JSC Samruk-Energo and other entities.

Transactions with Samruk-Kazyna and other state controlled entities are mainly represented by transactions of the Company with NC Kazakhstan Temir Zholy JSC, NC Kazakhtelecom JSC, NAC Kazatomprom JSC, KEGOK JSC, Kazpost JSC and Samruk-Energo JSC and other entities.

Companies in the Samruk-Kazyna group of companies are subject to the S-K Rules, which require them to conduct a public tender for certain purchases of goods, works or services aimed at ensuring that Samruk-Kazyna group companies enter transactions only on market terms and conditions.

In October 2015, Coöperatieve KazMunaiGaz U.A sold 50 per cent. of its shares in KMG Kashagan B.V. to Samruk-Kazyna for an amount of US$4.7 billion, with a call option to buy back all or part of the shares effective from 1 January 2018 to 31 December 2020 (subject to extension by mutual agreement). In January 2018, the exercise period for the call option was extended to between 1 January 2020 and 31 December 2022. Samruk-Kazyna subsequently transferred these shares back to the Group to be held in trust management for Samruk-Kazyna, and the Group continues to control the daily operations of KMG Kashagan B.V. In January 2018, the Amsterdam District Court issued a judgment in which it upheld an earlier *ex parte* attachment granted to the Stati Parties with respect to the Republic of Kazakhstan's 8.44 per cent. shareholding in KMG Kashagan B.V. held through Samruk-Kazyna. The attachment does not effect the day-to-day management of Samruk-Kazyna's stake in KMG Kashagan B.V., save for payment of dividends to Samruk-Kazyna, but does prevent the Group from exercising the call option to buy back all or part of the shares in KMG Kashagan B.V.

Sales to related parties

In 2019 sales to joint ventures were mainly represented by transportation and cargo servicing provided to TCO for KZT 64,246 million (2018: KZT 43,896 million, 2017: KZT 44,225 million), transportation charges and oil servicing provided to Mangistaumunaigas for KZT 59,235 million (2018: KZT 56,927 million, 2017: KZT 55,615 million) for KZT 79,281 million (2018: KZT 70,255 million, 2017: KZT 66,949 million, respectively), respectively.

Purchases from related parties

In 2019 purchases from joint ventures were mainly attributable to purchases of crude oil and LPG from TCO to perform an oil delivery customer contract for KZT 1,131,890 million (2018: KZT 1,132,908 million, 2017: KZT 819,258 million).

Due from/to related parties

As at 30 June 2020, the increase in due from Samruk-Kazyna entities is mainly due to additional tranches of financial aid of KZT 26,141 million provided to Samruk-Kazyna. As at 31 December 2019 due from Samruk-Kazyna entities is mainly represented by the financial aid provided to Samruk-Kazyna for KZT 307,568 million and bonds of KAT 16,241 million (2018: KZT 244,878 million and KZT 15,315 million, 2017: KZT 259,835 million and KZT 18,342 million)

As at 30 June 2020, the decrease in due from associates was mainly attributable to the interest repayment on the Kazakhstan Note of KZT 24,363 million. As at 31 December 2019 due from associates was mainly represented by the loan to CPC provided by KPV of KZT 8,691 million (2018: KZT 20,682 million, 2017: KZT 27,402 million) and "Kazakhstan Note" of KZT 38,670 million (2018: KZT 89,018 million, 2017: KZT 121,510 million). The "Kazakhstan Note" is the subordinated debt issued by CPC to the Government in exchange for Kazakstani pipeline assets transferred to CPC on 16 May 1997. In 2015, the Government contributed the right to claim payments under the "Kazakhstan Note" to the share capital of the Company.

As at 30 June 2020, the decrease in due from joint ventures is mainly due to settlement of advances paid to TCO for crude oil delivery.The increase in due to joint ventures is primarily attributable to the increase in accounts payable to TCO for crude oil by KZT 49,565 million and due to BeineuShymkent Pipelines for gas transportation by KZT 17,721 million. As at 31 December 2019 due from joint ventures were mainly represented by the loan given to Beineu-Shymkent Pipelines of KZT 202,669 million (2018: KZT 226,319 million, 20l7: KZT 207,557 million), PKOP of KZT 110,172 million (2018: KZT 133,531 million, 2017: KZT 133,676 million), UGL of KZT 48,752 million (2018: KZT 37,669 million, 2017: KZT 28,049 million) and advances paid to TCO for KZT 92,435 million (2018: KZT 56,753 million, 2017: KZT 52,539 million) under crude oil and LPG purchase contract. As at 31 December 2019 due to joint ventures were mainly represented by accounts payable to BeineuShymkent Pipelines of KZT 95,908 million (2018: KZT 39,429 million, 2017: KZT 55,131 million) and Asia Gas Pipeline for gas transpo1tation of KZT 39,323 million (2018: KZT 23,596 million, 2017: KZT 27,143 million), and accounts payable for gas purchases from KazRosGas for KZT 30,477 million (2018: KZT 50,845 million, 2017: KZT 25,395 million).

Cash and deposits placed with related parties

As at 31 December 2019 the cash and deposits placed with related parties are mainly attributable placed deposit by the Company for US$500 million (equivalent to KZT 192,547 million) at market rate. As at 30 June 2020, the decrease in cash and deposits is due to withdrawal of deposits placed with the related party of US$200 million (equivalent to KZT 75,174 million as of the withdrawal date) and additional placement of US$100 million (equivalent to KZT 42,541 million as of placement date, 5 May 2020).

Borrowings payable to related parties

As at 31 December 2019 the borrowings payable to related parties are represented by loans received from DBK by Atyrau Refinery, Pavlodar Refinery and KTG of KZT 269,335 million (loans and bonds payable to DBK 2018: KZT 455,540 million, 2017: KZT 483,749 million). As at 30 June 2020, the increase in the borrowings from related parties is mainly due to that the Group received additional loan from DBK for KZT 46,062 million, which was partially offset by the effect of the repayment of the loan to DBK for total amount of KZT 30,823 million, including interest.

Proceeds from loans given to related parties

During the six months ended 30 June 2020, the Group received proceeds from principal and interest redemption of the loan issued to PetroKazakhstan Oil Products LLP ("**PKOP**"), a joint venture, for KZT 15,487 million (during the six months ended 30 June 2019: KZT 15,181 million), and proceeds from interest redemption of the loan issued to CPC for KZT 6,180 million (during the six months ended 30 June 2019: KZT 5,518 million), BeineuShymkent Pipelines for KZT 4,564 million (during the six months ended 30 June 2019: KZT 2,116 million), and the "Kazakhstan Note" for KZT 24,363 million (during the six months ended 30 June 2019: KZT 20,889 million).

In 2019 the Group received proceeds from principal and interest redemption of the loan issued to PKOP for KZT 29,949 million (2018: KZT 28,110 million, in 2017: KZT 7,392 million), CPC for KZT 12,656 million (2018: KZT 11,609 million, 2017: KZT 9,077 million), BeineuShymkent Pipelines for KZT 31,988 million (2018: KZT 12,775 million, 2017: nil), and proceeds from interest on the "Kazakhstan Note" for KZT 47,663 million (2018: KZT 44,822 million, 2017: KZT 35,143 million).

Key management employee compensation

Total compensation to key management personnel (members of the Boards of directors and the Management boards) included in general and administrative expenses in the accompanying consolidated statement of comprehensive income was equal to KZT 3,51 million and KZT 4,029 million for the six months ended 30 June 2020 and 2019, respectively, and KZT 11,399 million, KZT 8,999 million and KZT 9,022 million for the years ended 31 December 2019, 2018 and 2017, respectively. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

Privatisation Plan

Pursuant to the Government's 2016 Complex Privatisation Plan, the Company has disposed of certain non-core assets, including 100 per cent. of the shares of Eurasia Air, which was completed in November 2017, and plans to dispose of certain other assets, including 51 per cent. of KMG International, which is expected to be completed by the end of June 2018, subject to certain conditions precedent which have yet to be fulfilled. Other assets which the Company is expected to dispose of pursuant to the Government's 2016 Complex Privatisation Plan include 51 per cent. of the shares of Kazmortransflot, 100 per cent. of the Company's interest in Kazakh-British Technical University (each of which is expected to take place by the end of 2019) and 100 per cent. of the shares of each of Rominserve Valves IAIFO, Global Security System SA and Palplast SA, each of which are subsidiaries of KMG International. The mandatory disposal of such non-core assets is intended to promote the Company's ability to focus on its core businesses.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET - Solely for the purposes of [the/each] manufacturer's product approval process, the targeted market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Defined in Directive 2014/65/EU (as amended "**MiFID II**"); 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 manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][1]

[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Notes are not intended to be offered, sold to and should not be offered, sold to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom (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 (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 ("**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) № 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling any inscope instrument or otherwise making such instruments available to retail investors in the EEA or in the UK has been prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful.][2]

Final Terms dated [●]

JSC NC "KAZMUNAYGAS"

KAZMUNAIGAZ FINANCE SUB B.V.

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]

US$10,500,000,000 Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [●] [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a Base Prospectus (the "**Base Prospectus**") for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**"). This document constitutes the Final Terms of the Notes described herein prepared for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with such Base Prospectus. Full information on the relevant Issuer and, if the relevant Issuer is KMG Finance, KMG and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [The Base Prospectus has been published [on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html], copies are available for viewing during normal business hours at [*address*] and copies may be obtained from [*address*].]]

1 Legend to be included following completion of the target market assessment in respect of the Notes, taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 2 June 2017.

2 Legend to be included if the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA and UK Retail Investors" as "Applicable".

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [●] [and the supplemental Base Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein prepared for the purposes of Article 8 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**") and must be read in conjunction with the Base Prospectus dated [●] [and the supplemental Base Prospectus dated [●]], which [together] constitute[s] a Base Prospectus for the purposes of the Prospectus Regulation (the "**Base Prospectus**"), save in respect of the Conditions which are extracted from the Base Prospectus dated [●] [and the supplemental Base Prospectus dated [●]] and are attached hereto. Full information on the relevant Issuer and, if the relevant Issuer is KMG Finance, KMG and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [●] and [●], respectively, [and the supplemental Base Prospectuses dated [●]. [The Base Prospectuses [and the supplemental Base Prospectuses] have been published [on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html], copies are available for viewing during normal business hours at [*address*] and copies may be obtained from [*address*].]]

[The following language applies if the Notes are issued pursuant to Rule 144A]

[THE NOTES REFERRED TO HEREIN THAT ARE REPRESENTED BY A RULE 144A GLOBAL NOTE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A THAT IS ALSO A QUALIFIED PURCHASER AS DEFINED IN SECTION 2(A)(51) OF THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO A QUALIFIED PURCHASER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF NOTES REPRESENTED BY A RULE 144A GLOBAL NOTE.]

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK, SEE THE SECTION ENTITLED "RISK FACTORS" SET OUT IN THE BASE PROSPECTUS.]

1.	[(i)]	Issuer:	[KMG Finance] [KMG]
	[(ii)	Guarantor:	KMG]
2.	[(i)]	Series Number:	[●]
	[(ii)]	Tranche Number:	[●]
	[(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [●] on [[●]/[Not Applicable]]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount of Notes:		[●]
	[(i)]	Series:	[●]
	[(ii)	Tranche:	[●]]
5.	Issue Price:		[●]% of the Aggregate Nominal Amount [*plus* accrued interest from [●]]
6.	(i)	Specified Denominations:	[●]
	(ii)	Calculation Amount:	[●]

7.	(i)	Issue Date:	[●]
(ii)		Interest Commencement Date	[●]
8.		Maturity Date:	[●]
9.		Interest Basis:	[[●]% Fixed Rate] [●]+/- [●]% Floating Rate] [Zero Coupon] (See paragraph [13/14/15] below)
10.		Redemption/Payment Basis:	[Redemption at par]
11.		Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below at paragraphs 16-17)]
12.		[Date [Board] approval for issuance of Notes [and Guarantee] obtained:	[●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate[(s)] of Interest:	[●]% per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with Business Day Convention/not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[30/360 / Actual/ Actual (ICMA/ISDA)]
	(vi)	Determination Dates:	[[●] in each year/Not Applicable *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where day Count Fraction is Actual/Actual(ICMA))*]
14.	**Floating Rate Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Interest Period(s):	[●] [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (iv) below is specified to be Not Applicable]]]
	(ii)	Specified Period/Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (iv) below is specified to be Not Applicable]] *(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
	(iii)	First Interest Date:	[●]
	(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/ No Adjustment] [Not Applicable]
	(v)	Additional Business Centre(s):	[●]

(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
(viii)	Screen Rate Determination:	[Applicable/Not Applicable] (*if not applicable, delete the remaining sub-paragraphs of this paragraph*)
	– Term Rate:	[Applicable/Not Applicable]
	– Overnight Rate:	[Applicable/Not Applicable] *(If not applicable, delete the remaining limbs of this sub-paragraph)*
	• Calculation Method:	[Compounded Daily Rate/Weighted Average Rate/Not Applicable]
	• Observation Method:	[Lag/Lock-out/Observation Shift/Not Applicable]
	• Lag Look-back Period:	[5/[●] Relevant Business Days][Not Applicable]
	• Observation Shift Period:	[5/[●] Relevant Business Days][Not Applicable]
	• D:	[365/360/[●]] days
–	Index Determination:	[Applicable/Not Applicable]
	– Reference Rate	[[●] month [LIBOR / EURIBOR]/SONIA/SOFR/€STR]
	– Interest Determination Date(s):	[●] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	– Reference Banks	[●]
	– Relevant Screen Page:	[●] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
	– Relevant Financial Centre:	[●]
(ix)	ISDA Determination:	[●]
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	– ISDA Definitions	2006
(x)	CMS Rate Determination:	[Applicable/Not Applicable]
	– CMS Reference Rate:	[●]
	– Interest Determination Date:	[●]
	– Relevant Screen Page:	[●]
	– Relevant Time:	[●]
	– Margin Multiplier:	[Not Applicable]/[●]
	– Designated Maturity:	[●]

		– CMS Floating Leg Rate:	[●] (as defined in the ISDA Definitions)
	(xi)	Margin(s):	[+/-][●]% per annum
	(xii)	Minimum Rate of Interest:	[●]% per annum
	(xiii)	Maximum Rate of Interest:	[●]% per annum
	(xiii)	Day Count Fraction:	[●]
	(xiv)	Relevant Rates Benchmark:	[●]
	(xv)	Other Relevant Rates Benchmark:	[●] *(specify any applicable Relevant Rates Benchmark which is not a Reference Rate. Otherwise delete line)*
	(xvi)	Alternative Pre-nominated Reference Rate:	[*specify*][Not Applicable] (specify in respect of each Relevant Rates Benchmark)
15.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable]
	(i)	[Amortisation/Accrual] Yield:	[●]% per annum
	(ii)	Reference Price:	[●]
	(iii)	Day Count Fraction in relation to Early Redemption Amounts:	[[30/360][Actual/360][Actual/365]]

PROVISIONS RELATING TO REDEMPTION

16.	**Call Option**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount:	[●] per Calculation Amount
17.	**Put Option**		[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
18.	**Par Option Commencement Date**		[●]
19.	**Final Redemption Amount of each Note**		[●] per Calculation Amount
20.	**Early Redemption Amount**		
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:		[●] per Calculation Amount / [Par]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	**Form of Notes**:		[Registered Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Registered Global Note]
22.	**Financial Centre(s)**:		[Not Applicable/[●]]

THIRD PARTY INFORMATION

[(*Relevant third party information*) has been extracted from [Not Applicable/[●]]. [Each of KMG Finance and] KMG confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [Not Applicable/[●]], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

[Signed on behalf of KMG Finance:

By: ....
Duly authorised]

Signed on behalf of KMG:

By: ....
Duly authorised

FINAL TERMS

PART B – OTHER INFORMATION

1. **LISTING**

(i) Listing:	London Stock Exchange plc [and Kazakhstan Stock Exchange]
(ii) Admission to trading:	Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market with effect from [●]. [Application has also been made by the Issuer (or on its behalf) for the Notes to be admitted to the "bonds" category of the "debt securities" sector of the "main" platform of the official list of the Kazakhstan Stock Exchange with effect from [●].]
(iii) Estimate of total expenses related to admission to trading:	[●]

2. **RATINGS**

Ratings:	[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]: [S & P: [●]] [Moody's: [●]] [Fitch: [●]] [Other: [●]] [Not Applicable]

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business. *(Amend as appropriate if there are other interests)*]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.)]

4. **[Fixed Rate Notes only – YIELD**

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. **DISTRIBUTION**

Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable]

6. **OPERATIONAL INFORMATION**

ISIN:	[●]
Common Code:	[●]
CUSIP:	[●]]
Any clearing system(s) other than [DTC,] Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying	[●]

Agent(s) (if any):

TERMS AND CONDITIONS OF THE NOTES

This Note is one of a duly authorised issue of notes (the "**Notes**"), issued either by JSC NC "KazMunayGas" ("**KMG**") or KazMunaiGaz Finance Sub B.V. ("**KMG Finance**") under a US$10,500,000,000 Global Medium Term Note Programme (the "**Programme**") established by KMG Finance and KMG. Where KMG Finance acts as the Issuer of Notes, the payment of all amounts owing by KMG Finance in respect of such Notes will be unconditionally and irrevocably guaranteed by KMG pursuant to the guarantee (the "**Guarantee**") contained in the Trust Deed (as defined below).

The Notes are constituted by an amended and restated Trust Deed dated 3 April 2018, as supplemented by a supplemental trust deed dated 28 September 2020, (and as may be further amended or supplemented from time to time, the "**Trust Deed**") between KMG Finance, KMG and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all Persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes referred to below. Payments in respect of the Notes will be made pursuant to an amended and restated Agency Agreement dated 3 April 2018 (as may be amended or supplemented from time to time, the "**Agency Agreement**") entered into in relation to the Notes among KMG Finance, KMG, the Trustee, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**" and a "**Paying Agent**"), and a transfer agent (a "**Transfer Agent**"), and calculation agent (the "**Calculation Agent**"), Citigroup Global Markets Europe AG as registrar (the "**Registrar**"), and Citibank Europe plc as paying agent and transfer agent (a "**Paying Agent**" and a "**Transfer Agent**"). Copies of the Trust Deed, the Agency Agreement and any Final Terms are available for inspection upon reasonable request during usual business hours at the principal office of the Trustee (presently at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the Final Terms. All Capitalised terms that are not defined in these conditions will have the meanings given to them in the Trust Deed and the Final Terms.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects except for the date of issue of the Notes (the "**Issue Date**"), Interest Commencement Date and the amount of the first interest payment.

1. Form, Denomination and Title

The Notes are issued in registered form in the Specified Denomination(s) shown in the Final Terms or integral multiples thereof, without interest coupons, provided that (i) the Specified Denomination(s) shall not be less than €100,000 or its equivalent in other currencies and (ii) interests in the Rule 144A Notes shall be held in amounts of not less than US$200,000 or its equivalent in other currencies.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the Final Terms.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no Person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the Person in whose name a Note is registered, "**holder**" shall be read accordingly and capitalised terms have the meanings given to them in the Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Transfers of Notes

(a) **Transfer of Notes:** One or more Notes may be transferred, in whole or in part in the authorised denominations set out in the applicable Final Terms and subject to minimum transfer amounts specified therein, upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the relevant Note or Notes, together with the form of transfer endorsed on such Note or Notes (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of a Note, a new Note shall be issued to the transferee in respect of the part transferred and a further new Note in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer or, if the Issuer is KMG Finance, KMG, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) **Exercise of Options or Partial Redemption in Respect of Notes:** In the case of an exercise of the Issuer's, KMG's or Noteholders' options in respect of, or a partial redemption of, a holding of Notes, a new Note shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Notes shall be issued in respect of those Notes of that holding that have the same terms. New Notes shall only be issued against surrender of the existing Notes to the Registrar or any Transfer Agent. In the case of a transfer of Notes to a Person who is already a holder of Notes, a new Note representing the enlarged holding shall only be issued against surrender of the Note representing the existing holding.

(c) **Delivery of New Notes:** Each new Note to be issued pursuant to Conditions 2(a) or (b) shall be available for delivery within five business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 10(h)) and surrender of the Note for exchange. Delivery of the new Note(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Note shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) **Transfer Free of Charge:** Transfer of Notes on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) **Closed Periods:** No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of, any

Interest Amount in respect of, that Note, or (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Conditions 10(e), (f), (g) or (i) after any such Note has been called for redemption.

(f) **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 Rule 144A Global Note or of Rule 144A Definitive Notes to a U.S. person who is not a QIB and a QP.

3. Guarantee and Status

(a) **Status of the Notes:** The Notes constitute direct, general, unconditional and (subject to Condition 4) unsecured obligations of the Issuer which rank and will 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 only for such obligations as may be preferred by mandatory provisions of applicable law.

(b) **Status of the Guarantee:** Where KMG Finance is the Issuer of the Notes, KMG has, in accordance with the Guarantee, unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by KMG Finance in respect of the Notes and the Trust Deed. The obligations of KMG under the Guarantee constitute direct, general, unconditional and (subject to Condition 4) unsecured obligations of KMG which rank and will rank at least pari passu in right of payment with all other present and future unsecured and unsubordinated obligations of KMG, save only for such obligations as may be preferred by mandatory provisions of applicable law.

4. Negative Pledge

(a) So long as any of the Notes remains outstanding (as defined in the Trust Deed), KMG shall not, and shall not permit any Material Subsidiary to, create, incur, assume or suffer to exist any Security Interest, other than a Permitted Security Interest (as defined below) upon the whole or any part of its undertaking, property, assets or revenues, present or future, to secure for the benefit of the holders of any Relevant Indebtedness (as defined below):

(i) payment of any sum due in respect of any such Relevant Indebtedness;

(ii) any payment under any guarantee of any such Relevant Indebtedness; or

(iii) payment under any indemnity or other like obligation relating to any such Relevant Indebtedness,

without in any such case at the same time or prior thereto procuring that the Notes (x) are secured equally and rateably with such Relevant Indebtedness for so long as such Relevant Indebtedness is so secured or (y) have the benefit of such other guarantee, indemnity or other like obligations or such other security (in each case) as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or (z) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

(b) For purposes of this Condition 4:

"**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;

"**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 KMG or any of its Material Subsidiaries 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 KMG or any of its Material Subsidiaries in respect of any default by any Person under the financing;

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

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

(ii) any Security Interest comprising the Guarantee of Notes issued by KMG Finance under the Programme; or

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

(iv) any Security Interest existing on any property, income or assets of any company at the time such company becomes a Material Subsidiary of KMG or such property, income or assets are acquired (whether as a result of an acquisition, merger, consolidation or otherwise) by KMG or any Material Subsidiary provided that such Security Interest was not created in contemplation of such event and that no such Security Interest shall extend to other property, income or assets of such company or the Group; or

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

(vi) any Security Interest created or existing in respect of Relevant Indebtedness the principal amount of which (when aggregated with the principal amount of any other Relevant Indebtedness which has the benefit of a Security Interest or Security Interests) does not exceed 20 per cent. of the consolidated total assets, as determined by reference to the most recently available consolidated financial statements prepared in accordance with IFRS of KMG; or

(vii) 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 (i) to (vi) 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

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

"**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; and

"**Security Interest**" means any mortgage, pledge, encumbrance, easement, restriction, covenant, right-of-way, servitude, lien, charge or other security interest or adverse claim of any kind (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction and any conditional sale or other title retention agreement or lease in the nature thereof).

5. Limitation on Sales of Assets

So long as any amount remains outstanding under the Notes:

(a) KMG will not, and will not permit any Material Subsidiary to, either in a single transaction or in a series of transactions (whether related or not), sell, lease, transfer or otherwise dispose of all or any of its respective assets or properties (including shares of Capital Stock) to any Person, except as follows:

(i) disposals of assets or properties for which KMG or such Material Subsidiary (as the case may be) receives consideration at the time of such disposal at least equal to the Fair Market Value (including as to the value of all non-cash consideration) of assets subject to such disposal; or

(ii) disposals of assets or properties in the ordinary course of business by KMG or the relevant Material Subsidiary; or

(iii) disposals of assets or properties between or among KMG and any Material Subsidiaries; or

(iv) disposals of assets or properties, which are obsolete, surplus, redundant or not necessary for the operation of KMG's or the relevant Material Subsidiary's business or are otherwise non-core assets; or

(v) disposals of any shares of Capital Stock in, or any assets or properties of, any or all of KazMunayGas International N.V., KazTransGas JSC and KazRosGas LLP; or

(vi) disposals of any assets or properties (including any present or future assets or revenues) of KMG or any Material Subsidiary, or any part thereof, which are the subject of any securitisation, any receivables, asset-backed financing or similar financing structure or any product delivery contracts, forward sale or prepayment agreements or other similar arrangements, whereby, in any such case, all payment obligations are to be discharged solely from such assets or revenues; or

(vii) disposals of assets or properties having an aggregate Net Book Value not exceeding 2 per cent. of the aggregate Net Book Value of the Group in any one calendar year.

(b) For purposes of this Condition 5:

"**Fair Market Value**" means, with respect to any asset of KMG or a Material Subsidiary, the price which could be negotiated in an arm's-length, market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined in good faith by the Board of Directors of KMG or the relevant Material Subsidiary, whose determination will be conclusive or, in the case of any disposal for a value exceeding US$200 million, by an Independent Appraiser; and

"**Independent Appraiser**" means any of PricewaterhouseCoopers LLC, KPMG LLC, Deloitte & Touche LLP, Ernst & Young LLP or such reputable investment banking, accountancy or appraisal firm of international standing selected by the competent management body of KMG or relevant Material Subsidiary; *provided* it is not an Affiliate of KMG or any Material Subsidiary.

"**Net Book Value**" means:

(i) in relation to assets or properties that may be sold, leased, transferred or otherwise disposed of pursuant to this Condition 5, balance sheet value of the relevant asset or property, being its purchase price, after adding taxes and customs duties payable in connection with the acquisition and after excluding amortisation, depreciation and impairment of the asset; and

(ii) in relation to the Group, means the amount determined by subtracting the total liabilities of KMG from the total assets of KMG, as reflected on the balance sheet of KMG's consolidated financial statements.

In each case calculated on a consistent basis as applied in the preparation of KMG's consolidated financial statements for the relevant year.

6. Provision of Financial Information

So long as any amount remains outstanding under the Notes:

(a) KMG shall deliver to the Trustee as soon as they become available, but in any event within five months after the end of each of its financial years, copies of KMG's consolidated financial statements for such financial year, audited by an internationally recognised firm of accountants as may be nominated by KMG, prepared in accordance with IFRS consistently applied with the corresponding financial statements for the preceding period.

(b) KMG shall as soon as the same become available, but in any event within 90 days following the end of each first half year of each of its financial years, deliver to the Trustee KMG's unaudited consolidated financial statements for such period.

(c) KMG hereby undertakes that it will deliver to the Trustee, without undue delay, such additional information regarding the financial position or the business of KMG, any Material Subsidiary as the Trustee may reasonably request, including providing certification according to the Trust Deed.

7. Limitations on Reorganisations

So long as any amount remains outstanding under the Notes:

(a) KMG 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 KMG or KMG and the Material Subsidiaries (taken as a whole) (in each case, a "**Reorganisation**") unless:

(i) either (X) KMG will be the surviving or continuing Person; or (Y) the surviving or continuing Person (if other than KMG) will assume the performance and observation of all of the obligations and conditions of these Conditions and the Trust Deed, as may be amended from time to time, to be performed by KMG; and

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

(b) 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 KMG (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 KMG.

(c) For the avoidance of doubt, and subject to the provisions of Condition 10(d), any Material Subsidiary may consolidate with, merge with or otherwise enter into any transaction comprising a Reorganisation with KMG or another Subsidiary of KMG.

8. No Change of Business

So long as any amount remains outstanding under the Notes, KMG shall not, and shall ensure that no Material Subsidiary will engage in any business other than: (a) oil and gas exploration, production, transportation, refining and processing, (b) electricity generation; (c) chemicals; (d) any wholesale or retail marketing relating to any of the foregoing; or(e) any business reasonably related, ancillary or complementary thereto; provided, however, that nothing in this Condition 8 shall prevent any member of the Group from undertaking any activities or operations so long as such activities or operations do not cause a material change in the nature of the Group's overall business.

9. Interest and other Calculations

(a) Interest on Fixed Rate Notes: Each Fixed Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 9(f).

If a Fixed Coupon Amount or a Broken Amount is specified in the Final Terms, the amount of interest payable per Calculation Amount on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the Final Terms.

(b) **Interest on Floating Rate Notes:**

(i) **Application**

This Condition 9(b) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the Final Terms as being applicable.

(ii) **Accrual of Interest**

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after 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 Principal Paying Agent or the Trustee (as applicable) 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).

(iii) **Screen Rate Determination – Term Rate**

(A) If Screen Rate Determination and Term Rate are both specified in the Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will, subject as provided below, be either:

(I) the offered quotation; or

(II) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (in the Relevant Financial Centre) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(B) If the Relevant Screen Page is not available or if, in the case of (A) above, no offered quotation appears or if, in the case of (B) above, fewer than three offered quotations appear, in each case as at the time specified in the preceding paragraph, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the time specified in the preceding paragraph on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the margin (if any), all as determined by the Calculation Agent.

(C) If paragraph (B) above applies and the Reference Rate is an inter-bank offered rate and on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately the time specified on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro zone inter- bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 9(b)(iii)(C), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period in place of the margin relating to that last preceding Interest Period).

(D) If paragraph (B) above applies and the Reference Rate is specified in the Final Terms as being the CMS Rate, and on any Interest Determination Date one only or none of the Reference Banks are providing quotations for the Reference Rate, the Reference Rate will be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(E) If the Floating Rate Notes of any Series become immediately due and repayable under Condition 14 (*Events of Default*), the rate and/or amount of interest payable in respect of them will be calculated by the Calculation Agent at the same intervals as if such Notes had not become due and repayable, the first of which will commence on the expiry of the Interest Period during which the Notes of the relevant Series become so due and repayable mutatis mutandis in accordance with the provisions of this Condition 9(b) except that the rates of interest need not be published.

(iv) **Screen Rate Determination – Overnight Rate**

Where Screen Rate Determination and Overnight Rate are both specified in the Final Terms, as the manner in which the Rate of Interest is to be determined, the Final Terms will also specify the Calculation Method either as Compounded Daily Rate (in which case the provisions of paragraph (A) below shall apply) or Weighted Average Rate (in which case the provisions of paragraph (B) below shall apply).

If the relevant Series of Notes becomes due and payable in accordance with Condition 14 *(Events of Default*), the final Rate of Interest shall be calculated for the Interest Period to (but excluding) the date on which the Notes become so due and payable, and such Rate of Interest shall continue to apply to the Notes for so long as interest continues to accrue thereon as provided in Condition 9(d).

(A) Calculation Method – Compounded Daily Rate

Where the Final Terms specifies the Calculation Method as Compounded Daily Rate, the Rate of Interest for an Interest Period will, subject to Condition 9(b)(vii) (*Benchmark Discontinuance or Prohibition on Use*), as applicable and as provided below, be the Compounded Daily Reference Rate plus or minus (as indicated in the Final Terms) the applicable Margin, where:

"**Compounded Daily Reference Rate**" means, with respect to an Interest Period, the rate of return of a daily compound interest investment in the Specified Currency (with the applicable Reference Rate – being either SONIA, SOFR or €STR, as specified in the Final Terms, and further described below – as the reference rate for the calculation of interest) as calculated by the Calculation Agent as at the relevant Interest Determination Date (i) (if "Index Determination" is specified as being applicable in the Final Terms) by reference to the screen rate or index administered by the administrator of the applicable Reference Rate that is published or displayed by such administrator or other information service from time to time at the relevant time on the relevant Interest Determination Date, as further specified in the Final Terms; or (ii) (if "Index Determination" is specified as being not applicable in the Final Terms or "Index Determination" is specified as being applicable in the Final Terms but such screen rate or index is not available at the relevant time on the relevant Interest Determination Date), in accordance with the relevant following formula (and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards):

<u>Observation Shift</u>

where "Observation Shift" is specified as the Observation Method in the Final Terms:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{r_i \times n_i}{D}\right)-1\right]\times\frac{D}{d}$$

where:

"D" is the number specified in the Final Terms;

"d" is, for a relevant Observation Period, the number of calendar days in such Observation Period;

"d_o" is, for a relevant Observation Period, the number of Relevant Business Days in such Observation Period;

"i" is, for a relevant Observation Period, a series of whole numbers from one to d_0, each representing a Relevant Business Day in chronological order from (and including) the first Relevant Business Day in such Observation Period;

"**Relevant Business Day**" means:

(1) if "SONIA" is specified in the Final Terms as the applicable Reference Rate, any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London; or

(2) if "SOFR" is specified in the Final Terms as the applicable Reference Rate, a U.S. Government Securities Business Day; or

(3) if €STR is specified in the Final Terms, a Target Settlement Day;

"n_i" for any Relevant Business Day "i" in a relevant Observation Period, means the number of calendar days from (and including) such Relevant Business Day "i" to (but excluding) the following Relevant Business Day;

"Observation Period" means, in respect of a relevant Interest Period, the period from (and including) the date falling "p" Relevant Business Days prior to the first day of such Interest Period to (but excluding) the date which is "p" Relevant Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" Relevant Business Days prior to such earlier date, if any, on which the Notes become due and payable);

"p" means, for a relevant Interest Period, the number of Relevant Business Days specified as the Observation Shift Period in the Final Terms (or, if no such number is specified, five Relevant Business Days), provided that "p" shall not be less than three Relevant Business Days at any time and shall not be less than five Relevant Business Days without prior written approval of the Calculation Agent;

"r" means, in respect of any Relevant Business Day, (if "SONIA" is specified in the Final Terms as the applicable Reference Rate) the applicable SONIA rate in respect of such Relevant Business Day or (if "SOFR" is specified in the Final Terms as the applicable Reference Rate) the applicable SOFR rate in respect of such Relevant Business Day or (if "€STR" is specified in the Final Terms, as the applicable Reference Rate) the applicable €STR rate in respect of such Relevant Business Day; and

"r_i" means, for any Relevant Business Day, the applicable SONIA rate, SOFR rate or €STR rate (as applicable) as set out in the definition of "r" above in respect of the such Relevant Business Day.

Lag

where "Lag" is specified as the Observation Method in the Final Terms:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{r_{i-pBD} \text{ x } n_i}{D}\right) - 1\right] \text{ x } \frac{D}{d}$$

where:

"D" is the number specified in the Final Terms;

"d" is, for a relevant Interest Period, the number of calendar days in such` Interest Period;

"d_o" is, for a relevant Interest Period, the number of Relevant Business Days in the relevant Interest Period;

"i" is, for a relevant Interest Period, a series of whole numbers from one to d_0, each representing a Relevant Business Day in chronological order from (and including) the first Relevant Business Day in such Interest Period;

"**Relevant Business Day**" means:

(1) if "SONIA" is specified in the Final Terms as the applicable Reference Rate, any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London; or

(2) if "SOFR" is specified in the Final Terms as the applicable Reference Rate, a U.S. Government Securities Business Day; or

(3) if "€STR" is specified in the Final Terms the applicable Reference Rate, a Target Settlement Day;

"n_i" for any Relevant Business Day "i" in a relevant Interest Period, means the number of calendar days from (and including) such Relevant Business Day "i" to (but excluding) the following Relevant Business Day;

"p" means the number of Relevant Business Days included in the Lag Look-Back Period specified in the Final Terms (or, if no such number is specified, five Relevant Business Days), provided that "p" shall not be less than three Relevant Business Days at any time and shall not be less than five Relevant Business Days without prior written approval of the Calculation Agent;

"r" means, in respect of any Relevant Business Day, (if "SONIA" is specified in the Final Terms, as the applicable Reference Rate) the applicable SONIA rate in respect of such Relevant Business Day or (if "SOFR" is specified in the Final Terms, as the applicable Reference Rate) the applicable SOFR rate in respect of such Relevant Business Day or (if "€STR" is specified in the Final Terms, as the applicable Reference Rate) the applicable €STR rate in respect of such Relevant Business Day; and

"r_{i-p}BD" means, for any Relevant Business Day "i" in the relevant Interest Period, the applicable SONIA rate, SOFR rate or €STR rate (as applicable) as set out in the definition of "r" above in respect of the Relevant Business Day falling "p" Relevant Business Days prior to the applicable Relevant Business Day "i".

<u>Lock-out</u>

where "Lock-out" is specified as the Observation Method in the Final Terms:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{r_{i-pBD} \times n_i}{D}\right)-1\right] \times \frac{D}{d}$$

where:

"D" is the number specified in the Final Terms;

"d" is, for a relevant Interest Period, the number of calendar days in such Interest Period;

"d_o" is, for a relevant Interest Period, the number of Relevant Business Days in such Interest Period;

"i" is, for a relevant Interest Period, a series of whole numbers from one to d_0, each representing a Relevant Business Day in chronological order from (and including) the first Relevant Business Day in such Interest Period;

"**Relevant Business Day**" means:

(1) if "SONIA" is specified in the Final Terms as the applicable Reference Rate, any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London; or

(2) if "SOFR" is specified in the Final Terms as the applicable Reference Rate, a U.S. Government Securities Business Day; or

(3) if "€STR" is specified in the Final Terms, a Target Settlement Day;

"n_i" for any Relevant Business Day "i" in a relevant Interest Period, means the number of calendar days from (and including) such Relevant Business Day "i" up to (but excluding) the following Relevant Business Day;

"r" means:

(1) in respect of any Relevant Business Day "i" that is a Reference Day, (if "SONIA" is specified in relevant Final Terms, as the applicable Reference Rate) the applicable SONIA rate in respect of the Relevant Business Day immediately preceding such Reference Day or (if "SOFR" is specified in the Final Terms, as the applicable Reference Rate) the applicable SOFR rate in respect of the Relevant Business Day immediately preceding such Reference Day or (if "€STR" is specified in the Final Terms, as the applicable Reference Rate) the applicable €STR rate in respect of such Relevant Business Day, and

(2) in respect of any Relevant Business Day "i" that is not a Reference Day (being a Relevant Business Day in the Lock-out Period), (if "SONIA" is specified in the Final Terms, as the applicable Reference Rate) the applicable SONIA rate in respect of the Relevant Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date) or (if "SOFR" is specified in the Final Terms, as the applicable Reference Rate), the applicable SOFR rate in respect of the Relevant Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date) or (if "€STR" is specified in the Final Terms, as the applicable Reference Rate), the applicable €STR rate in respect of the Relevant Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);

"r_i" means the applicable SONIA rate, SOFR rate or €STR rate (as applicable) as set out in the definition of "r" above for the applicable Relevant Business Day "i";

"**Reference Day**" means each Relevant Business Day in the relevant Interest Period, other than any Relevant Business Day in the Lock-out Period; and

"**Lock-out Period**" means, with respect to an Interest Period, the period from, and including, the day following the Interest Determination Date (which shall be not less than three Relevant Business Days prior to the relevant Interest Payment Date and shall be not less than five Relevant Business Days without prior written approval of the Calculation Agent) for such Interest Period to (but excluding) (A) the Interest Payment Date for such Interest Period or (B) if different, the date on which the relevant payment of interest falls due.

(B) Calculation Method – Weighted Average Rate

Where the Final Terms, specifies the Calculation Method as Weighted Average Rate, the Rate of Interest for an Interest Period will, subject to Condition 9(b)(vii) (*Benchmark Discontinuance or Prohibition on Use*), as applicable and as provided below, be the Weighted Average Reference Rate plus or minus (as indicated in the Final Terms) the applicable Margin, where:

"**Weighted Average Reference Rate**" means, as calculated by the Calculation Agent as at the relevant Interest Determination Date, in accordance with the following sub-paragraphs (and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards):

(I) where 'Lag' is specified as the Observation Method in the Final Terms, the sum of the Reference Rates in respect of each calendar day during the relevant Observation Period divided by the number of calendar days in the relevant Observation Period (and, for these purposes, the Reference Rate in respect of any such calendar day which is not a Relevant Business Day shall be deemed to be the Reference Rate in respect of the Relevant Business Day immediately preceding such calendar day); or

(II) where 'Lock-out' is specified as the Observation Method in the Final Terms, the sum of the Reference Rates in respect of each calendar day during the relevant Interest Period divided by the number of calendar days in the relevant Interest Period (and, for these purposes, the Reference Rate in respect of any such calendar day which is not a Relevant Business Day shall, subject to the following proviso, be deemed to be the Reference Rate in respect of the Relevant Business Day immediately preceding such calendar day), *provided* however that for any calendar day of such Interest Period falling in the Lock-out Period, the relevant Reference Rate will be deemed to be the Reference Rate in respect of the Relevant Business Day immediately preceding the Interest Determination Date for the relevant Interest Period; and

"**Observation Period**" means, in respect of a relevant Interest Period, the period from (and including) the date falling "p" Relevant Business Days prior to the first day of such Interest Period to (but excluding) the date which is "p" Relevant Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" Relevant Business Days prior to such earlier date, if any, on which the Notes become due and payable).

(C) **Fallback provisions – SONIA**

Where SONIA is specified in the Final Terms, as the applicable Reference Rate, then if, in respect of any Relevant Business Day on which an applicable SONIA rate is required to be determined, such SONIA rate is not available on the Relevant Screen Page (and has not otherwise been published by the relevant authorised distributors), then (unless the Calculation Agent has been notified of any Alternative Pre-nominated Reference Rate or Alternative Rate (and any related Spread Adjustment and/or adjustment determinations) pursuant to Condition 9(b)(vii) (*Benchmark Discontinuance or Prohibition on Use*), if applicable) the SONIA rate in respect of such Relevant Business Day shall be:

(I) the sum of (1) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00 p.m. (or, if earlier, close of business) on such Relevant Business Day and (2) the mean of the spread of the SONIA rate to the Bank Rate over the previous five Relevant Business Days on which a SONIA rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads); or

(II) if the Bank Rate under 9(b)(iv)(C)(I) above is not available at the relevant time, either (1) the SONIA rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding Relevant Business Day on which the SONIA rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) or (2) if this is more recent, the latest rate determined under (I) above,

and, in each case, "r" shall be construed accordingly under Condition 9(b)(iv) (*Screen Rate Determination – Overnight Rate*).

(D) **Fallback provisions – SOFR**

Subject to Condition 9(c)(vii) (*Benchmark Discontinuance or Prohibition on Use*), where SOFR is specified in the Final Terms, as the applicable Reference Rate then if, in respect of any Relevant Business Day, such Reference Rate is not available, then (unless the Calculation Agent has been notified of any Alternative Pre-nominated Reference Rate or Alternative Rate (and any related Spread Adjustment and/or adjustment determinations) pursuant to Condition 9(c)(vii) (*Benchmark Discontinuance or Prohibition on Use*), if applicable) the SOFR in respect of such Relevant Business Day shall be deemed to be the SOFR for the first preceding Relevant Business Day on which the SOFR was published on the New York Fed's Website, and "r" shall be construed accordingly under Condition 9(b)(iv) (*Screen Rate Determination – Overnight Rate*).

(E) **Fallback provisions – €STR**

Subject to Condition 9(b)(vii) (*Benchmark Discontinuance or Prohibition on Use*), where €STR is specified in the Final Terms, as the applicable Reference Rate then if, in respect of any Relevant Business Day, such Reference Rate is not available, then (unless the Calculation Agent has been notified of any Alternative Pre-nominated Reference Rate or Alternative Rate (and any related Spread Adjustment and/or adjustment determinations) pursuant to Condition 9(b)(vii) (*Benchmark Discontinuance or Prohibition on Use*), if applicable) the €STR in respect of such Relevant Business Day shall be deemed to be the €STR for the first preceding Relevant Business Day on which the €STR was published on the Relevant Screen Page, and "r" shall be construed accordingly under Condition 9(b)(iv) (*Screen Rate Determination – Overnight Rate*).

(F) **Further fallbacks – SONIA, SOFR and €STR**

In the event that the Rate of Interest cannot be determined in accordance with any of the foregoing provisions, but without prejudice to Condition 9(b)(vii) (*Benchmark Discontinuance or Prohibition on Use*) (as applicable), the Rate of Interest shall be:

(I) that determined as at the last preceding Interest Determination Date (though substituting where a different Margin, Business Day Convention, Interest Determination Date (or any other rate fixing date) and related provisions and definitions of the Notes is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin, Business Day Convention, Interest Determination Date (or any other rate fixing date) and related provisions and definitions of the Notes (as the case may be) relating to the relevant Interest Period, in place of the Margin, Business Day Convention, Interest Determination Date (or any other rate fixing date) and related provisions and definitions of the Notes (as applicable) relating to that last preceding Interest Period); or

(II) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Notes for the first scheduled Interest Period had the Notes been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (applying the Margin and, if applicable, any Business Day Convention, Interest Determination Date (or any other rate fixing date) and related provisions and definitions of the Notes, applicable to the first scheduled Interest Period).

(v) ISDA Determination

If ISDA Determination is specified in the Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(A) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the Final Terms;

(B) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the Final Terms; and

(C) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the Final Terms.

(vi) CMS Rate Determination

If CMS Rate Determination is specified in the Final Terms, as the manner in which Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to such Notes (the "**CMS Rate Notes**") for each Interest Period will be the sum of the Margin and the CMS Rate (or the rate as determined in accordance with the provisions below) or, if a Margin Multiplier is specified in the Final Terms, the sum of: (a) the Margin; and (b) the CMS Rate (or the rate as determined in accordance with the provisions below) multiplied by the Margin Multiplier, as determined by the Calculation Agent.

If the CMS Rate does not appear on the Relevant Screen Page at or around the Relevant Time, the Calculation Agent shall determine a percentage on the basis of the mid-market semi-annual swap rate quotations provided by the Reference Banks at approximately 11:00 a.m. in the Principal Financial Centre of the Specified Currency, on the relevant Interest

Determination Date. The Calculation Agent will request the principal office in the Principal Financial Centre of the Specified Currency of each of the Reference Banks to provide a quotation of its rate, and

(A) if at least three quotations are provided, the rate for that Interest Determination Date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); and

(B) if fewer than three quotations are provided, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes hereof,

"**CMS Floating Leg Rate**" means the Floating Rate Option (as defined in the ISDA Definitions) specified as such in the Final Terms, with a Designated Maturity (as defined in the ISDA Definitions) of three months;

"**CMS Rate**" means the CMS Reference Rate as specified in the Final Terms which appears on the Relevant Screen Page at or around the Relevant Time on the relevant Interest Determination Date;

"**CMS Reference Rate**" means the Rate Option (as defined in the ISDA Definitions) specified as such in the Final Terms, with a Designated Maturity (as defined in the ISDA Definitions) as specified in the Final Terms;

"**Margin Multiplier**" has the meaning given in the Final Terms;

"**Representative Amount**" means an amount that is representative for a single transaction in the relevant market at or around the Relevant Time; and

"**semi-annual swap rate**" means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on basis of the relevant Day Count Fraction, of a fixed-for-floating Specified Currency interest rate swap transaction with a term equal to the Designated Maturity specified in the Final Terms, commencing on that Interest Determination Date and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on basis of the Day Count Fraction, is equivalent to the CMS Floating Leg Rate.

(vii) ***Benchmark Discontinuance or Prohibition on Use***

Notwithstanding the provisions of Condition 9(b)(i) to 9(b)(vi) above or any other provision of these Conditions, if the Issuer determines that any of the following events has occurred:

(A) a public statement or publication of information by or on behalf of the administrator of the Relevant Rates Benchmark announcing that it has ceased or will cease to provide the Relevant Rates Benchmark permanently or indefinitely, provided that, at the time of statement or publication, there is no successor administrator that will continue to provide the Relevant Rates Benchmark; or

(B) a public statement or publication of information by the regulatory supervisor for the administrator of the Relevant Rates Benchmark, the central bank for the currency of the Relevant Rates Benchmark, an insolvency official with jurisdiction over the administrator of the Relevant Rates Benchmark, a resolution authority with jurisdiction over the administrator of the Relevant Rates Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator of the Relevant Rates Benchmark, which states that the administrator of the Relevant Rates Benchmark has ceased or will cease to provide the Relevant Rates Benchmark permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Relevant Rates Benchmark; or

(C) a public statement or publication of information by the regulatory supervisor of the administrator of the Relevant Rates Benchmark that, in the view of such regulatory supervisor, such Relevant Rates Benchmark is no longer representative of an underlying market or the methodology to calculate such Relevant Rates Benchmark has materially changed; or

(D) unless otherwise specified in the Final Terms, an Administrator/Benchmark Event occurs in relation to a Relevant Rates Benchmark,

then the Issuer may use, as a substitute for the Relevant Rates Benchmark, and for each future Interest Determination Date (or other rate fixing date), the alternative rates benchmark determined in accordance with the following provisions:

(I) if an alternative reference rate, index or benchmark is specified in the Final Terms, for this purpose (an "**Alternative Pre-nominated Reference Rate**"), such Alternative Pre-nominated Reference Rate; or;

(II) if an Alternative Pre-nominated Reference Rate is not specified in the Final Terms, the alternative reference rate, index or benchmark selected by the central bank, reserve bank, monetary authority or any similar institution (including any committee or working group thereof) in the jurisdiction of the applicable index currency that is consistent with accepted market practice (the rate determined under sub-paragraph (A) above or this sub-paragraph (II), the "**Alternative Rate**").

The Issuer may determine the Spread Adjustment for the Alternative Rate or the Margin, as well as the applicable Business Day Convention, Interest Determination Dates (or any other rate fixing dates) and related provisions and definitions of the Notes, in each case that are consistent with accepted market practice for the use of such Alternative Rate or Margin for debt obligations such as the Notes.

If the Issuer determines that no such Alternative Rate exists on the relevant date, it may determine an alternative rate to be used as a substitute for the Relevant Rates Benchmark (which shall be the "**Alternative Rate**" for the purposes of these provisions), as well as any adjustments to the Margin (including the Spread Adjustment), the Business Day Convention, the Interest Determination Dates (or any other rate fixing dates) and related provisions and definitions in respect of the Notes, in each case, that are consistent with accepted market practice for the use of such Alternative Rate for debt obligations such as the Notes.

The Issuer (acting in good faith and in a commercially reasonable manner) may in its discretion specify:

(E) changes to these Conditions in order to follow market practice in relation to such Alternative Reference Rate, including, but not limited to (1) any

Reference Banks, Business Centre(s), Business Day, Business Day Convention, Day Count Fraction, Interest Determination Date, Relevant Financial Centre and/or Relevant Screen Page applicable to the Notes and (2) the method for determining the fallback to the Rate of Interest in relation to the Notes if such Alternative Rate is not available; and

(F) any other changes which the Issuer determines are reasonably necessary to ensure the proper operation and comparability to the previous Reference Rate of such Alternative Rate (each such change together with any such change required pursuant to Condition 9(b)(vii)(E) above, a "**Benchmark Amendment**" and, together, the "**Benchmark Amendments**").

The Issuer will promptly provide a notice to Noteholders, in accordance with Condition 20 (*Notices*), and to the Trustee and to the Agents to inform them of the occurrence of any of events listed in Conditions 9(b)(vii)(A) to 9(b)(vii)(D) above, the Alternative Rate and any adjustment determinations which will apply to the Notes. The notice shall also confirm the effective date of the Alternative Rate and any adjustments. Any Benchmark Amendments effected pursuant to this Condition 9(b)(vii) shall similarly be notified to the Noteholders in accordance with Condition 20 (*Notices*).

Any consent of the Trustee required in connection with any Benchmark Amendment shall be given in accordance with Condition 15 (*Meetings of Noteholders, Modification, Waiver and Substitution*) and the provisions of the Trust Deed.

No consent of the Noteholders shall be required in connection with the determination by the Issuer of the relevant Alternative Rate or in connection with any Benchmark Amendment, including any changes to these Conditions, the Trust Deed and the Agency Agreement.

For the purposes hereof:

"**Administrator/Benchmark Event**" means, in respect of any Notes, determination by the Issuer that any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of the Relevant Rates Benchmark or the administrator or sponsor of the Relevant Rates Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that any of the Issuer or the Calculation Agent is not, or will not be, permitted under any applicable law or regulation to use the Relevant Rates Benchmark to perform its of their respective obligations in respect of the Notes;

"**Relevant Rates Benchmark**" means, in respect of any Notes:

(A) each Reference Rate (or, if applicable, the index, benchmark or other price source that is referred to in the Reference Rate) other than a Rate of Interest on Fixed Rate Notes;

(B) each Floating Rate Option (as defined in the ISDA Definitions) (or, if applicable, the index, benchmark or other price source that is referred to in the Floating Rate Option (as defined in the ISDA Definitions)); or

(C) any other index, benchmark or other price source specified as a "Relevant Rates Benchmark" in the applicable Final Terms; and

"**Spread Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment.

(c) Zero Coupon Notes: Where a Note, the Interest Basis of which is specified to be Zero Coupon, is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the due date for payment, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 10(b)).

(d) Accrual of Interest: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 9 to the Relevant Date (as defined in Condition 12).

(e) ***Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding:***

(i) If any Margin is specified in the Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 9(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries (as applicable) of such currency.

(f) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the Final Terms and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable for such Interest Accrual Period, in which case the amount of interest payable in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** Subject to Condition 9(b)(vii) (*Benchmark Discontinuance or Prohibition on Use)*, as soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer and, if the Issuer is KMG Finance, KMG, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 9(b), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 14, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) or the Issuer where it makes a determination pursuant to Condition 9(b)(vii) (*Benchmark Discontinuance or Prohibition on Use*) shall (in the absence of manifest error) be final and binding upon all parties.

10. Redemption, Purchase and Options

(a) ***Final Redemption:***

Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 10(d), 10(e), 10(f), 10(g), 10(h), 10(i) or 10 (j), each Note shall be finally redeemed on the Maturity Date specified in the Final Terms at its Final Redemption Amount (which, unless otherwise provided in the Final Terms, is its principal amount).

(b) ***Early Redemption:***

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 10(c) or upon it becoming due and payable as provided in Condition 14 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the Final Terms.

(B) Subject to the provisions of sub-paragraph (C) below, the "**Amortised Face Amount**" of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 10(c) or upon it becoming due and payable as provided in Condition 16 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 9(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the Final Terms.

Other Notes: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 12(c) or upon it becoming due and payable as provided in Condition 14, shall be the Final Redemption Amount unless otherwise specified in the Final Terms.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified in the Final Terms, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 10(b) above) (together with interest accrued to the date fixed for redemption), if, immediately before giving such notice, the Issuer satisfies the Trustee that (a) (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 as a result of any change in, or amendment to, the laws or regulations of the Netherlands (in the case of KMG Finance) or Kazakhstan (in the case of KMG) or any political subdivision or any authority thereof having power to tax therein, 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 the date on which agreement is reached to issue of the first Tranche of the Notes and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it or (b) (i) in respect of Notes issued by KMG Finance, KMG has or (if a demand was made under the Guarantee) would become obliged to pay additional amounts as provided or referred to in Condition 12 or the Guarantee, as the case may be, or KMG has or will become obliged to make any such withholding or deduction of the type referred to in Condition 12 or in the Guarantee, as the case may be, from any amount paid by it to KMG Finance in order to enable KMG Finance to make a payment of principal or interest in respect of the Notes, in either case to any greater extent than would have been required had such a payment been required to be made before the date on which agreement is reached to issue the first Tranche of the Notes 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 the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by KMG (or KMG Finance, as the case may be) 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 or, if the Issuer is KMG Finance, KMG would be obliged to pay such additional amounts or KMG would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due, or (as the case may be) a demand under the Guarantee (if applicable) were then made or (also as the case may be) KMG would be obliged to make a payment to

KMG Finance to enable it to make a payment of principal or interest in respect of the Notes if any such payment on the Notes were then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (1) a certificate signed by two directors of the Issuer (or KMG, as the case may be) 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 (2) an opinion of independent legal advisers in form and substance satisfactory to the Trustee of recognised standing to the effect that the Issuer or (as the case may be) KMG has or will become obliged to pay such additional amounts and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (a)(ii) and/or (b)(ii) above in which event it shall be conclusive and binding on Noteholders.

(d) **Redemption at the Option of Noteholders upon a Change of Control**: If at any time while any Note remains outstanding a Change of Control occurs, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer redeem such Note on the Optional Redemption Date(s) at 100 per cent. of its principal amount together with (or, where purchased, together with an amount equal to) interest accrued to but excluding the Change of Control Put Date (as defined below).

Such option (the "**Change of Control Put Option**") shall operate as set out below.

If a Change of Control occurs then, within 30 days of the occurrence of the Change of Control, the Issuer shall, and upon the Trustee becoming so aware (the Issuer having failed to do so) the Trustee may, and, if so requested by the holders of at least one-fifth in principal amount of the Notes then outstanding, shall, give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 20 specifying the nature of the Change of Control and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, a holder of Notes must deliver at the specified office of any Paying Agent on any Business Day falling within the period commencing on the occurrence of a Change of Control and ending 90 days after such occurrence or, if later, 90 days after the date on which the Change of Control Notice is given to Noteholders as required by this Condition 10(d) (the "**Change of Control Put Period**"), a duly signed and completed notice of exercise in the form (for the time being current and which may, if the certificate for such Notes is held in a clearing system, be any form acceptable to the clearing system delivered in any manner acceptable to the clearing system) obtainable from any specified office of any Paying Agent (a "**Change of Control Put Option Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this paragraph accompanied by the certificate for such Notes or evidence satisfactory to the Paying Agent concerned that the certificate for such Notes will, following the delivery of the Change of Control Put Option Notice, be held to its order or under its control.

The Issuer shall at its option redeem or purchase (or procure the purchase of) the Notes the subject of each Change of Control Put Option Notice on the date (the "**Change of Control Put Date**") seven days after the expiration of the Change of Control Put Period unless previously redeemed or purchased and cancelled. A Change of Control Put Option Notice given by a holder of any Note shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Change of Control Put Option Notice.

For the purposes of this Condition 10(d):

A "**Change of Control**" will be deemed to have occurred upon the occurrence of the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that the Republic of Kazakhstan and/or any other state agencies appropriately authorised to hold the shares of KMG (or any surviving entity of a Reorganisation permitted by Condition 7(a)) ceases to own (directly or indirectly) at least 50 per cent. plus one share of the issued and outstanding voting share capital of KMG (or any surviving entity of a Reorganisation permitted by Condition 7(a)).

"**Reorganisation**" has the meaning given in Condition 7(a).

(e) **Redemption at the Option of the Issuer and Exercise of Issuer's Options:** If Call Option is specified in the Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Final Terms) redeem, or exercise any option of the Issuer (as may be described in the Final Terms) in relation to, all or, if so provided, some of the Notes on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the Final Terms.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall be given in accordance with Condition 20 and specify the principal amount of Notes drawn and the holder(s) of such Notes, to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(f) **Make Whole Redemption at the Option of the Issuer:** At any time prior to the Par Option Commencement Date, the Issuer may, at its option, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (the "**Call Option Notice**") in accordance with Condition 20 and to the Trustee and the Agents 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 10(f):

"**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 20 and the Trustee 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 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.

(g) **Optional Redemption at Par:** The Issuer may, at any time, on or after the date (the "**Par Option Commencement Date**") that is (a) in relation to Notes issued with a maturity of at least ten years, six months prior to the Maturity Date of such Notes; and (b) in relation to Notes issued with a maturity of less than ten years, three months prior to the Maturity Date of such Notes, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (which notice shall specify the date fixed for redemption) (the "Par Optional Redemption Date") in accordance with Condition 20 and to the Trustee and Agents, redeem the Notes in whole or in part, at 100 per cent. of the principal amount thereof, together with accrued interest and unpaid and Additional Amounts (if any) to but excluding the Par Optional Redemption Date. The relevant Par Option Commencement Date will be specified in the Final Terms. In the case of a partial redemption, the Notes shall be selected for redemption either: (a) in accordance with the procedures of the relevant clearing systems; or (b) if the Notes are not held in a clearing system or if the relevant clearing system prescribe no method of selection, 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. Neither the Trustee nor the Agent shall have any liability for any selection made pursuant to this Condition 10(g).

(h) **Redemption at the Option of Noteholders and Exercise of Noteholders' Options:** If Put Option is specified in the Final Terms, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option or any other Noteholders' option that may be set out in the Final Terms (which must be exercised on an Option Exercise Date) the holder must deposit the Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(i) **Redemption by the Issuer following a partial redemption of the Notes at the option of Noteholders:** If, on and as of any Optional Redemption Date, 66 2/3 per cent. or more (on a cumulative basis taking account of the principal amount of all Notes then redeemed or to be redeemed, whether on such Optional Redemption Date or any prior Optional

Redemption Date) of the aggregate principal amount of the Notes originally issued shall have been redeemed in accordance with the provisions of Condition 10(d) or Condition 10(h), the Issuer may, at its sole discretion, within 90 days of such Optional Redemption Date, give not less than 15 or more than 30 days' notice to the Noteholders in accordance with Condition 20 (which notice shall be irrevocable) and to the Trustee and the Agents whereafter the Issuer shall redeem on the expiry date of such notice all (but not some only) of then outstanding Notes at their principal amount together with interest accrued to, but excluding, the date of such redemption.

(j) **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 additional Notes issued pursuant to Condition 19 (Further Issues)) have been redeemed or purchased (other than as a result of the Issuer having exercised a partial call of the Notes pursuant to this Condition 10 at a redemption price higher than as specified immediately below), the Issuer may, at any time prior to the Par Option Commencement Date, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders in accordance with Condition 20 and to the Trustee and 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.

(k) **Purchases:** KMG Finance, KMG and any of their subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

(l) **Cancellation:** All Notes purchased by or on behalf of KMG Finance, KMG or any of their subsidiaries may be held, resold or, at the option of the Issuer, surrendered for cancellation by surrendering the Notes to the Registrar and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and, if the Issuer is KMG Finance, KMG in respect of any such Notes shall be discharged.

11. Payments

(a) **Payments of Principal and Interest:**

(i) Payments of principal in respect of Notes shall be made against presentation and surrender of the relevant Notes at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest on Notes shall be paid to the Person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in the relevant currency by cheque drawn on a bank and mailed by uninsured post to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. The holder of such Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of such Notes as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

(b) **Payments subject to Laws**: Payments will be subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 12, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to FATCA, or (without prejudice to the provisions of Condition 12) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Appointment of Agents:** The Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by KMG Finance and KMG and their respective specified offices are listed below. The Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of KMG Finance, KMG and, in certain circumstances, the Trustee and do not assume any obligation or relationship of agency or trust for or with any Noteholder. KMG Finance and KMG reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) a Paying Agent or Paying Agents having specified offices in at least two major European cities and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee. Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 20.

(d) **Calculation Agent and Reference Banks:** The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the Notes and for so long as any such Note is outstanding (as defined in the Trust Deed). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, within 7 days of the date upon which any such amount is due to be calculated, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

Notice of any such change shall promptly be given to the Noteholders.

(e) **Non-Business Days:** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" in the Final Terms and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

12. Taxation

All payments by or on behalf of the Issuer or, if the Issuer is KMG Finance, KMG in respect of the Notes or under the Guarantee shall be made free and clear of, and without deduction or withholding for, any taxes, duties, assessments, or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Netherlands or the Republic of Kazakhstan or, in either case, any political subdivision or any authority thereof or therein having the power to tax (collectively "**Taxes**") unless such withholding or deduction is required by law. In such event, KMG Finance or (as the case may be) KMG will pay such additional amounts to the holder of any Note as will result in receipt by the Noteholder of such amounts as would have been received by them had no such withholding or deduction on account of any such Taxes had been required, except that no additional amounts shall be payable with respect to any Note:

(a) *Other connection:* to, or to a third party on behalf of, a holder who is liable to such Taxes in respect of such Note by reason of his having some connection with the Netherlands or, in the case of payments by KMG, the Republic of Kazakhstan other than the mere holding of the Note or the receipt of payment thereunder or under the Guarantee; or

(b) *Presentation more than 30 days after the Relevant Date:* presented (or in respect of which the Note representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day;

(c) *Presentation in another jurisdiction: presented* for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union.

Notwithstanding any other provision of the Terms and Conditions of the Notes, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to FATCA or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer, the Paying Agent nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

As used in these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 10 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 9 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

13. Prescription

Claims against KMG Finance and/or KMG for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

14. Events of Default

If any of the following events (each an "**Event of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject to it being indemnified and/or secured and/or prefunded to its satisfaction, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest to the date of such notice:

(a) **Non-payment:** the Issuer fails to pay the principal of any 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 additional amounts on any of the Notes and such default continues for a period of at least seven days in the case of principal or at least fourteen days in the case of interest or additional amounts; or

(b) **Breach of other obligations**: KMG Finance or KMG is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under Notes issued by it, the Guarantee (if applicable) or the Trust Deed (other than a default or breach elsewhere specifically dealt with in this Condition 14) and such default or breach is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to KMG Finance or KMG, as the case may be, by the Trustee; or

(c) **Cross-acceleration**: (i) any Indebtedness for Borrowed Money of KMG Finance, KMG or any Material Subsidiary (a) becomes due and payable prior to the due date for payment thereof by reason of default by KMG Finance, KMG or such Material Subsidiary or (b) is not repaid at maturity as extended by the period of grace, if any, applicable thereto or (ii) any Indebtedness Guarantee given by KMG Finance, KMG or any Material Subsidiary in respect of Indebtedness for Borrowed Money of any other Person is not honoured when due and called, provided that, the principal amount of such Indebtedness for Borrowed Money (whether individually or in the aggregate) exceeds US$250,000,000 (or its equivalent in other currencies); or

(d) **Bankruptcy:** (i) any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, administrator or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities, moratorium of payments or similar arrangements involving KMG Finance or KMG or any Material Subsidiary or all or (in the opinion of the Trustee) substantially all of their respective properties and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 45 days; or (ii) KMG Finance or KMG or any Material Subsidiary shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of KMG Finance or KMG or any Material Subsidiary, as the case may be, or in respect of its property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or KMG Finance or KMG or any Material Subsidiary commences proceedings with a view to the general adjustment of its Indebtedness which event is, in the case of the Material Subsidiary, (in the sole opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or

(e) **Judgments:** The failure by KMG or any Material Subsidiary to pay any final judgment in excess of US$250,000,000 (or its equivalent in other currencies) which final judgment remains unpaid, and undischarged, and unwaived and unstayed for a period of more than 30 consecutive days after such judgment becomes final and non-appealable; or

(f) **Material compliance with applicable laws**: KMG Finance or KMG fails to comply in any 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 KMG Finance or KMG lawfully to exercise its rights or perform or comply with its obligations under the Notes, the Guarantee or the Trust Deed or the Agency Agreement or to ensure that those obligations are legally binding and enforceable or to ensure 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 and the Trustee certifies that such non-compliance is, in the sole opinion of the Trustee, materially prejudicial to the interests of Noteholders; or

(g) **Invalidity or Unenforceability:** (i) the validity of Notes, the Trust Deed, the Guarantee or the Agency Agreement is contested by KMG Finance or KMG or KMG Finance or KMG shall deny any of its obligations under the Notes, the Trust Deed, the Guarantee (if applicable) or the Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (ii) it is or becomes unlawful for KMG Finance or KMG to perform or comply with all or any of its obligations set out in the Notes, the Trust Deed, the Guarantee (if applicable) or the Agency Agreement or (iii) all or any of KMG Finance's or KMG's obligations set out in the Notes, the Trust Deed, the Guarantee (if applicable) or the Agency Agreement shall be or become unenforceable or invalid and, following the occurrence of any of the events specified in this Condition 14(g), the Trustee is of the opinion (determined in its sole discretion) that such occurrence is materially prejudicial to the interests of the Noteholders; or

(h) **Government Intervention:** (i) all or any substantial part of the undertaking, assets and revenues of KMG Finance or KMG or any Material Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (ii) KMG Finance, KMG or any Material Subsidiary is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets, revenues and, following the occurrence of any of the events specified in this Condition 14(h), the Trustee is of the opinion (determined in its sole discretion) that such occurrence is materially prejudicial to the interests of the Noteholders.

15. Meetings of Noteholders, Modification, Waiver and Substitution

(a) **Meetings of Noteholders**: The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by KMG Finance or KMG (as the case may be) or the Trustee and shall be convened by the Trustee (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) upon the request in writing of Noteholders holding not less than 20 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more Voters holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more Voters being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown in the Final Terms, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that as specified in the Final Terms may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or any resolution, or (ix) (if applicable) to modify or cancel the Guarantee, in which case the necessary quorum shall be one or more Voters holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

(b) **Modification and Waiver:** The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Notes or the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Notes or the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and shall be notified to the Noteholders as soon as practicable.

In addition, the Trustee shall, provided it receives a certificate signed by two authorised signatories of the Issuer certifying that each change which the Issuer requires the Trustee to make pursuant to Condition 9(b)(vii) is a Benchmark Amendment and that the effect of the required drafting of such change is solely to implement a Benchmark Amendment, consent to any Benchmark Amendment, irrespective of the effect thereof on affected Noteholders and without any liability thereto provided further, however, that the Trustee shall not be obliged to agree to any Benchmark Amendment which, in its sole opinion, would have the effect of (i) exposing the Trustee to any liabilities in respect of which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections of the Trustee in the Trust Deed, the Agency Agreement and/or these Conditions (as applicable).

No consent of the Noteholders shall be required in connection with effecting any Benchmark Amendment. Any such modifications shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders in accordance with Condition 20 (*Notices*) as soon as reasonably practicable thereafter.

(c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of the Issuer's successor in business (if applicable) or of KMG or its successor in business or any subsidiary of KMG or its successor in business in place of the Issuer or (if applicable) KMG, or of any previous substituted company, as principal debtor or guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and the Trust Deed provided that such change would not in the opinion of the Trustee (determined in its sole discretion) be materially prejudicial to the interests of the Noteholders.

(d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from KMG Finance or KMG any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

16. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against KMG Finance and/or KMG as it may think fit to enforce the terms of the Trust Deed, the Notes or the Guarantee but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder may proceed directly against KMG Finance or KMG unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

17. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless indemnified to its satisfaction and to be paid its costs and expenses in priority to the claims of Noteholders. The Trustee is entitled to enter into business transactions with KMG Finance, KMG and any entity related to KMG Finance or KMG without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes as a result of such holders being connected in any way with a particular territory or tax jurisdiction and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, any indemnification or payment in respect of any tax consequences of such exercise upon individual Noteholders.

18. Replacement of Notes

If a Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes) and otherwise as the Issuer may require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

19. Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single Series with the outstanding securities of any Series or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single Series with existing Notes or a separate Series. Further securities will be issued under a different CUSIP number unless there are issued pursuant to a "qualified reopening" for U.S. federal income tax purposes. Any further securities forming a single Series with the outstanding securities of any Series shall, and any other securities forming a separate Series may (with the consent of the Trustee), be constituted by the Trust Deed or any deed supplemental to it. The Trust Deed contains provisions for convening a single meeting of the Noteholders of a Series and the holders of securities of other Series where the Trustee so decides.

20. Notices

Notices to the Noteholders shall be sent by first class mail of (if posted overseas) by airmail to them (or, in the case of joint holders, to the first-named in the Register) at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing, provided that, so long as any Notes are listed on the London Stock Exchange and the Kazakhstan Stock Exchange or the Astana International Exchange, as the case may be, such notice may instead be published on the Regulatory News Service of the London Stock Exchange 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 of the London Stock Exchange and/or Kazakhstan Stock Exchange or the Astana International Exchange, as the case may be. 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, as provided above. To the extent required by Kazakhstan law, notices shall also be published in the mass media in the form specified in the charter of KMG.

21. Contracts (Rights of Third Parties) Act 1999

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

22. Governing Law, Jurisdiction and Arbitration

(a) **Governing law**: The Trust Deed and the Notes, including any non-contractual obligations arising out of or in connection with the Trust Deed and/or the Notes, are governed by, and shall be construed in accordance with, English Law.

(b) **Submission to Jurisdiction;** Arbitration: Each of KMG Finance and KMG have in the Trust Deed (i) submitted irrevocably to the jurisdiction of the courts of England for the purposes of hearing and determining any suit, action or proceedings or settling any disputes arising out of or in connection with the Trust Deed or the Notes; (ii) waived any objection which it might have to such courts being nominated as the forum to hear and determine any such suit, action or proceedings or to settle any such disputes and agreed not to claim that any such court is not a convenient or appropriate forum; (iii) designated Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX to accept service of any process on its behalf in England; (iv) consented to the enforcement of any judgment; (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction; and (vi) agreed that the Trustee may elect by written notice to KMG Finance or KMG (as the case may be) that any dispute (including a claim, dispute or difference regarding the existence, termination or validity of the Notes), shall be finally settled by arbitration in accordance with the Rules of the LCIA as at present in force and as modified by the Trust Deed.

23. Definitions

(a) Defined Terms

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Attributable Indebtedness**" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded semi-annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended);

"**Base Prospectus**" means the base prospectus relating to the Programme which comprises a base prospectus for the purpose of Article 8 of Regulation (EU) 2017/1129 of the European Parliament and of the Council dated 14 June 2017 (the "**Prospectus Regulation**") (which term shall include those documents incorporated in it by reference from time to time as provided in it) as from time to time amended, supplemented or replaced (but not including any information or documents replaced or superseded by any information so subsequently included or incorporated) and, in relation to each Tranche, the Final Terms;

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Business Centres (specified in the Final Terms) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the Final Terms and, if so specified in the Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

   (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

   (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

   (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**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;

"**Capitalised Lease Obligations**" means an obligation that is required to be classified and accounted for as a capitalised lease for financial reporting purposes in accordance with IFRS, and the amount of Indebtedness represented by such obligation will be the capitalised amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty;

"**Commodity Hedging Agreements**" means, in respect to any Person, any forward, futures, spot-deferred or option contract or other similar agreement or arrangement to which such Person is a party or a beneficiary entered into for protection against or to benefit from fluctuations in the price of any commodity produced or used by KMG or its Material Subsidiaries pursuant to its ordinary course business;

"**Currency Agreement**" means in respect of a Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party or a beneficiary;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 360;

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

(i) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;

(ii) is convertible or exchangeable at the option of the holder for Indebtedness or Disqualified Stock; or

(iii) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part;

"**Event of Default**" has the meaning assigned to such term in Condition 14 hereof;

"**Extraordinary Resolution**" has the meaning assigned to such term in the Trust Deed;

"**FATCA**" means section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, as of the date of the Base Prospectus and any current or future regulations or agreements thereunder or official interpretations thereof;

"**Final Terms**" means, in relation to a Tranche, the Final Terms issued specifying the relevant details of such Tranche;

"**Group**" means KMG and its Subsidiaries taken as a whole;

"**guarantee**" means any financial obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such Person (whether arising by virtue of partnership arrangements, or by agreements to keep well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise); or

(ii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning. The term "guarantor" shall mean any Person guaranteeing any obligation;

"**Guarantor**" means KMG where KMG Finance is the Issuer for a Series, as specified in the Final Terms;

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement;

"**IFRS**" means 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), as consistently applied, and any variation to such accounting principles and practices which is not material;

"**Incur**" means issue, assume, guarantee, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness of a Person existing at the time such Person becomes a Material Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Material Subsidiary. The term "**Incurrence**" when used as a noun shall have a correlative meaning.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication):

(i) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money;

(ii) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(iii) the principal component of all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including reimbursement obligations with respect thereto except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of Incurrence);

(iv) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto;

(v) Capitalised Lease Obligations and all Attributable Indebtedness of such Person;

(vi) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(vii) the principal component of all Indebtedness of other Persons secured by a Security Interest on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination and (b) the amount of such Indebtedness of such other Persons;

(viii) the principal component of Indebtedness of other Persons to the extent guaranteed by such Person; and

(ix) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date;

"**Indebtedness for Borrowed Money**" means any Indebtedness of any Person for or in respect of (i) moneys borrowed, (ii) amounts raised by acceptance under any acceptance credit facility, (iii) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments, (iv) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases, (v) 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 and (vi) 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;

"**Indebtedness Guarantee**" means in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation) (i) any obligation to purchase such Indebtedness, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (iii) any indemnity against the consequences of a default in the payment of such Indebtedness and (iv) any other agreement to be responsible for repayment of such Indebtedness;

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the Final Terms;

"**Interest Determination Date**" has the meaning given in the Final Terms;

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the Final Terms;

"**Interest Rate Agreements**" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary;

"**ISDA Definitions**" means either (i) the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the Series (as specified in the

Final Terms) as published by the International Swaps and Derivatives Association, Inc.) or (ii) the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the Final Terms) as published by the International Swaps and Derivatives Association, Inc.), as specified in the Final Terms;

"**Issuer**" means KMG Finance or KMG, as specified in the Final Terms for the Series;

"**Margin**" has the meaning given in the Final Terms;

"**Material Subsidiary**" means any Subsidiary of KMG that has either: (i) gross assets which constitute 10 per cent. or greater of KMG's consolidated gross assets, as set forth in KMG's most recent audited consolidated financial statements prepared in accordance with IFRS and delivered pursuant to Condition 6; or (ii) gross revenues which constitute 10 per cent. or greater of the KMG's consolidated gross revenues, as set forth in KMG's most recent audited consolidated financial statements prepared in accordance with IFRS and delivered pursuant to Condition 6;

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity;

"**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;

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the Final Terms;

"**Reference Banks**" has the meaning given in the Final Terms or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate;

"**Reference Rate**" has the meaning given in the Final Terms, and in the case of CMS Rate Notes, is the CMS Reference Rate;

"**Relevant Financial Centre**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be Europe) or, if none is so connected, London;

"**Relevant Financial Centre**" has the meaning given in the Final Terms;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the Final Terms;

"**Sale/Leaseback Transaction**" means an arrangement relating to property now owned or hereafter acquired whereby KMG or a Material Subsidiary transfers such property to a Person and KMG or a Material Subsidiary leases it from such Person;

"**Specified Currency**" means the currency specified as such in the Final Terms or, if none is specified, the currency in which the Notes are denominated;

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof;

"**Subsidiary**" means in respect of any Person (including KMG), any corporation, partnership, joint venture, association or other business entity, whether now existing or hereafter organised or acquired, (a) in the case of a corporation, of which more than 50 per cent. of the total voting power of the Voting Stock is held by KMG and/or any of its Subsidiaries and KMG and/or any of its Subsidiaries has the power to direct the management, policies and affairs thereof; or (b) in the case of a partnership, joint venture, association, or other business/entity, with respect to which KMG or any of its Subsidiaries has the power to direct or cause the direction of the management and policies of such entity by contract, if (in the case of each of (a) or (b) above) in accordance with IFRS such entity would be consolidated with KMG for financial statement purposes;

"**taxes**" means any taxes (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) which are now or hereafter imposed, levied, collected, withheld or assessed by the Netherlands or any taxing authority thereof or therein;

"**U.S. Dollars**", "**USD**" and "**US$**" denote the lawful currency of the United States of America; and

"**Voting Stock**" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of the board of directors, managers or trustees (or Persons performing similar functions) thereof.

There will appear at the foot of the Terms and Conditions endorsed on each Certificate the name and specified office of the Agents as set out at the end of this Base Prospectus.

(b) **Miscellaneous**

For all purposes under these Conditions, as at 31 December 2017 and for each relevant calculation thereafter (i) all financial and accounting terms used in the Conditions shall be determined in accordance with IFRS and tested by reference to the most recent consolidated financial statements prepared in accordance with IFRS and delivered pursuant to Condition 6; and (ii) in particular, without limitation of the foregoing, any obligation or instrument (howsoever evidenced), which is either (x) assumed under a product delivery contract, forward sale or prepayment agreement or other similar arrangement, or (y) accorded equity capital treatment under IFRS, shall not be regarded as "Indebtedness" or "Indebtedness for Borrowed Money" for any purpose under these Conditions.

There will appear at the foot of the Terms and Conditions endorsed on each Certificate the name and specified office of the Agents as set out at the end of this Base Prospectus.

THE OIL AND GAS INDUSTRY IN KAZAKHSTAN

The information contained in this section has been extracted from publicly-available documents and other publications. There is not necessarily any uniformity of views amongst such sources as to the information provided therein. In the case of statistical information presented herein, 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. Accordingly, the Company and KMG Finance each only accepts responsibility for accurately reproducing such extracts as they appear in this section.

Introduction

The oil and gas sector is of strategic importance to the Government because it is the principal source of Kazakhstan's export earnings and reserves, fiscal revenue and future foreign direct investment inflows. In 2019, gross value added from the oil and gas industry accounted for 21.3 per cent. in the gross domestic product of Kazakhstan and contributed 64.1 per cent. to the country's exports.

Kazakhstan was a major raw materials supplier to the former Soviet Union and has sizeable, largely unexploited endowments of oil, natural gas and minerals. The Caspian region includes those parts of the countries (including Russia and Iran) that are adjacent to the Caspian Sea. A part of Uzbekistan is also considered to be part of the Caspian region due to its proximity to the Caspian Sea. To date, the two significant crude oil producing countries in the Caspian region were Kazakhstan and Azerbaijan. It is expected that these countries will continue to lead the region in crude oil production in the near future, driven by production growth from existing fields and the development of recently discovered fields. Turkmenistan and Uzbekistan are the predominant gas producers in the Caspian region but do not produce significant crude oil volumes relative to Kazakhstan and Azerbaijan. In addition, the areas of Russia and Iran near the Caspian Sea are not a source of substantial crude oil production for these countries. Russia, however, plays an important role in the region by providing a transportation corridor between the Caspian Sea and the Black Sea. The Government's stated intention is to preserve Kazakhstan's position as a major destination of foreign direct investment inflows within the CIS.

Reserve Classifications

The Company calculates its reserves using both PRMS and Kazakhstan methodology. The reserves data contained in this Base Prospectus are, unless otherwise stated, taken from reserves analyses prepared in accordance with Kazakhstan methodology by the Company's professional engineering staff. See "*Presentation of Financial, Reserves and Certain Other Information—Certain Reserves Information*".

Kazakhstan methodology

Kazakhstan has its own classification system of oil and gas reserves that is based on the system employed in the former Soviet Union and approved by an order of the MEMR (now the Ministry of Energy) on 27 October 2005, which is referred to in this Base Prospectus as the "Kazakhstan methodology". The Company calculates its reserves using the Kazakhstan methodology, which differs from accepted practices in most other parts of the world in that it does not base its estimates on economic viability of the recovery of oil reserves. Accordingly, under this methodology, stated reserves do not necessarily correspond to economically recoverable reserves and cannot be accurately reconciled with reserves calculations performed using different methodologies. See "*Presentation of Financial, Reserves and Certain Other Information—Certain Reserves Information*".

The Kazakhstan methodology classification system is based on the degree of development of the field reserves. All hydrocarbon accumulations in a field are grouped together. Once development commences in a field, all hydrocarbon accumulations in that field are included in the developed reserves. Each field has two subgroups: profitable and unprofitable reserves.

Profitable (or recoverable) reserves are reserves the extraction of which is economical using existing technologies and techniques. These reserves are determined on the basis of the recovery ratio. By the degree of exploration, reserves are divided into proved (A, B, C1) and preliminary estimated (not explored) (C2) reserves. Proved reserves are further sub-divided into reserves to be developed (A and B) and reserves to be explored (C1).

Reserves not currently identified as commercial are classified as "resources". All figures set out in this Base Prospectus are figures for category A, B and C1 only, which are referred to in this Base Prospectus as "A+B+C1 reserves". Resource estimates are not included in this Base Prospectus.

The following table sets forth a detailed discussion of each reserve classification used in the Kazakhstan methodology:

Category A	Category A reserves relate to the part of a deposit drilled in accordance with an approved development project for the oil or natural gas field. They represent reserves that have been analysed in sufficient detail to comprehensively define the type, shape and size of the deposit, the level of hydrocarbon saturation, the reservoir type, the nature of changes in the reservoir characteristics, the hydrocarbon saturation of the productive strata of the deposit, the content and characteristics of the hydrocarbons and the major features of the deposit that determine the conditions of its development (mode of operations, well productivity, strata pressure, natural gas, gas condensate and oil balance, hydro and other features).
Category B............................	Category B reserves relate to the part of a deposit drilled in accordance with either a trial industrial development project, in the case of a natural gas field, or an approved technological development scheme, in the case of an oil field. They represent reserves in which natural gas, gas condensate and oil content is determined on the basis of commercial flows from wells at various depths.
Category C1..........................	Category C1 reserves are calculated on the results of both commercial flows from operational wells and geological exploratory work, which are analysed to determine the type, shape and size of the deposit and the structure of the hydrocarbon bearing reservoir. The reservoir type and characteristics, hydrocarbon saturation, liquid hydrocarbon displacement rate, level of hydrocarbon saturation of the productive strata, content and characteristics of the hydrocarbons under stratum and standard productivity, stratum pressure, temperature, hydrocarbon balance and hydro geological and other conditions are analysed according to test data from drilled wells, core analyses and comparisons with neighbouring explored fields. Based on these analyses, preliminary data for trial industrial development, in the case of a natural gas field, or a technological development project, in the case of an oil field, is drawn up.

As a rough approximation, recoverable A and B reserves can be broadly compared to proved reserves and C1 reserves to proved and probable reserves in accordance with international methodology, although these categories do not necessarily consistently correspond to international methodologies. For example, the estimation of recoverable reserves under the Kazakhstan methodology is usually higher than under international methodologies such as the internationally accepted classifications and methodologies established by PRMS, in particular with respect to the manner in which and the extent to which commercial factors are taken into account in calculating reserves.

PRMS

The Company calculates also its reserves using international PRMS standards.

Oil Reserves and Production

According to BP's *Statistical Review of World Energy* June 2020, as at 31 December 2019, Kazakhstan was the second largest oil producer (after Russia) amongst the former Soviet Republics and had the Caspian region's largest recoverable oil reserves. Kazakhstan's proved oil and gas reserves were 3.9 billion tonnes (representing 1.7 per cent. of the world's proved oil reserves) and 2.7 trillion cubic metres (representing 1.3 per cent. of the world's proved gas reserves), respectively, as at 31 December 2019.

According to BP's *Statistical Review of World Energy* June 2020, between 2008 and 2018, Kazakhstan's oil production grew at an annual growth rate of approximately 2.6 per cent. Kazakhstan produced approximately 80.2 million tonnes in 2015, 78.6 million tonnes in 2016, 87.0 million tonnes in 2017, 91.2 million tonnes in 2018 and 91.4 million tonnes in 2019.

The following table sets forth oil production levels (including associated gas) in Kazakhstan for the years indicated:

Oil Production

2016	2017	2018	2019	2019 % change over 2018	2019 % share of global production
		(million tonnes per year)			
78.6	87.0	91.2	91.4	0.2	2.0

Source: *BP Statistical Review of World Energy June 2020*

As at the beginning of 2020, there were approximately 200 oil and gas fields registered in Kazakhstan. The most significant of these fields are the Tengiz Field, Kashagan Field, Karachaganak Field, Uzen Field, Kalamkas Field and Zhetybai Field. For a detailed description of the Tengiz Field and Kashagan Field, in which the Company has a direct interest, see "*Business—Exploration and Production—Megafields—TCO*" and "*Business—Exploration and Production—Megafields—NCPC*", respectively. For a detailed description of the Karachaganak Field, in which the Company has a 10 per cent. interest through its wholly owned subsidiary, KMG-Karachaganak LLP, see "*Business—Exploration and Production—Megafields—KPO*".

For a detailed description of the exploration projects in Kazakhstan in which the Company has an interest see "*Business—Exploration and Production—Exploration Projects*"

Other onshore exploration and appraisal activities were conducted with mixed success by smaller players.

Oil Production and Covid-19

In April 2020, the 23-member Organization of Petroleum Exporting Countries' ("**OPEC**") group and non-OPEC oil-producing nations, including Kazakhstan and Russia, agreed to slash production by 9.7 million barrels a day in May and June, or ten percent of global oil output, the largest cut in the history, in an effort to stabilize the oil market and bring supply in line with the slump in demand caused by the Covid-19 pandemic. On 23 June 2020, they agreed to extend production cuts through July. Production cuts were designed to ease back to 7.7 million barrels per day between July to December, and 5.8 million barrels per day between January 2021 and April 2022.

Kazakhstan committed that it will compensate for its oversupply in May 2020 by additional cuts in August 2020 and September 2020. Under the original agreement, Kazakhstan committed to cutting its oil production by 390,000 barrels per day. The curbing in oil production will amount to 23 per cent. in July 2020, 21 per cent. in August 2020 and September 2020, and 18 per cent. from October 2020 through December 2020. Overall, Kazakhstan expects to produce 86 million tonnes in 2020, down by four per cent. from the initial forecast of 90 million tonnes. From January 2020 until May 2020, Kazakhstan's largest oil field Tengiz produced 12.4 million tonnes, while Kashagan oil and gas field produced 7.1 million tonnes and Karagachanak produced 5.2 million tonnes.

Kazakhstan's conformity to the OPEC agreement reached 71 per cent. in May, while the overall conformity stands at 87 per cent.

Gas Reserves and Production

Kazakhstan is a net exporter of gas. According to the BP Statistical Review of World Energy June 2020, as at 31 December 2019, Kazakhstan's proven natural gas reserves are estimated at 2.7 trillion cubic metres. Most of Kazakhstan's natural gas reserves are located in the west of the country near the Caspian Sea, with roughly 25 per cent. of proven reserves situated in the Karachaganak Field. Another important natural gas field, the Amangeldy Field, is situated in the south of the country, near Zhambyl and is being developed by KTG, a subsidiary of the Company.

Natural gas in Kazakhstan is almost entirely "associated" gas, meaning it is produced with oil. For this reason, several fields including the Karachaganak Field re-inject significant quantities of gas into the ground to maintain crude wellhead pressure for liquids extraction. In the long-term, when the liquids are exhausted, this gas can be recovered. In May 2005, the Government ordered all oil producing firms to reduce oil production to levels that would avoid natural gas flaring and, accordingly, flaring has declined steadily to date (See "*Environmental, Health and Safety Matters—Environmental Impact From Operations—Air Emissions*").

Natural gas production in Kazakhstan has increased significantly since 1999. In 1999, the Government passed a law requiring subsoil users (such as oil companies) to include natural gas utilisation projects in their development plans. As a result of this law, natural gas production has steadily increased and, by 2000, it reached 11.5 bcm and had eclipsed its pre-independence production levels. Gas production increased from 19.8 bcm in 2012 to 12.4 bcm in 2019, an increase of approximately 18.2 per cent. Increases in Kazakhstan's gas production are expected to come primarily from the production of associated gas at the Tengiz, Karachaganak and Kashagan fields.

The following table sets forth gas production levels (including associated gas) in Kazakhstan for the years indicated:

Gas Production

2017	2018	2019	2019 % change over 2018	2019 % share of global production
		(billion cubic metres per year)		
23.4	23.9	23.4	(2.2)	0.6

Source: *BP Statistical Review of World Energy June 2020*

TCO

TCO owns the single largest production field in Kazakhstan and is the Company's most significant joint venture in terms of production of oil. The Company's share in TCO's production has been a key driver in the Company's growth. TCO is a joint venture between the Company (20 per cent. as at 31 December 2019), Chevron Overseas (50 per cent.), ExxonMobil Kazakhstan Ventures Inc. (25 per cent.) and LukArco (five per cent.).

TCO operates the Tengiz Field in the south-eastern part of the Pre-Caspian Basin on the north-eastern edge of the Caspian Sea, which is amongst the largest fields under development in the world based on estimated A+B+C1 reserves, and TCO also operates the nearby Korolevskoye Field. The Tengiz field was discovered in 1979 in the Atyrau region.

See "*Business—Exploration and Production—Megafields—TCO*" for a more detailed discussion of TCO and its operations.

Kashagan

Kashagan Field is one of the world's largest and most complex offshore oil fields discovered during recent decades with area of approximately 75 kilometres by 45 kilometres.The field reservoir is integrated hydrocarbons accumulation with 4.65 billion tonnes (36.6 billion barrels) of oil in place. It is one of the biggest fields that has been discovered in the past 40 years. Kashagan is the fifth-largest reserve in the world, is expected to play a major role in Kazakhstan's future oil production, with projected production of 450 thousand barrels per day by 2025 and 955 thousand barrels per day by 2040.

The field, discovered in 2000, is located in the northern part of the Caspian Sea close to Atyrau. The Company's joint venture KMG Kashagan B.V. holds 16.88 per cent. (pursuant to which 8.44 per cent. in NCPC is held by the Company on its own account and 8.44 per cent. in NCPC is held by the Company on trust for Samruk-Kazyna), and other partners in the Kashagan include Eni (16.81 per cent.), ExxonMobil (16.81 per cent.), Shell (16.81 per cent.), Total (16.81 per cent.), CNPC (8.33 per cent.) and Inpex (7.56 per cent.).

See "*Business—Exploration and Production—Megafields—NCPC*" for a more detailed discussion of Kashagan field and its operations.

Refining Facilities

Oil refining in Kazakhstan is strictly regulated by the Government, through direct administration and through control of transportation tariffs by two national companies, the Company and Joint Stock Company "National Company "Kazakhstan Temir Zholy".

The Company currently has a controlling or significant interest in all three major refineries in Kazakhstan (which, as at 31 December 2019, had a combined total actual refining capacity of 17.5 million tonnes of crude oil per year). More specifically, the Company controls the Atyrau Refinery in western Kazakhstan and the Pavlodar Refinery in north-eastern Kazakhstan, and, as at 31 December 2019, it indirectly held a 49.72 per cent. interest in the Shymkent Refinery in southern Kazakhstan. See "*Business—Refining, Marketing and Trading*" for a description of the Atyrau Refinery, the Pavlodar Refinery and the Shymkent Refinery.

In addition, the Company controls largest refineries in Romania, Petromidia Refinery (with a share of 54.63 per cent.) and Vega Refinery (with a share of 54.63 per cent.).

See "*Business—Refining, Marketing and Trading*" for a description of the Atyrau Refinery, the Pavlodar Refinery, Shymkent and Petromedia Refineries

Subsoil Use Agreements

The Subsoil Code

On 27 December 2017, the Parliament adopted the Subsoil Code (which became effective on 29 June 2018). Pursuant to the Subsoil Code, all newly-awarded subsoil agreements must have either (i) exploration and production components or (ii) a production component. Exploration agreements that do not include a production component may no longer be awarded under the Subsoil Code and only the following types of exploration and production agreements and production agreements for specified time periods may be entered into with respect to hydrocarbons: (i) agreements for exploration and production of hydrocarbons; and (ii) agreements for the production of hydrocarbons for specified periods. Accordingly, with effect from June 2018, exploration activities may not be conducted unless an agreement with a production component has been entered into. Exploration and production agreements may govern the production rights for more than one block only in exceptional cases.

Generally, hydrocarbon subsoil use rights may only be obtained by way of an auction. Unlike other contractors, pursuant to the Subsoil Code, the Company (as the national company) may obtain subsoil use rights either by way of an auction, or by direct negotiations provided that certain requirements are met. The winner of the auction shall be determined based on the amount of the proposed subscription bonus. The subsoil user has the right to conduct any exploration and evaluation works at the exploration site, including test production.

The Subsoil Code requires that drafts of subsoil use agreements must be developed in accordance with standard contracts approved by the Competent Authority. It further states that deviation from a standard contract shall be allowed in cases, to the extent and in the manner stipulated by the Subsoil Code. Thus, in case of an auction, the need for negotiations is basically eliminated because the winner of the auction must submit to the Competent Authority a subsoil use contract prepared on the basis of a standard contract and which must already be signed by the subsoil user. Even in case of direct negotiations with the Company (being the national company), the process of negotiating is much shorter as compared to the process under the 2010 Subsoil Code. The subsoil user however must still prepare and agree basic and technical project documentation with financial expenditure commitments.

Hydrocarbon exploration and production agreements grant companies the exclusive right to explore resources from fields in a defined area for a period of up to six years or, in the case of offshore deposits or complex hydrocarbon exploration projects, for a period of up to nine years from the date of registration. These periods may be extended for appraisal of a discovery for up to three years and six years respectively. Moreover, the exploration period may be extended for conducting test production, which may last for up to three years.

The Subsoil Code introduced an additional period called a preparatory period (with a corresponding reduction of the production period) which may last for up to three years. During such preparatory period, a subsoil user may (a) prepare and agree/obtain approval for the field development project; (b) construct various field facilities; and (c) produce hydrocarbons in a volume not exceeding the production volumes during test production. Production agreements, as well as supplemental agreements to the exploration and production agreement give subsoil users the rights to extract resources from fields in a defined area for a term of up to 25 years from the date of registration and up to 45 years from the date of registration for large and "unique" deposits. Under the Subsoil Code, production periods may be extended for up to 25 consecutive years.

See "*Business—Exploration and Production—Subsoil Use Agreements*" for a discussion of the licences and contracts of the Company.

Fiscal Regime

The 2018 Tax Code, which became effective as of 1 January 2018, introduces a number of significant changes to tax legislation in Kazakhstan, which is applicable to the oil and gas industry. See "*Management's Discussion and Analysis of Financial Performance and Results of Operation—Main Factors Affecting Results of Operation and Liquidity—Taxation*".

In March 2016, the Minister of the National Economy introduced a progressive scale of export customs duty rates on crude oil. Under the new regime, export duty rates are calculated based on the mean market prices of Brent Crude and Ural oil trading classifications.

The following table sets out the progressive scale applicable to customs duty rates.

No	Mean market price of crude oil for the previous period for one barrel in US$	Export customs duty rate in US$ per tonne
1	Less than 25	0
2	From 25 to 30	10
3	From 30 to 35	20
4	From 35 to 40	35
5	From 40 to 45	40
6	From 45 to 50	45
7	From 50 to 55	50
8	From 55 to 60	55
9	From 60 to 65	60
10	From 65 to 70	65
11	From 70 to 75	70
12	From 75 to 80	75
13	From 80 to 85	80
14	From 85 to 90	85
15	From 90 to 95	90
16	From 95 to 100	95
17	From 100 to 105	100
18	From 105 to 115	115
19	From 115 to 125	130
20	From 125 to 135	145
21	From 135 to 145	160
22	From 145 to 155	176
23	From 155 to 165	191
24	From 165 to 175	206
25	From 175 to 185	221
26	185 and more	236

Exploration Licences

The Government limited the awarding of new subsoil use contracts during the drafting of the 2009 Tax Code, which entered into force on 1 January 2009. The limitation was cancelled in April 2013. The subsoil use contracts awarded during this period of time were primarily for the exploration of offshore fields in the Caspian region.

Foreign Investment in Oil and Gas

Since 2000, Kazakhstan has experienced significant economic growth. Two of the main catalysts for this growth have been economic reform and foreign direct investment, much of which has been concentrated in the energy sector. Exports of crude oil have grown significantly since 2000 and most of the oil from Kazakhstan is currently delivered to international markets by pipelines through Russia to shipping points on the Black Sea. The opening of the CPC Pipeline in 2001 substantially increased Kazakhstan's crude oil export capacity.

According to statistics published by the National Bank of Kazakhstan, the share of gross foreign direct investments in oil and gas crude production was at 50.1 per cent. in 2019. Foreign direct investments in the oil and gas sector in Kazakhstan have taken the form of joint ventures, including the Company and its subsidiaries, as well as PSAs and exploration and field concessions. Major projects in Kazakhstan include projects at the Tengiz, Karachaganak and Kashagan fields.

TCO is developing the Tengiz and Korolevskoye oil fields pursuant to a production licence granted in 1993. This production licence was initially granted for 10 years, but can be extended by TCO for up to a total of 40 years; it was extended by TCO in 2013 until 6 April 2023, subject to extension for another 10-year term. KPO, which is developing the Karachaganak field, operates under a 40-year FPSA entered into with the Government in 1997. The Kashagan consortium, which is developing the Kashagan field, was also established in 1997 under a 40-year PSA (20 years, subject to two extensions, each of 10-year term with respect to a commercial discovery) with the Government, covering oil structures in Kashagan, Kalamkas, Aktoty and Kairan.

In December 2004, certain amendments to the Old Subsoil Law (as defined below) were adopted. The amendments provided that the State has a pre-emptive right, in the case of a proposed transfer of a direct and indirect interest under both existing and new contracts for subsoil use, to purchase such interest on terms no worse than those agreed by the parties to the proposed transfer.

In August 2007, the Kazakh Government claimed that the Kashagan consortium had breached certain provisions of its licence and environmental regulations, and consequently suspended the consortium's activities. A settlement reached in January 2008 resulted in the terms of the PSA being revised in favour of the Company such that the share interest of the Company doubled. The settlement also required the other members of the consortium to pay a penalty of US$5 billion to the Company until the end of the concession in 2041. *"Risk Factors—Risk Factors Relating to the Republic of Kazakhstan—The Group is exposed to the risk of Government Intervention*". Phase I of Kashagan's development, known as the Experimental Programme, was in the construction phase with the first oil production in September 2013. However, in the fourth quarter of 2013, the production in Kashagan was suspended for safety reasons. Production resumed in November 2016.

On 3 November 2007, additional amendments to the Old Subsoil Law became effective. These amendments provided the Competent Authority with the right to initiate reviews of subsoil use contract terms and to unilaterally terminate subsoil use contracts in respect of deposits of "strategic importance" if the actions of a subsoil user led to a significant change in the economic interests of the Republic of Kazakhstan and created a threat to national security. See *"—Regulation in Kazakhstan—Regulation of mineral rights in Kazakhstan—Regulation of Subsoil Use Rights*". The Old Subsoil Law has been replaced by the 2010 Subsoil Law, which was adopted on 24 June 2010. On 27 December 2017, the Parliament adopted the Subsoil Code, which will become effective from 29 June 2018. The Subsoil Code superseded the 2010 Subsoil Law except for few provisions of the latter which continue to apply to subsoil use contacts concluded prior to the coming into effect of the Subsoil Code. Both the 2010 Subsoil Law and the Subsoil Code retained the above provisions. The Subsoil Code, however, amends the categories of deposits that fall within the scope of "deposits of strategic importance" and the Government enacted a new list of deposits of strategic importance in June of 2018. See *"—Regulation in Kazakhstan—Regulation of Subsoil Use Rights in Kazakhstan—2010 Subsoil Law*".

Oil and Gas Exports

Overview

Oil is exported via the Caspian Sea, rail cars and pipelines. The following table sets forth the volumes of oil exported by the routes indicated in 2019:

Name of route	Volume of exported oil in 2019
	(million tonnes)
CPC Pipeline	55.6
Atyrau—Samara	13.3
Aktau Sea Port	2.0
Atasu—Alashankou	0.9
Railways	0.4
Total	72.2

Sources*: the Information and Analytical Center of Oil and Gas JSC*

Kazakhstan's land-locked geographic position means that the pipeline infrastructure through neighbouring countries has played an important role in the exploitation of Kazakhstan's hydrocarbon resources, allowing it to reach international markets.

Exports Routes for Kazakhstan Oil

The vast majority of oil exports continue to transit Russia, mainly via the premium Caspian Pipeline Consortium (CPC) and legacy Uzen-Atyrau-Samara (UAS) pipelines. Oil is also piped directly to China via the Kazakhstan-China Oil Pipeline and tankered across the Caspian Sea for onward westward export. Use of the latter route is greatly reduced because of pipeline expansion.

The Caspian Pipeline Consortium (CPC) pipeline is the key export route for Kazakh liquids. It was commissioned in 2001 and a US$5.1 billion expansion project completed in 2018. The CPC runs across west Kazakhstan and Russia to a dedicated marine terminal at South Ozereika, near Novorossiisk on the Black Sea. In 2019, throughput at the CPC terminal was 1.37 million bopd to 1.21 million bopd from Kazakhstan and 0.16 million bopd from Russia. The CPC was primarily built to transport oil from Tengiz Field in Kazakhstan, but is also a vital outlet for other Kazakh and Russian operators – notably Kashagan and Karachaganak (each in Kazakhstan) and Vladimir Filanovski and Yuri Korchagin (each in Russia). The Company owns 20.75 per cent. in the CPC, other partners include Transneft (31 per cent.), Chevron (15 per cent.), Lukoil (12.5 per cent.), ExxonMobil (7.5 per cent.), Rosneft-Shell (7.5 per cent.), Shell (3.75 per cent.), and Eni (2.00 per cent.). See "*Business—Transportation of Crude Oil—CPC Pipeline System*".

The UAS pipeline transports oil from fields in the Atyrau and Mangistau regions to Russia. The pipeline system runs for approximately 1,235.3 km from Uzen in southwest Kazakhstan to Atyrau, before crossing into Russia and linking with Russia's Transneft system at Samara. In June 2002, Kazakhstan signed a 15-year oil transit agreement with Russia. Under such agreement, Kazakhstan will export at least 17.5 million tonnes of crude oil per year using the Russian pipeline system. The line was recently upgraded by the addition of pumping and heating stations and has a capacity of approximately 600,000 bopd. Before completion of the CPC Pipeline, Kazakhstan exported almost all of its oil through this system.

The Kazakhstan-China pipeline comprises two existing Soviet era pipeline sections and three major new pipeline sections with a total length of around 2,800 km from Atyrau in western Kazakhstan to Alashankou on the Kazakhstan-China border. It is among the world's longest oil pipeline systems. At the Chinese border the pipeline links in to the infrastructure in the Xinjiang Gansu province in northwest China. The pipeline has been built in several stages, each with different ownership structures. The three new-build segments are operated by joint ventures between the Company and CNPC or PetroChina:

- The first section was the 448.9 kilometre Kenkiyak-Atyrau section which was completed in 2003. Oil is temporarily flowing westwards, allowing export of Aktobe region oil through the CPC and Atyrau-Samara pipelines. The plan is that this section will be reversed to allow oil production from the Caspian region to travel through the line and onwards to China.

- The 794 kilometre Kenkiyak-Aralsk-Kumkol section was completed in July 2009 and began commercial operation in October 2009. It is sourced with oil from the Kenkiyak area fields (Aktobe region).

- The 962 kilometre Atasu-Alashankou section began commercial operation in July 2006. The pipeline allows oil from Kazakhstan's south Turgai basin and Russia to be exported to China.

- The overall capacity of the pipeline to China was 200,000 bopd, which increased to 240,000 bopd in 2012, and there are plans to expand to 400,000 bopd. The capacity of the Kenkiyak-Atyrau section is at 120,000 bopd and there are plans to expand the capacity of this section to 180,000 bopd, and subsequently to 240,000 bopd, although no target date has yet been set.

- Above mentioned, Kenkiyak-Atyrau (Atyrau-Kenkiyak in future) reversal expected soon. This section is currently flowing westwards. In the near term, the main rationale for permanent reversal is security of supply to domestic refineries. However, it will also enable oil exports from fields in west Kazakhstan to China, potentially including the super-giant Kashagan project. The timing of the reversal of the Kenkiyak-Atyrau section is uncertain, and the decision to reverse the line will be made by the Kazakh Government. It is likely that this will happen once there is sufficient throughput capacity for all production from fields in the Kenkiyak Area to be exported eastwards.

Other pipeline routes from Kazakhstan are being considered, such as routes through the Caucasus region to Turkey and routes through Iran and Afghanistan. See "*Business—Competition*".

Rail transportation was the primary export route for Kazakhstan crude production before the development of the UAS and CPC Pipelines and it remains as an alternative transportation option.

See "*Business—Transportation—Transportation of Crude Oil*".

Export Routes for Kazakhstan Gas

In 2016 three lines of the transnational Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline were completed, increasing transit gas volumes from 30 bcm per year to 55 bcm per year.

In 2016, Kazakhstan completed construction of the Beineu-Bozoi-Shymkent gas pipeline designed to transport gas from west Kazakhstan for use in the southern regions of Kazakhstan and export to China. The Beineu-Bozoy-Shymkent gas pipeline is the second section of the Kazakhstan-China gas pipeline. The pipeline connects the western oil and natural gas fields with the southern regions of the country, as well as with the gas pipelines of the Bukhara gas-bearing region – Tashkent-Bishkek-Almaty and Gazli-Shymkent and the C line of the Central Asia-China gas pipeline. The actual length of the pipeline is 1,454 km, and the throughput is 13 bcm per year. See "*Business—Transportation and Trading of Gas—Beineu-Bozoi-Shymkent Gas Pipeline*".

The Bukhara Urals gas pipeline originates in Uzbekistan and was initially built to supply gas from Uzbekistan to north-east Kazakhstan and Russia's southeast Urals region. Gas flows along the pipeline are variable and, at times, the pipeline transfers gas southwards from Russia. The annual throughput capacity of the Bukhara Urals gas pipeline is approximately 21.0 bcm.

Bukhara-Tashkent-Bishkek-Almaty is a transit gas pipeline that provides gas from Uzbekistan to Kazakhstan's main southern population centre. Between Shymkent and Almaty, the pipeline crosses Kyrgyz territory to supply gas to Bishkek, the Kyrgyz capital. The annual throughput capacity of the Bukhara-Tashkent-Bishkek-Almaty gas pipeline is 5.8 bcm.

The Turkmenistan-China Gas Pipeline (lines A, B and C) operated by Asian Gas Pipeline LLP is also a major transit gas pipeline that transports Turkmen and Uzbek gas in the direction of China, exports Kazakhstan gas to China, as well as ensures uninterrupted gas supply to the southern regions of Kazakhstan. The length of the gas pipeline through the territory of the Republic of Kazakhstan is 2,612 km for the A and B lines and 1,304 km for the C line. The total throughput of the gas pipeline is 55 bcm per year (30 cm for the A and B lines and 25 bcm for the C line).

See "*Business—Transportation and Trading of Gas*".

Regional Oil and Gas Industry

Whilst Russia dominates oil supply in the region, backed by large and under-exploited reserves, the Caspian states have an important role to play. Kazakhstan and Azerbaijan have become of increasing importance as a result of the growth rate in Russian oil supply slowing since the beginning of the decade, whilst the growth rate in oil supply from the Caspian region has continued to increase.

Regional Oil Consumption and Production

The following table sets forth key regional oil consumers:

	2017	**2018**	**2019**
	(*thousands of barrels per day*)		
Country			
Azerbaijan	99	104	108
Belarus	136	147	151
Kazakhstan	317	340	353
Russian Federation	3195	3282	3317
Turkmenistan	144	149	162
Uzbekistan	47	45	44
Other CIS	82	91	93

Source: BP Statistical Review of World Energy June 2020.

The following table sets forth key regional oil producers:

	2017	**2018**	**2019**
	(*million tonnes per year*)		
Country			
Azerbaijan	39.1	39.2	38.1
Kazakhstan	87.0	91.2	91.4
Russian Federation	554.3	563.3	568.1
Turkmenistan	13.1	12.6	12.5
Uzbekistan	2.8	2.9	2.8
Other CIS	1.8	1.9	1.9

Source: BP Statistical Review of World Energy June 2020.

According to the BP Statistical Review of World Energy June 2020, regional oil production was estimated at 714.9 million tonnes per year in 2019. Kazakhstan accounted for an estimated 2.0 per cent. of the world's oil production in 2019.

Regional Refining Capacity

In 2019, refining capacity for the CIS region was 8309 thousand barrels per day, with Kazakhstan's share of regional refining capacity being approximately 0.4 per cent.

Regional Gas Consumption and Production

The CIS region consumed an estimated 573.7 bcm of natural gas and produced an estimated 846.5 bcm of natural gas in 2019. Kazakhstan's share of world gas consumption in 2019 was an estimated 0.5 per cent., whilst its share of production was an estimated 0.6 per cent.

Regulatory Body

In accordance with the 2010 Subsoil Law and the Regulations on the MOG (approved by Government Resolution № 454, dated 20 May 2010), certain non-commercial or regulatory functions of the Company as an "authorised body" of the Government were transferred to the MOG, including, *inter alia*, the representation of interests of the State under the PSAs.

Pursuant to the Presidential Decree of 6 August 2014, the MOG was transformed into the Ministry of Energy, which is now responsible for the oil and gas sector, electric and nuclear power spheres, the use of renewable energy sources, . The Ministry of Energy retains its regulatory functions with respect to PSAs following coming into force of the Subsoil Code in June 2018.

REGULATION IN KAZAKHSTAN

Regulation of Mineral Rights in Kazakhstan

General

In Kazakhstan, the subsoil and minerals contained therein are owned by the State, in accordance with the Constitution of Kazakhstan. The Government ensures access to the subsoil on the terms, conditions and within the limits as provided for by the Subsoil Code, which came into effect from 29 June 2018 and superseded the 2010 Subsoil Law. Unless otherwise stipulated by Kazakhstan law and Subsoil Use Agreements, mineral raw materials shall be owned by the subsoil user under a right of ownership. The Government develops Kazakhstan's subsoil use policy and appoints a Competent Authority (as defined below) responsible for implementation of the subsoil use policy. The Competent Authority acts on behalf of the Republic, including in Subsoil Use Agreements, and grants exploration and production rights.

Prior to June 2018, subsoil use rights for hydrocarbons used to be granted on the basis of tenders or, in certain cases, through direct negotiations. Currently, subsoil use rights for hydrocarbons are granted on the basis of auctions or, in the case of the Company, by auction or through direct negotiations. Oil and gas exploration and production rights are then secured by executing a contract with the Competent Authority (currently, the Ministry of Energy). Subsoil use rights are granted for a determinable period but may be extended before the expiration of the relevant contract subject to certain limitations and conditions.

Subsoil use rights may be terminated by the Competent Authority on the grounds provided for in the Subsoil Code, which include amongst other things, fulfilment by a subsoil user of less than 30 per cent. of its financial obligations stipulated by a contract during a reporting period, conduct of subsurface use operations on the basis of project documents which have not been properly approved, failure to eliminate more than two violations of other obligations stipulated by a subsoil use agreement within the prescribed time. Subsoil Use Agreements may also provide other grounds for termination thereof.

Subsoil use rights for hydrocarbons are established by means of a Subsoil Use Agreement, and no further licence is required, although previously issued and unexpired licences continue to have legal effect.

Prior to June 2018, the regime for granting subsoil use rights was as follows:

- ***Exploration Contracts**:* exploration contracts could be concluded for up to six years, subject to a general right of extension for the purposes of appraisal of a discovery or in the event of *force majeure* (if proved by the subsoil user). In respect of the offshore petroleum contracts the exploration period could be extended for two years.

- ***Production Contracts**:* production contracts could be concluded for a period of up to 25 years, and for fields with large and unique reserves for a period of up to forty five years. The term of a production contract could not exceed the term required to fully process the reserves and could be extended in the event of the implementation of an industrially innovative project, providing for high value added products.

- ***Combined E&P Contracts**:* combined exploration and productions contracts were only granted for sites considered to be of strategic importance and/or with complex geological structures, and required approval through a decision of the Government.

With effect from June 2018, the regime for granting subsoil use rights under the Subsoil Code is as follows:

- ***Exploration and Production Contracts**:* contracts for the exploration and production of hydrocarbons may be concluded for a fixed term to be determined by the parties, however the exploration phase under such contracts cannot exceed six years or, in case of offshore deposits or complex hydrocarbon exploration projects, nine years. These limits are subject to a general right of extension for the purposes of appraisal of a commercial discovery and/or production test or in the event of *force majeure* (if proved by the subsoil user). There is an additional three-year pre-production period. Production periods under such contacts are for a period of up to 25 years (or up to 45 years for large and unique deposits) and can be extended for a period of up to 25 years.

- ***Production Contracts****:* production contracts may be concluded for a period of up to 25 years or, for fields with large and unique reserves, for a period of up to 45 years. Such contracts may be extended for a period of up to 25 years.

The Subsoil Code does not provide for the entry into exploration contracts which do not provide for a production component.

Major Regimes Regulating Subsoil Use Rights

There are five main phases of subsoil use regulation in Kazakhstan:

- from Kazakhstan's independence in 1991 to August 1994;
- the licencing-contractual regime from August 1994 to August 1999, which had two sub-phases: (i) August 1994 to January 1996, and (ii) January 1996 to August 1999;
- the contractual regime, which commenced in August 1999 and was regulated by the Old Subsoil Law;
- the regulation of activities in the oil and gas sector by the 2010 Subsoil Law, adopted in June 2010, and the Law on Gas and Gas Supply (adopted in January 2012) and the Trunk Pipeline Law (adopted in June 2012); and
- the present regulation of hydrocarbon activities that is in effect from June 2018 in accordance with the Subsoil Code, adopted in December 2017.

The Old Subsoil Law and the 1999 Amendments

The legal framework that previously regulated subsoil use rights of the Company under the Subsoil Use Agreements, to which it is a party, was established with the adoption of Law N° 2828 "On Subsoil and Subsoil Use" on 27 January 1996 (the "**Old Subsoil Law**"). In addition, at that time the existing Law "On Petroleum" (N° 2350, dated 28 June 1995, as amended) (the "**Petroleum Law**") replicated most of the provisions of the Old Subsoil Law and supplemented the same to the extent the Old Subsoil Law did not regulate specific matters related to exploration and production of hydrocarbons.

In August 1999, the Old Subsoil Law was amended by Law N° 467-1 "Concerning the Introduction of Amendments and Additions to Several Legislative Acts on the Subsoil and Petroleum Operations in the Republic of Kazakhstan" (the "**1999 Amendments**"). The 1999 Amendments simplified the process of obtaining subsoil use rights by allowing the Competent Authority to grant these rights contractually, without first having to issue a licence (which was required under the previous regulatory framework).

The 2004-2005 Amendments to the Old Subsoil Law - Introduction of the State's Pre-Emptive Right

The Old Subsoil Law was further amended by Law N° 2-III "On Introduction of Amendments and Additions to Certain Legal Acts on Subsoil Use and Petroleum Operations in the Republic of Kazakhstan" dated 1 December 2004 and Law N° 79-III "On Introduction of Amendments and Additions to Certain Legal Acts on Subsoil Use and Performance of Petroleum Operations in the Republic of Kazakhstan" dated 14 October 2005 (the "**2004-2005 Amendments**"). The 2004-2005 Amendments (in particular article 71 of the Old Subsoil Law) provided for the State's pre-emptive right (through the Government) in connection with any transfer of subsoil use rights (or parts thereof) and/or shares or participation interests in a subsoil user or a legal entity which can, directly and/or indirectly, affect and/or determine the decisions of a subsoil user, if the core business of the controlling entity is related to subsoil use in Kazakhstan. This gave the Government a right of first refusal in respect of any such transfers on terms "no worse than those offered by other prospective purchasers". The 2004-2005 Amendments had retroactive effect in respect of previously concluded Subsoil Use Agreements.

The 2004-2005 Amendments also provided that: (i) transfers of subsoil use rights, including contribution of subsoil use rights to charter capital; (ii) transfer of subsoil use rights during bankruptcy proceedings; and (iii) pledge of subsoil use rights required the consent of the Competent Authority.

The 2007Amendments to the Old Subsoil Law - Introduction of a concept of "deposits of strategic importance"

In October 2007, the Parliament adopted new legislation amending the Old Subsoil Law (the "**2007 Amendments**"). The 2007 Amendments came into force on 3 November 2007. They introduced a concept of so- called "deposits of strategic importance". A list of deposits of strategic importance was initially approved by Resolution N° 1213 of the Government dated 13 August 2009 and then replaced by Resolution N° 1137 of the Government dated 4 October 2011 (as amended) (the "**List of Strategic Deposits**"). The revisions provided the Competent Authority with the right to initiate reviews of terms and conditions of a Subsoil Use Agreement in respect of a "deposit of strategic importance" to demand: (a) amendments or additions to such Subsoil Use Agreement in circumstances where activities of the subsoil user lead to material changes in the economic interests of the State which jeopardise national security and (b) termination of the Subsoil Use Agreement in case the parties *(i.e.,* the Competent Authority and the subsoil user) fail to execute the respective amendments or additions to the Subsoil Use Agreement within six months from the date when an agreement was reached to restore the economic interests of the State (the "**Strategic Deposit Right**"). The 2007 Amendments had retroactive effect in respect of previously concluded Subsoil Use Agreements. A new list of strategic deposits was approved in 2018 following adoption of the Subsoil Code.

Certain deposits in respect of which the Company and its subsidiaries exercise their subsoil use rights are on the List of Strategic Deposits, including the following deposits and fields: Akshabulak Central, Alibekmola, North Buzachi, Darkhan, Zhanazhol, Zhetybai, Kalamkas, Karazhanbas, Karachaganak, Kashagan, Kalamkas Sea, Aktota, Kairan, Kenbay, Kozhasai, Korolevskoye, Kumkol, Tengiz, Urikhtau, Uzen, South Zaburunye, Pearl, Makhambet and Bobek oilfields, Zhambyl, and Chinarevskoe.

2010 Subsoil Law

The 2010 Subsoil Law replaced two major laws governing relations of the State and subsoil users in the oil and gas sector: the Old Subsoil Law and the Petroleum Law. Adoption of the 2010 Subsoil Law was aimed at, amongst other things: (i) consolidation of the existing overlapping laws and regulations related to subsoil and subsoil use, including those in the sphere of oil and gas; (ii) clarifying areas of uncertainty by adding more procedures (specifically related to obtaining various consents, approvals and waivers from the Competent Authority); and (iii) eliminating the stabilisation of Subsoil Use Agreements.

The State implemented the 2010 Subsoil Law and exercised its rights thereunder primarily through the Government, the Competent Authority and a national company. The Ministry of Energy acted and currently still acts in the capacity of the Competent Authority of the oil and gas industry and the Company acts in the capacity of the national oil and gas company. In 2002, the Government clarified the functions of the Company and other petroleum-related State entities (in Government Resolution N° 707 dated 29 June 2002). On 3 April 2015, the Government adopted a further resolution, Resolution N° 189, pursuant to which it allocated functions in subsoil industry between national companies. This resolution restates the role of the Company as the national oil and gas company being responsible for the exploration and production of oil and gas.

Under the 2010 Subsoil Law, the subsoil use rights could be permanent or temporary, alienable or inalienable, payable or free of charge. Most subsoil operations were carried out on the basis of temporary and payable subsoil use (except for production of commonly occurring minerals for the subsoil user's own needs in the land plots which were held under the right of ownership or use, which were carried out under the right of permanent and free of charge subsoil use). Subsoil use rights for hydrocarbons used to be granted following a tender process with a number of exceptions. For example, a Subsoil Use Agreement for exploration or production of hydrocarbons with the Company could be executed on the basis of direct negotiations without a tender process.

Subsoil use rights could be held by Kazakhstan and foreign nationals and legal entities. Though, the 2010 Subsoil Law, in general, stipulated the stability of subsoil use contracts providing that any amendments and additions to legislation that worsen the results of a subsoil user's business activities under a Subsoil Use Agreement shall not apply to such Subsoil Use Agreement which was concluded prior to such amendments and additions, such stability did not apply to changes in Kazakhstan legislation in the areas of national security, defence capabilities, environmental protection, health, taxation and customs regulation.

New Regulation of Subsoil Use Rights under the Subsoil Code

The Subsoil Code introduced a new regulatory regime for subsoil use in Kazakhstan. With effect from 29 June 2018, the Subsoil Code entered into force and the 2010 Subsoil Law ceased to have effect, save for a number of surviving provisions which shall continue to apply to contracts executed prior to entry into force of the Subsoil Code.

The reforms introduced by the Subsoil Code primarily affect the mining sector, whilst regulation of the oil and gas sector remains substantially unchanged. There are, however, a number of key changes concerning oil and gas contracts, which are summarised below.

Previously Issued Licences and Awarded Contracts

Under the Subsoil Code, all previously issued licences, and awarded contracts will remain in full force and effect. The Subsoil Code also granted subsoil users (including those operating in the upstream oil and gas industry) the right to amend and restate (within specified time limits in case of exploration contracts) their previously-awarded contracts to conform to the Subsoil Code and a standard subsoil use agreement which was approved within the framework of the Subsoil Code.

The Subsoil Code lists provisions, which must apply to previously issued licences and awarded contracts, whilst a few provisions of the 2010 Subsoil Law, including the stability clause, will remain in effect.

Priority Right to Acquire Minerals

The State continues to enjoy a priority right over other parties to acquire minerals produced by a subsoil user on the same terms and conditions as were provided by the 2010 Subsoil Law. The State has the priority right to acquire hydrocarbons from the subsurface user at prices not exceeding the prices used by the subsurface user for other transactions at that time less transportation and marketing costs. In case such information is not available, prices not exceeding world market prices as of the date of the transaction less transportation and marketing costs shall be applied. The maximum amount of acquired hydrocarbons and the manner of payment are to be agreed upon in the subsurface use contracts. Under contracts which do not provide for a limit on the amount of hydrocarbons to be purchased, such a volume, as well as other terms of the acquisition, shall be determined by the Competent Authority and a respective subsoil user in a relevant sale and purchase agreement to be concluded according to the rules approved by the Governmental Resolution No. 388 dated 28 June 2018. The Competent Authority shall pay for the purchased hydrocarbons within thirty calendar days after the respective hydrocarbons have been supplied by the subsoil user.

Rights to Requisition Minerals

The Subsoil Code no longer provides for the Government's right to requisition the minerals owned by a subsoil user. Pursuant to the Law N° 413-IV "On State Property" dated 1 March 2011, as amended, the State is entitled to requisition any person or legal entity's property (including produced hydrocarbons) in the public interest in the event of martial law or a state of emergency, subject to compensation being paid to the owner of such requisitioned property.

The State's Pre-Emptive Right and Strategic Deposits

Similarly to subsurface use legislation previously in effect, the Subsoil Code grants the Republic of Kazakhstan the pre-emptive right, with certain exceptions, over any persons and organisations, including individuals and organisations that have pre-emptive rights based on Kazakhstan laws or a contract, to acquire: (a) an alienated subsoil use right (or a share in the subsoil use right being transferred) over the strategic deposits of subsoil resources; and/or (b) shares and other securities to be placed in circulation at an organised securities market, which shares and securities are considered *'objects related to subsoil use right'* in respect of a strategic deposit (which are on the List of Strategic Deposits).

However, the criteria for designating deposits as strategically important have been amended. In respect of oil and gas deposits, these criteria are as follows:

- the deposit must contain in excess of 50 million tonnes of geological reserves of oil or in excess of 15 bcm of natural gas; or

- the deposit is located in the Kazakhstan sector of the Caspian sea.

The Government approved a new list of deposits of strategic importance in June 2018 ("**List of Strategic Deposits**").

Under the Subsoil Code, the state's pre-emptive right is exercised pursuant to a decision of the Competent Authority through the Company, as a national company, or a national management holding company acting in the interest of the Republic of Kazakhstan and in accordance with Kazakhstan law.

The Consent for Transfers of Subsoil Use Rights and the Objects

Similar to prior subsoil use legislation, the Competent Authority's consent continues to be required in the event of a transfer of subsoil use rights and the objects related to subsoil use, including in the case of an initial public offering of shares and pledges of subsoil use rights and the objects related to subsoil use.

Under the Subsoil Code, in respect of hydrocarbons, objects related to subsoil use (the "**Objects**") mean participation interests, participation units, shares and other forms of equity participation, as well as securities confirming the ownership right or convertible into such items, in:

(a) a subsoil user under subsoil use contract; and/or

(b) a legal entity or another organisation, which may directly or indirectly determine decisions adopted by a subsoil user (the "**Controlling Legal Entity**").

Any transactions or other related actions effected without such Competent Authority's consent or after the expiry date of the Competent Authority's consent (which is issued for one year) shall be deemed invalid as of the date of their conclusion or undertaking.

Any offering of shares, or securities confirming title to shares, or any other securities convertible into shares of a subsoil user or its Controlling Legal Entity on an organised securities market also requires the consent of the Competent Authority. The Competent Authority's consent is issued for one year. If the transfer has not occurred within the said one-year period, a new consent needs to be obtained from the Competent Authority.

Shares or other securities convertible into shares issued by a subsoil user or the Controlling Legal Entity cease being the Objects once placed at an organised securities market and the transactions with them are not subject to the Competent Authority's consent (and the state's pre-emptive right does not extend to such shares or securities in circulation). A person which acquired the Objects or which put shares and/or securities, which are considered to be the Objects, into circulation must notify the Competent Authority of the completion of the transaction/putting shares into circulation within one month following the completion. In addition, a subsoil user must notify the Competent Authority of a change of control (direct or indirect) over the subsoil user (if any) within one month following the date of such change.

The transfer of the subsoil use right (or part thereof) and/or an Object in some cases enjoys an exemption from the requirement to obtain consent of the Competent Authority, *e.g.,* if a national company, such as the Company, is a party to the transaction pertaining such transfer. In such instances, a waiver of the state's pre-emptive right (for strategic deposits which are on the List of Strategic Deposits) is also not required.

National Subsoil Resources Management Programme

The Subsoil Code provides that the Competent Authority is responsible for developing and approving a "National Subsoil Resources Management Programme", which must identify, *inter alia,* subsoil blocks to be provided to: (i) subsoil users for exploration and production (through auctions); and (ii) the national oil and gas company *(i.e.,* the Company) (through direct negotiations). Accordingly, subsoil users, other than the Company, may only obtain subsoil use rights with respect to blocks identified in the Programme through an auction (unless such subsoil user qualifies as a strategic partner and forms a joint venture with the Company for joint exploration and production).

In an auction process, the majority of the key terms and conditions of the subsoil use will be determined unilaterally by the Competent Authority and will be set out in the auction notification. Such conditions will subsequently form the binding terms and conditions of the proposed subsoil contract. The notification will include details of the works to be performed, local content requirements, minimum social costs and expenses, local personnel education requirements and the period of exploration and production. Potential bidders compete by offering subscription bonuses, with the highest bid winning the auction.

Direct negotiations are available only to the Company (as the national oil and gas company) with respect to the blocks specifically reserved for it by the National Subsoil Resources Management Programme. The Company is also free to co-operate with strategic partners for joint exploration and production (and may still benefit from direct negotiations with respect to such blocks rather than having to participate in an auction). The criteria of a strategic partner must be developed and approved by the Company and are subject to review by the Competent Authority. The Company may also transfer its share in any Subsoil Use Agreement to a subsidiary in which it has at least a 50 per cent. interest.

The Company (as national oil and gas company) may also obtain a contract by way of direct negotiations with respect to blocks, which are not reserved for it by the National Subsoil Resources Management Programme, provided that no potential bidder has approached the Competent Authority with respect to such block. If the Company participates in an auction for a specific block, it is not entitled to any preferential treatment.

Type of Contracts

Pursuant to the Subsoil Codes, exploration contracts (with no production component) are no longer permitted. Accordingly, only joint exploration and production contracts or production only contracts may be granted under the Subsoil Code.

Social Obligations

Subsoil users will be obliged to make mandatory payments to finance the training of Kazakhstani personnel and research projects at a rate of one per cent. of the production costs incurred by the subsoil user after the second year of the production phase of the relevant contract. Within the same timeframe, the subsoil user will also have to pay an amount equivalent to one per cent. of its investment for social and economic development of the region.

Consents for Grant of Pledge over the Subsoil Use Rights and the Objects

The Subsoil Code kept the requirement to obtain the consent of the Competent Authority in order to grant a pledge over subsoil use rights. It is also mandatory to register such pledge with the Competent Authority. Registration is in accordance with Law N° 254-I of the Republic of Kazakhstan "On Registration of Pledge of Movable Property" dated 30 June 1998. The enforcement of the right to subsoil use (or a share in the subsoil use right) is made in accordance with the procedures provided for by the laws of the Republic of Kazakhstan.

The Subsoil Code also kept the restriction on the use of credit facilities secured by a pledge of subsoil use rights in respect of hydrocarbons to be applied only for the purposes of subsoil use provided under the respective Subsoil Use Agreement or for further processing by the subsoil user itself or its wholly owned subsidiary.

Grounds for Contract Termination

The Subsoil Code amends the list of the grounds for unilateral termination of a subsoil contract by the Competent Authority. In particular, it provides that the Competent Authority may terminate a contract early based on, *inter alia*, a valid court decision prohibiting subsoil use activities. Moreover, the failure of a subsoil user to obtain positive opinions with respect to its project documents, may also result in the unilateral termination of the contract.

Offshore and Certain Exploration Operations

The Subsoil Code provides that the Company must be given at least a 50 per cent. interest in offshore subsoil use agreements, which is a mandatory condition for the granting of subsoil use right to conduct off-shore petroleum operations. At a later stage, the Company may reduce its interest in the offshore Subsoil Use Agreements, provided that it retains control over the subsoil users under the contract.

Subsoil use rights for certain areas may be provided to the Company on the basis of direct negotiations. Such rights may be granted to the Company or jointly with a strategic partner. A strategic partner is a company (or consortium of companies) which meets the requirements, established by the Company and coordinated with the Competent Authority, and which has undertaken to carry out "investment financing".

The Code specifies that "investment financing" means financing of the exploration costs under an agreement on joint activities (such as a joint operating agreement) or an agreement on financing (such as a carry arrangement) concluded between a strategic partner and the Company or a company where the Company directly or indirectly owns 50 per cent. or more of its shares/interests. The agreement on joint activities must stipulate the obligation of the strategic partner to pay the signature bonus or compensate the amount of the signature bonus to the Company if the latter has paid it.

In general, the Company's offshore subsoil use operations are subject to specific, more strict regulation, as provided by the Subsoil Code, the Environmental Code, and the Water Code. Pursuant to such laws and regulations, a number of specific approvals, consents and permits of the competent government authorities are required for, amongst other things, construction, dredging and blasting operations, extraction of minerals and other resources, laying of cables, pipelines and other communications, drilling and other work, as well as for construction of artificial islands, dams and structures. Although the Subsoil Code requires special resources in case of oil spills, the requirement for a subsoil user to have its own resources is eliminated and the subsoil user shall employ a third-party by way of concluding agreements with a specialised organisation for the liquidation of oil spills at sea. The Subsoil Code prohibits the construction and operation of oil reservoirs and storages offshore. Offshore subsoil operations must be conducted in a way not to interfere and not cause harm to sea drylands, fishing and other activities. A subsoil user conducting operations offshore must develop specific programmes for the prevention of marine pollution and include such programmes into the project documentation.

Under Kazakhstan law, the Government shall make a general decision as to the possibility to conduct petroleum operations at sea.

Petroleum operations in the Kazakhstan sector of the Caspian Sea may be limited to an approved depth. Furthermore, pursuant to the Special Territories Law, the water area on the east of the northern part of the Caspian Sea, with the deltas of the Volga and the Ural rivers (within the territory of Kazakhstan), is a part of the State protected area, established, amongst other things, to conserve fish stocks and provide for natural reproduction of sturgeon and other valuable species. Within the established State protected area, subsoil use operations are subject to additional environmental requirements established by the Environmental Code and may be limited or prohibited.

Dispute Resolution

The 2010 Subsoil Law stated that disputes in connection with a Subsoil Use Agreement should firstly be resolved by negotiations, and secondly, if the dispute continues, the parties to a Subsoil Use Agreement shall be entitled to resolve such disputes in accordance with the laws of Kazakhstan and international treaties ratified by Kazakhstan.

Under the Subsoil Code, any disputes arising in connection with the exercise, change, or termination of the subsoil use right are subject to settlement pursuant to Kazakhstan law and international treaties ratified by Kazakhstan.

Social Contributions and Commitments

Contracts for subsoil use are required to identify the subsoil user's obligation to ensure equal conditions and fair pay for Kazakhstan personnel in comparison to foreign personnel, including personnel employed at the subcontractor level. A subsoil user is also obligated to give priority to hire Kazakhstan nationals to work and be trained.

In addition, Subsoil Use Agreements may contain other social commitments and contributions to be undertaken by subsoil users, including those related to infrastructure and social development of the respective regions, as well as commitments related to the required establishment of sanitary protection zones.

Regulation of Production Sharing Rights Related to Offshore Oil Operations

The Law on Production Sharing Agreements

The Law "On Production Sharing Agreements for Conducting Offshore Petroleum Operations" (N° 68-III, dated 8 July 2005) (the "**PSA Law**"), which, together with other subsoil legislation, was the applicable law for

PSAs in Kazakhstan, was abolished by the introduction of the new Tax Code on 10 December 2008. The PSA Law ceased to have effect from 1 January 2009. There were no legislative acts introduced to replace the PSA Law. According to the 2010 Subsoil Law (as defined above) PSAs were not a specified form of permitted Subsoil Use Agreement. Therefore, the 2010 Subsoil Law did not permit the State to enter into new PSAs with contractors, though PSAs concluded before the enactment of the 2010 Subsoil Law remain effective.

The PSA Law was Kazakhstan's only law dedicated exclusively to PSAs, and applied to oil operations in Kazakhstan's sector of the Caspian Sea and the Aral Sea.

Under the PSA Law, the principal method of obtaining oil blocks was through open or closed tenders, unless otherwise prescribed in international treaties or contracts the Government is a party to. The Company was given the right of share participation as a contractor in the amount of not less than 50 per cent. in all new offshore PSAs concluded by the Government. In addition, the PSAs could be concluded by way of direct negotiations between the Company, as an authorised agent of the Government, and the Competent Authority (at that time, MEMR), on the one side, and the investor, on the other side. Further, the PSA Law set forth the procedure and general terms of the PSA tenders. Basic tender terms included a requirement that offshore oil operators purchase goods and services from Kazakhstan producers, including but not limited to refining services, and obligations to develop technologies and infrastructure in Kazakhstan.

In accordance with the PSA Law, the PSAs could only be for exploration and production or production, with a general term of up to 35 years and 25 years, respectively. The PSA Law also referred to "unique" deposits in respect of which the term of the PSA might have been extended up to 45 years, however "unique" was not defined by the law.

Pursuant to the PSA Law, a contractor was allowed to, fully or partially, transfer its rights and obligations under the PSA in the manner generally provided in the Petroleum Law, which required prior Competent Authority's approval (at that time, MEMR). Whilst the PSA Law did not contain the State's Pre-Emptive Right to acquire any interest in an existing PSA from a selling contractor, the State could execute the State's Pre-Emptive Right in accordance with the Subsoil Law.

Trunk Pipeline

The Law "On Trunk Pipeline" (N° 20-V dated 22 June 2012, as amended) (the "**Trunk Pipeline Law**") sets out a unified legislative basis for the construction, ownership, and operation of trunk pipelines, as well as the State's control over trunk pipelines. In particular, the Trunk Pipeline Law provides that (i) a trunk pipeline, (ii) shares in an entity that owns a trunk pipeline, and (iii) shares in an entity that may directly and/or indirectly determine and/or influence decisions adopted by an owner of a trunk pipeline constitute "strategic assets".

Pursuant to the Trunk Pipeline Law, and the Law "On State Property" (N° 413-IV dated 1 March 2011 as amended) (the "**State Property Law**"), the State has a priority right to acquire (i) "strategic assets" that are being alienated; and (ii) a controlling interest (of not less than 51 per cent.) in any new trunk pipeline project. The State may waive its priority right to acquire strategic assets and interest in a new trunk pipeline project or subscribe for less than a 51 per cent. interest in a new trunk pipeline project. The Trunk Pipeline Law does not envisage a priority right of the State in respect of an expansion of an existing trunk pipeline.

In addition, the Trunk Pipeline Law provides that, for trunk pipelines in which the State, a national management holding company, or a national company directly or indirectly owns more than a 50 per cent. interest, operator services must be provided by the national operator, unless otherwise agreed by the Government. Pursuant to Government Resolution N° 1273 dated 8 October 2012, KTO, the Company's subsidiary, is determined as the trunk pipeline national operator and now performs all functions and exercises all rights of the national operator as provided by the Trunk Pipeline Law, Government Resolution N° 1273 and its constitutive documents.

The Trunk Pipeline Law (as well as legislation regulating natural monopolies) provides for equal rights of access to trunk pipeline services for all shippers if there is free throughput capacity, subject to certain statutory limitations. If there is limited throughput pipeline capacity, oil and oil product transportation services must be rendered in the priority established by the Trunk Pipeline Law, where first priority is given to shippers supplying oil to domestic refineries. The Trunk Pipeline Law also provides for the possibility of swap operations *(i.e.,* swaps of products by one shipper for the products of another shipper) for the purposes of supplying oil to domestic refineries and gas to the domestic market or outside Kazakhstan, upon written consent of the pipeline owner (or other person legally holding rights to the pipeline), the Competent Authority, and the relevant swapping entities.

The Trunk Pipeline Law defines a trunk pipeline as an integrated production and technological facilities complex and includes an obligation to ensure the safe transportation of products. Pursuant to the Trunk Pipeline Law, the owner of a trunk pipeline must perform environmental rehabilitation procedures upon the removal of a trunk pipeline from operation. The costs of complying with such a requirement are, at present, unknown.

Gas and Gas Supply

The Law "On Gas and Gas Supply" (N° 532-IV, dated 9 January 2012, as amended) (the "**Gas Law**") consolidates and streamlines various legislation that previously regulated this area.

Pursuant to the Gas Law the State is the owner of associated gas produced in Kazakhstan (under both new production contracts and existing (including those entered into before the Gas Law entered into force) production contracts, unless they expressly specify that the subsoil user is the owner of the produced gas) and transferred to the State by producers (under the production contracts that provide that the subsoil user is the owner of associated gas).

The Gas Law establishes the State's priority right to purchase (through a national operator) on terms no less favourable than those offered by a third party: (i) any facility within an integrated sales gas supply system *(i.e.,* connecting pipelines, trunk pipelines, sales gas storage facilities and other facilities for production, transport, storage, sale and consumption of gas); (ii) a share in the right of common ownership over such facilities, and (iii) shares (or a participatory interest) in an entity which owns such facilities *(i.e.,* any oil producer that owns gas processing facilities or connecting pipelines for sales of gas). Such priority right of the State does not extend to: (a) transfers (sales) of gas-filling compressor stations and gas-consuming systems of industrial consumers; (b) sales of shares that are traded on the organised security markets; (c) transfers of the facilities and the shares between entities in which not less than 99 per cent. of shares is owned directly or indirectly by the same person or the same owner of the facility within the integrated sales gas supply system; and (d) transfers as a result of which the transferee (or acquirer) receives directly or indirectly the right to dispose of less than 0.1 per cent. of shares (or participation interest) in a legal entity, which owns an object of the integrated sales gas supply system. The State may exercise such priority right on terms no less favourable than those offered by a third party in the manner and according to procedures provided by the Gas Law and the State Property Law.

In addition, the Gas Law provides for the State's pre-emptive right to buy (through the national operator) natural and purified gas at a price approved by the Competent Authority and determined pursuant to formulas provided in Government Resolution N° 121, dated 13 November 2014 (as amended). The price of natural and purified gas includes production costs, processing costs, transportation costs and a maximum profit margin. If the State waives its pre-emptive right to buy gas, the seller may sell the gas to a third party.

By Resolution N° 914 of the Government of the Republic of Kazakhstan dated 5 July 2012, KTG, the Company's subsidiary, has been appointed as the national operator in the sphere of gas and gas supply. Accordingly, KTG has been given a priority right to purchase (on behalf of the State) raw and commercial gas produced in Kazakhstan at a regulated price, which it will then sell in the domestic market. KTG, as the national operator, exercises its other rights and functions stipulated by the Gas Law.

In addition to the matters described above, the Gas Law regulates the general terms and conditions of sales of commercial, liquefied petroleum and liquefied natural gas (based on the approved model contracts), matters related to wholesale and retail sales of gas in the domestic market, as well as matters related to transportation and storage of gas.

The Competent Authority and Other Regulatory Authorities

General

The State plays a role in several areas of subsoil management. Firstly, the Government is responsible, amongst other things, for organising and managing State-owned reserves, imposing restrictions on subsoil use for the purposes of national security, protection of the environment as well as the life and health of the population, defining the procedures for the conclusion of contracts, appointing the Competent Authority, regulating oil and gas export by imposing customs, protection, antidumping and compensation duties and quotes, establishing quotes for transportation of oil by various methods of transport, and approving a number of normative legal acts in the sphere of oil and gas. Secondly, the State executes, implements and monitors Subsoil Use Agreements through the Competent Authority, which has the power to execute and implement oil and gas contracts, and through a number of other Government agencies. Thirdly, the State exercises its Pre-Emptive Right through the Company, being the national company, or a national management holding company (i.e. Samruk Kazyna). In addition, local executive authorities (known as *akimats)* have responsibility for, amongst other things, granting land to subsoil users.

The Ministry of Energy

Following the reorganisation of the Government in 2014, the Ministry of Energy became the competent authority for the oil and gas sphere (the "**Competent Authority**"). The Ministry of Energy is the main state body that regulates the activities related to exploration and production of hydrocarbons and as the Competent Authority in oil and gas sphere also oversees, amongst other things, oil and gas refineries, gas and gas supply, hydrocarbons transportation and operation of trunk pipelines.

According to the Subsoil Code, the Competent Authority represents the interests of the Republic of Kazakhstan and implements the state policy in the sphere of subsoil use through:

(1) developing and approving the national subsoil resources management program;

(2) developing and approving legal acts in the sphere of subsoil use;

(3) granting and termination of subsoil use rights for exploration and production;

(4) controlling compliance of subsoil users with the terms of subsoil use contracts;

(5) providing access to information about concluded subsoil use contracts;

(6) submitting an annual report to the Government on the status of fulfilment of the terms of concluded subsoil use contracts;

(7) recovering penalties for failures to fulfil the terms of a subsoil use contract;

(8) exercising other powers provided by the Subsoil Code, other laws of Kazakhstan, acts of the President and the Government.

Other Regulatory Authorities

Other major government authorities which regulate aspects of hydrocarbon extraction, operations in oil and gas transportation, refining and sales in Kazakhstan include:

- the Ministry of Ecology, Geology and Natural Resources, the state authority in the sphere of environmental protection with a number of specific functions in subsurface use and geology. This ministry is responsible for, amongst others, monitoring of compliance with environmental protection rules and standards for extraction and processing of useful minerals. It is also responsible for formation and implementation of the state environmental protection policy, as well as for coordination of processes in the development of 'green economy' and waste management areas;

- the Committee of Geology which has been the authorised state body for the study and use of the subsoil is currently part of the Ministry of Ecology, Geology and Natural Resources and is responsible, amongst others, for granting access to, record-keeping and storage of geological information;

- the Ministry of Labour and Social Protection of the Population is responsible for investigating labour disputes and complaints from individual employees and monitors compliance with the obligations of subsoil users to give preference in hiring, including to employ a certain minimum percentage of Kazakhstan nationals, and issues work permits for foreign workers;

- the Committee on Regulation of Natural Monopolies under the Ministry of National Economy of the Republic of Kazakhstan ("**Natural Monopolies Committee**"), which is responsible for the regulation of tariffs for oil and gas transportation and prices related to sales of gas. The Natural Monopolies Committee is also responsible for granting the 'antimonopoly' consent for economic concentration;

- the Ministry of Finance, the committees of which are responsible, amongst other things, for tax matters and compliance with customs regulations (including the regulation of export from, import to and transportation in the territories of the Eurasian Customs Union), as well as for control over circulation of petroleum products; the Committee for Emergency Situations of Kazakhstan under the Ministry of Internal Affairs of the Republic of Kazakhstan is responsible for overseeing emergency services in Kazakhstan which includes prevention and handling of emergencies and natural disasters in Kazakhstan as well as ensuring of fire safety and organisation of civil defence;

- territorial departments of the Ministry of Justice and other regional and municipal regulatory authorities, which are responsible, amongst other things, for registering legal entities and non-commercial associations, as well as properties, pledges and mortgages; and

- various Government authorities responsible for the approval of construction projects and the use of water and land resources, including the local executive authorities.

The Company and its subsidiaries' shareholder registers are maintained by Central Securities Depositary JSC which is a quasi-sovereign institution owned and controlled by the National Bank of Kazakhstan and which has an exclusive right to maintain securities registrars of Kazakhstan joint stock companies and certain limited liability partnerships (upon a voluntary decision of their participants).

Environmental Compliance

The Company is subject to a variety of Kazakhstan's environmental laws, regulations and requirements that govern air emissions, water use and disposal, waste management, impacts on wildlife, as well as land use and reclamation. The Environmental Code (dated 9 January 2007, N° 212-III, as amended) (the "**Environmental Code**") is one of the major laws that governs the activities of Kazakhstan subsoil users.

Similar to the Subsoil Code, the Environmental Code sets forth specific requirements in relation to offshore operations in the Caspian Sea, which are stricter than the general requirements applicable to onshore subsoil operations.

Subsoil Use Agreements typically impose environmental obligations in addition to that required by the law. The Failure to comply with such obligations may lead to substantial fines and penalties or even to suspension or termination of the Subsoil Use Agreement.

Under the Environmental Code, companies are obligated to obtain permits (as described below) for the contamination of the environment and must observe all requirements set out in such permits.

It is anticipated that the Environmental Code will be replaced with a new environmental code, which is expected to be adopted in 2020 or 2021.

On 24 December 2019, the Kazakhstan Government approved a draft 2020 environmental code (the "**Draft Environmental Code**"). The main objectives of the Draft Environmental Code are to enforce environmental safety and improve living standards through increased quality of water and land resources, the development of the waste-free green economy, and the conservation of biodiversity.

The Draft Environmental Code is based on several binding principles, such as a "polluter pays" principle, which involves the introduction of several measures including the elimination of environmental damage in kind and the introduction of criminal liability for responsible individuals.

The Draft Environmental Code targets entities that contribute most heavily to pollution, including those in the oil and gas sector, and will impose charges on such entities which will increase gradually and substantially. The aim is to encourage such enterprises to transition to environmentally friendly technologies with an aim to minimise harmful substance emissions.

Environmental Permits

The concept of an environmental permit (the "**EP**") was developed as a means for the Government to regulate pollution. An EP is a special permit that grants a subsoil user a temporary right to emit or disperse emissions into the atmosphere and the discharge of waste substances into surface and underground waters. EPs contain the conditions governing the user's impact on the environment. The obligation to obtain an EP arises not only as a matter of law, but also under Subsoil Use Agreements. Companies whose operations impact the environment are required to obtain an EP. Depending on the quantity of pollutants emitted into the environment, an EP is to be issued for up to ten years or until a change in technology or in the terms and conditions of subsoil use. Fees for pollution of the environment are established by the Tax Code of Kazakhstan and may be increased (within certain limits) by local representative bodies (*Maslikhat*). An EP shall not exempt a subsoil user from liability to pay compensation for damage to the environment caused by its activities, or exempt the subsoil user or its officers from administrative or criminal liability.

Gas Flaring

Under the Subsoil Code, the flaring of raw gas is prohibited except if (i) there is an emergency or a threat of emergency, threat to the life of personnel or threat to health of population and threat to the environment, (ii) during the testing of wells, (iii) during operational trial of the field, or (iv) if the flaring is unavoidable for technological reasons.

If flaring is made because of an emergency or a threat of emergency, the subsoil user must notify the Competent Authority and the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan in writing within 10 days of such flaring. In all other cases, the subsoil user is subject to obtaining the Competent Authority's consent for gas flaring provided that the subsoil user complies with the limits on gas flaring contained in the project documents and the gas processing development programme approved by the Competent Authority.

Carbon Emissions Quotas

In March 2009, the President of Kazakhstan signed the law on the ratification of the Kyoto Protocol. Ratification of the Kyoto Protocol, which is intended to limit or discourage emissions of greenhouse gases such as carbon dioxide, is expected to have an impact on environmental regulation in Kazakhstan. The effect of such ratification in other countries is still unclear; accordingly, potential compliance costs associated with the Kyoto Protocol are unknown.

In addition to the Kyoto Protocol, in November 2016, Kazakhstan ratified the Paris Agreement under the United Nations Framework Convention on Climate Change (the "**Paris Agreement**").

Following the ratification of the Kyoto Protocol, the Environmental Code was amended to set out a framework for climate change control in Kazakhstan, which came into force on 1 January 2013. This framework included obtaining quotas for greenhouse gas emissions from legal entities emitting more than 20,000 tonnes of carbon dioxide in a year, quota trading and the development of the national quota allocation plan. However, in response to industry complaints on the imperfections of the legal mechanism put in place for the allocation of quotas and trading, and difficulties with adherence to such quotas, in April 2016, Kazakhstan suspended the application of a number of provisions of the Environmental Code related to greenhouse gas emissions until 1 January 2018. The application of the national allocation plan for 2016-2020 and the quotas distributed amongst the companies were also suspended until 1 January 2018.

On 27 December 2017, the Government approved the National Plan for the Allocation of Quotas in respect of Greenhouse Gases Emissions for 2018-2020, which came into effect on 1 January 2018. This Plan replaced the national allocation plan for 2016-2020. The National Plan for the Allocation of Quotas sets the total volume of quotas for greenhouse gas emissions in the amount of 485909138 units for 129 companies. However, this market is not active and there is no trading because the market mechanisms have not been established by the Kazakh Government.

It is anticipated that Kazakhstan will further re-consider its greenhouse gas regulation. The potential effect that may arise therefrom is still unclear. Accordingly, potential compliance costs associated with any amendment to greenhouse gas regulation are unknown and may be significant.

Water Permits

The Water Code aims to implement governmental policy in relation to the utilisation and protection of water resources. The Water Code sets out obligations for the use of water and discharge of certain materials into the water, on the basis of Water Use Permits (the "**WUP**"). WUP can be withdrawn if the terms as specified in the relevant WUP are breached. Such terms include monitoring the quality of undergrounds water, submitting statistical reports and monitoring reports, complying with requirements relating to water pollution during mining operations and regular checking of equipment. If any circumstances relating to its water use change a WUP holder is obliged to agree to such changes with the relevant government agencies. The term of a WUP may be extended subject to compliance with requirements specified within the WUP.

Enforcement

The Environmental Code specifies which authorised bodies are responsible for monitoring environmental compliance and enforcing environmental requirements. These officials include the Chief State Ecological Inspector, the Deputy Chief State Ecological Inspector and other regional officials who have the authority to supervise environmental compliance and initiate judicial proceedings.

The Environmental Code authorises the relevant Government officials, in their enforcement of environmental protection measures, to, *inter alia:*

- inspect facilities and take measurements and samples for analysis;
- request and receive documentation, results of analysis and other materials;
- initiate procedures relating to the suspension and annulment of environmental and other permits in the event of violation of the terms of such permits;
- issue orders for individuals and legal entities to eliminate violations of Kazakhstan's environmental laws; and
- file claims with courts with respect to violations of Kazakhstan law.

Environmental and Other Mandatory Insurance

Kazakhstan law establishes a number of mandatory insurances to be obtained by any entity conducting certain types of activities.

Environmental Insurance

Pursuant to the Law "On Mandatory Environmental Insurance" dated 13 December 2005 N° 93-III, any entity carrying out environmentally hazardous activities should insure against the risks associated with such respective activities. An agreement of mandatory environmental insurance should cover damages to life, health, property of third parties and the environment caused as a result of an environmentally hazardous activity and other activities (except for payments for moral damage, loss of profit and payment of penalty interest).

According to Clause 3 of the List of Environmentally Hazardous Businesses and Other Activities, approved by Order N° 27 of the Minister of Energy, dated 21 January 2015, environmentally hazardous activities include: (i) commercial production of oil and gas; (ii) storage of oil, oil products and chemicals; (iii) oil refineries' activities (other than the production of lubricants from crude oil); and (iv) the operation of oil and gas pipelines.

A subsoil user cannot carry out its activities without obtaining environmental insurance.

Other lines of mandatory insurance, which are required by Kazakhstan law and applicable to the Company's activities, are as follows:

Insurance of Civil Liability of Danger Units Owners

According to the Law "On Civilian Protection" (N° 188-V, dated 11 April 2014, as amended) (the "**Civil Protection Law**") and the Law "On Mandatory Insurance of Civil Liability of Owners of Units Associated with Danger of Damage to Third Parties" (N° 580-II, dated 7 July 2004, as amended), companies must insure against risks associated with the functioning of their hazardous manufacturing units. A hazardous manufacturing unit is a unit that produces, uses, processes, generates, stores, transposes or destroys at least one of the following substances: inflammable substances, explosives, fuels, oxidizing agents, toxic agents, highly toxic substances and other hazardous substances according to the laws; or a unit that carries out mining, geological prospecting, drilling and explosive works, production of natural resources and processing of minerals in underground conditions.

Insurance of the Employees against Accidents at Work

According to the Law "On Mandatory Insurance of an Employee against Accidents when Carrying Out Employee's Labour Duties" (N° 30-III, dated 7 February 2005, as amended), since 1 July 2005 all employers are obliged to insure employees against accidents when carrying out their employment duties.

Insurance of the Civil Liability of Transport Vehicles Owners

According to the Law "On Mandatory Insurance of the Civil Liability of Transport Vehicle Owners" (N° 446-II, dated 1 July 2003, as amended), civil liability of owners of, *inter alia,* cars, trucks, buses, microbuses, and transport vehicles, motor-transport and trailers (semi-trailers) are subject to mandatory insurance requirements, and any use of such vehicles without insurance is prohibited.

Statute of Limitations on Proceedings

The statute of limitations for bringing civil proceedings for breach of environmental requirements is governed by the general statute of limitation provisions under the Civil Code which provides for a three-year limitation period which starts running from the time when a person learns or should have learned of a breach. This limitation does not apply to regulatory proceedings, criminal or administrative prosecutions in connection with breaches of environmental requirements, which are subject to separate limitation periods.

Health and Safety Compliance

The Company's activities are subject to laws and regulations of Kazakhstan relating to safety and health matters, including industry specific health and safety requirements, and are regulated by various government authorities, including the Ministry of Energy, the Ministry of Labour and Social Protection of the Population and the Ministry of Health. In addition to the Subsoil Code, such laws and normative acts include, amongst others: (a) the Civil Protection Law, which stipulates rules and procedures related to the mandatory industrial safety declaration; (b) the Sanitary Rules on "Sanitary and Epidemiological Requirements to Technological and Axillary Facilities and Installations Carrying Out Oil Operations" approved by Order N° 236 of the Minister of National Economy of the Republic of Kazakhstan, dated 20 March 2015, as amended, and (c) other normative acts setting out requirements for industry safety in the oil and gas industry. The laws and regulations require an employer to provide its employees with properly functioning and safe equipment, to train its employees on health and safety requirements, to adopt corporate health and safety regulations, to provide special uniform and shoe wear, special nutrition, to perform periodic medical examinations of its employees, to obtain periodic third party attestation for equipment and worksites, to provide adequate insurance to its employees, to maintain third party liability insurance and to comply with fire safety, sanitary and hygienic regulations.

The Company discloses its approach to sustainable development, social, economic and environmental responsibility on an annual basis. The Company has been developing annual reports in the field of sustainable development activities since 2008 and since 2012, these reports have been published in accordance with the GRI Sustainability Reporting Standards. In order to assess Company's efforts in the spheres of ecology, corporate governance and the social sphere of business, the Company has established a corporate key performance indicator "ESG rating" for 2020.

Price Regulation

The Government can regulate prices with respect to the members of Company's group that are Kazakhstan companies if such companies have the status of a natural monopoly or hold a dominant position in the relevant market. KTO and KTG (each through their respective subsidiaries), each of which is classified as a natural monopoly, are subject to price regulation by the Natural Monopolies Committee. Such price regulation applies to domestic market only and does not apply to oil and gas transit and/or export transportation tariffs (set out in accordance with respective international treaties and/or transportation agreements).

The Law "On State Regulation of Production and Circulation of Certain Types of Oil Products" (N° 463-IV, dated 20 July 2011) empowers the State to regulate marginal retail prices for oil products. The Ministry of Energy is the government body authorised to determine the types of regulated oil products and their respective marginal retail prices. The applicable laws do not provide for government regulation of oil products' wholesale prices.

In May 2014, the EAEU Treaty was signed by the EAEU member states, including Kazakhstan. Chapter XX (Energy) of the EAEU Treaty is dedicated to the matters of cooperation of the member states in the sphere of energy, including through formation of a common gas market and granting access to services of natural monopolies in the gas transportation sector in the member states. Pursuant to the EAEU Treaty, the Supreme Eurasian Economic Council approved, in May 2016, the concept of forming a common gas market of the EAEU and, in December 2018, the programme of forming a common gas market of the EAEU. Currently, it is anticipated that an inter-governmental agreement on the common gas market will come into force by 1 January 2025. Formation of the common gas market by the EAEU member states may impact matters related to gas trading in Kazakhstan and operations of the Company.

Kazakhstan-based Goods and Services

The Government is promoting the development of related domestic industries and has adopted new policies in the oil and gas sector to accomplish this goal.

An example of these policies is the greater emphasis on the use of Kazakhstan based services providers. Pursuant to this policy, subsoil users are required to retain certain minimum percentage of Kazakhstan producers for the provisions of works and services. Furthermore, subsoil users are required to give preference to Kazakhstan personnel whilst conducting subsoil use operations. Investors are also frequently required to contribute certain amounts of funds to social projects and benefits.

S-K Rules

Pursuant to the Sovereign Wealth Fund Law, the Company is not subject to the general State procurement rules (established by the State Procurement Law) and conducts its procurement in accordance with Samruk-Kazyna Procurement Regulation (the "**S-K Rules**").

The S-K Rules were adopted on 3 July 2019 and became effective on 1 January 2020. The S-K Rules are generally similar to the State procurement rules and provide for mandatory procedures for the procurement of goods, work and services by Samruk-Kazyna and companies in which Samruk-Kazyna has a 50 per cent. or more direct or indirect ownership. The S-K Rules require such companies to conduct formal public tenders in order to procure most types of goods, works and services, subject to certain limited exceptions. The procurement of certain limited categories of goods, works and services, as well as goods, works and services provided by companies within the Samruk- Kazyna group, are conducted by way of direct trades without involving the tendering procedures. Samruk-Kazyna exercises overall supervision over compliance with the S-K Rules under the Samruk-Kazyna Procurement Control Rules adopted on 23 December 2019, which became effective on 1 January 2020.

A detailed procedure for different types of procurement is established by the Samruk-Kazyna Procurement Standard adopted on 9 September 2019, which became effective on 1 January 2020. Under the Samruk-Kazyna Procurement Standard, subsoil users within the Samruk-Kazyna group that have subsoil use contracts entered into before 1 January 2015 will continue to retain certain obligations to procure predominantly domestic goods, works and services during the transition period until 2021, after which date such benefits are expected to be eliminated.

Arbitration Law

Unless the parties agreed otherwise and subject to statutory restrictions, if the parties fail to resolve their dispute arising out of and/or in connection with their respective subsoil use contract, they should submit such dispute to a relevant Kazakhstan court.

Under the Arbitration Law, an arbitration tribunal is not entitled to consider disputes between Kazakhstan individuals and/or legal entities, on the one hand, and government authorities, state enterprises, as well as legal entities, fifty per cent. or more of voting shares (participation interests in the charter capital) of which are directly or indirectly owned by the state, on the other hand, in the absence of a consent of the authorised body of the relevant industry (in relation to republican property) or the local executive authorities (in relation to the municipal property). The government authorities, state enterprises, as well as legal entities (such as the Company)), fifty per cent. or more of voting shares (participation interests in the charter capital) of which are directly or indirectly owned by the state, intending to conclude an arbitration agreement, must send to the authorised body of the relevant industry (or local executive authority) a request for granting a consent to conclude such arbitration agreement, with an indication of the estimated costs of the arbitration proceedings. When considering the request, the authorised body (or the local executive authority) must take into account the economic security and interests of the state.

When choosing an arbitration court, the parties are free to choose Kazakhstan-based (*e.g.,* the International Arbitration Centre (the "**IAC**") within the Astana International Financial Centre (the "**AIFC**"), the Arbitration Centre of the National Chamber of Entrepreneurs Atameken, etc.) or international arbitration courts (*e.g.,* the London Court of International Arbitration, the ICC International Court of Arbitration, etc.).

IAC Arbitration

The AIFC is a financial hub in Nur-Sultan, Kazakhstan, which was officially launched in 2018 and which has a special legal regime. The IAC is functioning in the territory of the AIFC and is intended to provide an independent, economical and expeditious alternative to court litigation, operating to the highest international standards to resolve civil and commercial disputes in the AIFC. Parties may agree for the IAC to administer their arbitration according to the IAC Arbitration and Mediation Rules, UNCITRAL Arbitration Rules or *ad hoc* arbitration rules and administer their mediations according to the IAC Arbitration and Mediation Rules or *ad hoc* mediation rules. The parties to a dispute may provide other forms of alternative dispute resolution.

The IAC's panel of arbitrators consists of over thirty professionals from over ten different countries, including the United Kingdom, the United States, China, Hong Kong, Japan, India, Singapore, Russia, and certain countries of the European Union.

Licensing of Subsoil Services, Storage and Pipeline Transportation

In May 2014, the new Kazakhstan Law X 202-V dated 16 May 2014, as amended, "On Permits and Notifications" came into force (the "**Permits and Notifications Law**"). The Permits and Notifications Law consolidates and streamlines various regulations in relation to licences, permits, consents and other government approvals. The Permits and Notifications Law provides that production of oil and gas, operation of oil refining and oil and gas pipelines as well as subsoil services (such as the drilling of oil and gas wells and other related services) are licenced activities.

A licence is granted for an unlimited period of time by the Competent Authority after submission of the required documentation confirming that the facility fulfils all applicable requirements and the payment of a fee. A licence is not transferable from one person (licensee) to another.

A licence can be suspended or terminated in case a licensee fails to comply with qualification requirements, including but not limited to, a lack of qualified personnel or proper equipment.

If a legal entity conducts activities without the relevant licence, as required by the Permits and Notifications Law, such entity and its officers are subject to administrative and criminal liability.

Anti-monopoly Regulation

The Natural Monopolies Committee is responsible for the supervision of competition matters, including those relating to the oil and gas industry. It regulates the competitive behaviour of legal entities that are not natural monopolies and supervises legal entities that hold dominant positions in a particular commodity market.

In accordance with Kazakhstan's Entrepreneurial Code (the "**Entrepreneurial Code**"), a company is deemed to occupy a dominant position if its market share is equal to or exceeds a threshold of 35 per cent., provided that all of the following circumstances are true in respect of such entity: (i) there is a possibility of such entity unilaterally determining prices and having a decisive influence on the general conditions of a product's sale in the market; (ii) such possible decisive influence is for a specified duration; and (iii) if there are economic, technological, administrative or any other restrictions for others to access the market. Companies with a market share of 50 per cent. or more are considered to occupy a dominant position whether or not they fulfil the above criteria.

In addition, if not more than three entities in a relevant market hold an aggregate market share of 50 per cent. or more, or if not more than four entities in a relevant market hold an aggregate market share of 70 per cent. or more, each is deemed to hold a dominant market position, provided that such entities meet all of the following criteria: (i) the market share remains the same for a year or longer (or the term of a certain market existence); (ii) the product sold or purchased by such entity cannot be replaced with another product; and (iii) the information on the price for such product or the conditions of its sale is available to the general public. At the same time, if an entity holds a market share not exceeding 15 per cent. of the relevant market, such entity shall not be deemed to hold a dominant market position.

Market participants that intend to engage or have engaged in an economic concentration must obtain approval from the Natural Monopolies Committee or properly notify it of the engagement, depending on the type of concentration.

According to the Entrepreneurial Code, an economic concentration is:

- a reorganisation of a market participant through a merger or consolidation;
- the acquisition by a person (or a group of persons) of voting shares (or participation interests in charter capital or participatory shares) in a market participant where such person (or group of persons) gains the right to dispose of more than 50 per cent. of such shares (or participation interests in charter capital or participatory shares) if, prior to such acquisition, such person (or group of persons) did not possess shares (or participation interests in charter capital or participatory shares) in such market participant or possessed 50 per cent. or less of the voting shares (or participation interests in charter capital or participatory shares) in the charter capital of such market participant. This, however, does not apply to a new company set-up;
- the acquisition by a market participant (or a group of persons) of fixed production assets and/or intangible assets of another market participant into ownership, possession and use, including in payment (transfer) of charter capital if the book value of the property constituting the subject of the transaction (inter-related transactions) exceeds 10 per cent. of the book value of the fixed production assets and intangible assets of the market participant alienating or transferring the property;
- the acquisition by a market participant (including on the basis of a trust management agreement, joint operation agreement or agency agreement) of rights which allow such market participant to issue binding instructions to the other market participant for the conduct of its business activities or to perform the functions of its executive body; or
- the participation of the same individuals in the executive bodies, boards of directors, supervisory boards or other management bodies of two or more market participants, provided that such individuals determine the terms of business activities conducted by such market participants.

Either of the above transactions effected within one group of entities is not considered to be an economic concentration and as such does not require approval from or notification to the Natural Monopolies Committee. Approval by the Natural Monopolies Committee (for transaction(s) numbered (1) to (3) immediately above) or the notification to the Natural Monopolies Committee (for transactions numbered (4) and (5)) is required when the aggregate book value of assets of the reorganised market participants (or group of persons) or the acquirer (or group of persons) and the market participant whose voting shares (or participation interests in charter capital or participatory shares) are acquired, or their aggregate sales of goods in the most recent financial year exceed by ten times the monthly calculation index in effect in the year of filing an application for approval (notification).

In general, it is the responsibility of the purchaser, which acquires shares (participation interests, stocks), fixed production assets, intangible assets or respective rights, to obtain prior approval from the Natural Monopolies Committee.

A company which engages in an economic concentration without the applicable approval of or notification to the Natural Monopolies Committee in violation of the Entrepreneurial Code may be subject to administrative fines and penalties.

Economic concentration conducted in the absence of the Natural Monopolies Committee's consent that results in the creation or enhancement of a dominant or monopoly positions of a market participant (or a group of entities) and/or restriction of competition may be invalidated by a court on the basis of an action brought by the Natural Monopolies Committee.

In addition, state registration, re-registration of a market participant and rights to real estate in violation of the requirements of the Entrepreneurial Code discussed above may be invalidated and cancelled by a court on the basis of an action brought by the Natural Monopolies Committee.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisors as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

United States Federal Income Taxation

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a holder thereof. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and additional or modified disclosure concerning certain U.S. federal income tax consequences relevant to such type of Note may be provided in a supplemental prospectus, as appropriate. This summary only applies to holders that acquire Notes as part of the initial issuance at their initial issue price and that hold the Notes as capital assets for U.S. federal income tax purposes. This overview does not discuss all aspects of U.S. federal income taxation that may be applicable to all members of a class of holders subject to special treatment under United States federal income taxation (except as may be specifically set forth below), such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax exempt organisations, dealers or traders in securities or currencies, persons that mark their securities to market, holders that will hold Notes through a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) or other pass through entity, holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes, controlled foreign corporations, passive foreign investment companies, U.S. Holders (as defined below) that have a functional currency other than the U.S. Dollar, and certain expatriates and long-term residents of the United States. Moreover, this summary does not address the U.S. federal estate and gift tax, the "net investment income" tax imposed under Section 1411 of the Code or alternative minimum tax consequences of the acquisition, ownership or disposition of Notes and does not include any description of the tax laws of any non-U.S. or U.S. state or local governments.

*This summary is based on the Internal Revenue Code of 1986, as amended, (the "**Code**") existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. Any special U.S. federal income tax considerations relevant to a particular issue of the Notes will be provided in a supplement to this Base Prospectus.*

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) a citizen or resident of the United States; (ii) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States or any state thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

A Non-U.S. Holder is a beneficial owner of Notes that is neither a U.S. Holder nor a partnership (or any other entity or arrangement treated as a partnership) for U.S. federal income tax purposes.

If a partnership (or any other entity or arrangement treated as a partnership) for U.S. federal income tax purposes holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor concerning the U.S. federal income tax consequences of the acquisition, ownership or disposition of Notes by the partnership.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF U.S. STATE OR LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

U.S. Holders

U.S. Federal Income Tax Characterisation of the Notes

The determination of whether an instrument such as the Notes is characterised as a debt, equity or some other instrument or interest for U.S. federal income tax purposes is based on all the relevant facts and circumstances. There may be no statutory, judicial or administrative authority directly addressing the appropriate characterisation of the Notes, and no rulings have been or will be sought from the Internal Revenue Service ("**IRS**") with respect to the appropriate characterisation of the Notes for U.S. federal income tax purposes. To the extent it is required to take a position, unless otherwise stated in the relevant supplemental prospectus, the Issuer intends to take the position that the Notes are characterised as debt for U.S. federal income tax purposes. It is possible that the IRS might contend that the Notes issued by the Issuer should be treated not as indebtedness of the Issuer but either as equity of the Issuer, or as indebtedness of the Company (if the Issuer is KMG Finance). Additional alternative characterisations may also be possible. Further possible characterisations, if applicable, may be discussed in any supplemental prospectus or series prospectus. Prospective purchasers of the Notes should consult their own tax advisers about the consequences in the event the Notes are treated as equity of the Issuer or indebtedness of the Company (if the Issuer is KMG Finance), or any other characterisation for U.S. federal income tax purposes and the consequences of acquiring, owning or disposing of Notes. The remainder of this discussion assumes that the Notes will be treated as debt for U.S. federal income tax purposes.

<u>Certain Accrual Method Taxpayers</u>

Certain U.S. Holders that use an accrual method of accounting for tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements. The application of this rule thus may require the accrual of income earlier than would be the case under the general tax rules described below. However, proposed U.S. Treasury Regulations provide that this rule does not apply to the general timing rules for original issue discount ("**OID**") and certain other items with respect to debt instruments. U.S. Holders are permitted to rely on the proposed U.S. Treasury Regulations with respect to the Notes, provided that any such U.S. Holder applies all of the applicable rules contained in the proposed U.S. Treasury Regulations consistently to all items of income during such U.S. Holder's taxable year. U.S. Holders that use an accrual method of accounting should consult with their tax advisors regarding the potential applicability of this rule to their particular situation.

Interest

Except as set forth below, interest paid on a Note, whether payable in U.S. Dollars or a currency, composite currency or basket of currencies other than U.S. Dollars (a "**foreign currency**"), including the amount of any applicable withholding tax thereon and any additional amounts paid with respect thereto, will be includible in a U.S. Holder's gross income as ordinary interest income at the time it is received or accrued, in accordance with the U.S. Holder's usual method of accounting for U.S. federal income tax purposes. In addition, interest and OID, if any, accrued with respect to the Notes (as described below under "—*Original Issue Discount*") on the Notes will generally be treated as income from sources outside the United States for U.S. federal income tax purposes. For purposes of calculating the U.S. Holder's foreign tax credit limitation, interest on the Notes should generally constitute "passive category income". The U.S. federal income tax rules relating to foreign tax credits and limitations thereof are complex and may vary depending on the facts and circumstances of each U.S. Holder. Accordingly, U.S. Holders should consult their own tax advisers regarding the availability of a foreign tax credit for foreign taxes withheld under such U.S. Holder's particular situation.

Foreign Currency Denominated Qualified Stated Interest

Except as set forth below, if any payment of "qualified stated interest" (as defined below), including any additional amounts, is denominated in, or determined by reference to, a foreign currency (a "Foreign Currency Note"), the amount of income recognised by a U.S. Holder will be the U.S. Dollar value of the foreign currency, including the amount of any applicable withholding tax thereon and any additional amounts paid with respect thereto, regardless of whether the foreign currency is in fact converted into U.S. Dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. Dollar value using the spot rate of exchange on the date of receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. Dollar value of accrued interest income using the average rate of exchange for the accrual period (or, in the case of an accrual period that spans two taxable years of the U.S. Holder, the part of the period within each taxable year) or, at the U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years of the U.S. Holder, the part of the period within each taxable year) or the spot rate of exchange on the date of receipt, if that date is within five days of the last day of the accrual period. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognise U.S. source foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date of payment is received differs from the rate applicable to an accrual of that interest, regardless of whether the payment is converted to U.S. Dollars at such time. This foreign currency gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income received on the Notes.

Original Issue Discount

U.S. Holders of Notes issued with OID, including zero coupon notes, with a term of over one year (an "**Original Issue Discount Note**"), will be subject to special tax accounting rules, as described in greater detail below. Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a currency other than the U.S. Dollar are described under Foreign Currency Discount Notes below.

The following discussion does not address the application of the U.S. Treasury Regulations governing OID to, or address the U.S. federal income tax consequences of, an investment in Notes that are contingent payment debt instruments. In the event the Issuer issues contingent payment debt instruments, the relevant supplemental prospectus will describe certain U.S. federal income tax consequences thereof.

For U.S. federal income tax purposes, a Note (including a zero coupon note), other than a Note with a term of one year or less (a "**Short Term Note**"), will be treated as issued with OID if the excess of the Note's stated redemption price at maturity over its issue price equals or exceeds a *de minimis* amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note that provides for payments other than qualified stated interest before maturity, its weighted average maturity)). The "issue price" of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold to persons other than to underwriters, brokers, agents or wholesalers. The "stated redemption price at maturity" of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest". The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the Issuer) at least annually at a single fixed rate or a variable rate (in the circumstances described below under "*—Variable Rate Debt Instruments*"). Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Notice will be given if it is determined that a particular Note will bear interest that is not qualified stated interest. In the case of a Note issued with *de minimis* OID, a U.S. Holder of such Note will recognise capital gain with respect to any *de minimis* OID as stated principal payments on the Note are made. The amount of such gain with respect to each principal payment will equal the product of the total amount of the Note's *de minimis* OID and a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the stated principal amount of the Note.

U.S. Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income (calculated on a constant yield method) in advance of the receipt of some or all of the related cash payments. The amount of OID includible in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note, *provided that* each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period.

The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortisation of any acquisition or bond premium, as described below) and reduced by any payments previously made on such Note (other than qualified stated interest). Under these rules, a U.S. Holder generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

Certain of the Notes may be redeemed prior to their maturity at the Issuer's option and/or at the option of the holder. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the relevant Final Terms and should consult their own tax advisors with respect to such features since the U.S. federal income tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

In the case of an Original Issue Discount Note that is a Floating Rate Note that qualifies as a "variable rate debt instrument" under the relevant U.S. Treasury Regulations (as described below under "*Variable Rate Debt Instruments*"), both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index or if the principal amount of the Note is indexed in any manner. Persons considering the purchase of Floating Rate Notes should carefully examine the discussion below under "*Variable Rate Debt Instruments*" and the relevant supplemental prospectus and should consult their own tax advisors regarding the U.S. federal income tax consequences of the holding and disposition of such Notes.

Election to Treat all Interest as Original Issue Discount

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above under "*Original Issue Discount*". For the purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. U.S. Holders should consult their own tax advisors about this election.

Variable Rate Debt Instruments

Generally, a Note that provides for interest at a variable rate (a "**Floating Rate Note**") will qualify as a "variable rate debt instrument" under U.S. Treasury Regulations governing the accrual of OID if: (a) its issue price does not exceed the total non-contingent principal payments due under the Floating Rate Note by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of the total non-contingent principal payments and the number of complete years to maturity from the issue date (or in the case of a Floating Rate Note that provides for payments other than qualified stated interest before maturity, the Floating Rate Note's weighed average maturity) or (ii) 15 per cent. of the total non-contingent principal payments; (b) it does not provide for stated interest other than stated interest that pays or compounds at least annually at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (c) each qualified floating rate or objective rate taken into account in stated interest that is in effect at any time during the term of the Floating Rate Note is set at a current value of that rate (*i.e.*, the value of the rate on any day that is no earlier than three months prior to the first day on which the value is in effect and no later than one year following that first day).

A "qualified floating rate" is any variable rate where: (a) variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Floating Rate Notes are denominated; or (b) the rate is equal to such a rate multiplied by either (i) a fixed multiple that is greater than 0.65 but not more than 1.35, or (ii) a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Floating Rate Notes together will constitute a single qualified floating rate. Two or more qualified floating rates will be presumed to meet the requirements of the previous sentence if the values of all rates on the issue date are within 25 basis points of each other. A variable rate is not a qualified floating rate if it is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Floating Rate Note or generally are not reasonably expected to significantly affect the yield on the Floating Rate Note.

An "objective rate" is a rate that: (a) is not a qualified floating rate; and (b) is determined using a single fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the Issuer or a related party (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on Floating Rate Notes will not constitute an objective rate if it is reasonably expected that the average value of such rate during the first half of the Floating Rate Notes' term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Floating Rate Notes' term. A "qualified inverse floating rate," is any objective rate where such rate is equal to a fixed rate *minus* a qualified floating rate, and the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds in the currency in which the Floating Rate Notes are denominated.

Generally, if a Floating Rate Note provides for stated interest (payable unconditionally at least annually) at a fixed rate for an initial period of one year or less followed by a variable rate that is either a single qualified floating rate or a single objective rate, and the value of the variable rate on the Floating Rate Notes' issue date is intended to approximate the fixed rate, then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be. If the Floating Rate Notes pay interest at a single objective rate or a single qualified floating rate, the amount of OID, if any, is determined by using a fixed rate equal to, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date, of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for such Floating Rate Note.

If a Floating Rate Note that is a variable rate debt instrument does not provide for stated interest at a single qualified floating rate or single objective rate, or at a single fixed rate (other than at a single fixed rate for an initial period), the amount of qualified stated interest and the amount and accrual of OID on the Floating Rate Note are generally determined by: (a) determining a fixed rate substitute for each variable rate provided under the Floating Rate Note (generally, the value of each variable rate as of the issue date or, in the case of an objective rate that is not a qualified inverse floating rate, a fixed rate that reflects the yield that is reasonably expected for the Floating Rate Note); (b) constructing the equivalent fixed rate debt instrument (using the fixed rate substitutes described above); (c) determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument (by applying the general OID rules as described above under "*Original Issue Discount*"); and (d) making the appropriate adjustment for actual amount of interest paid or accrued during the applicable accrual period.

If a Floating Rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate and in addition provides for stated interest at a single fixed rate (other than a single fixed rate for an initial period), a U.S. Holder generally must determine the amount of interest and OID accruals by using the method described in the preceding paragraph with the modification that the Floating Rate Note is treated, for purposes of the first three steps of the determination, as if it provided for a qualified floating rate (or qualified inverse floating rate, if the Floating Rate Note provides for a qualified inverse floating rate) rather than the fixed rate. The qualified floating rate (or qualified inverse floating rate) replacing the fixed rate must be such that the fair market value of the Floating Rate Note as of the issue date would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for a qualified floating rate (or qualified inverse floating rate) rather than a fixed rate.

A Floating Rate Note that does not qualify as a variable rate debt instrument will be treated as a contingent payment debt obligation. Certain consequences of the treatment of such a Note for U.S. federal income tax purposes will be more fully described in the relevant supplemental prospectus.

Short Term Notes

In the case of Short Term Notes, all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, U.S. Holders generally will be taxable on the discount, if any, in lieu of any stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short Term Note, unless the U.S. Holder elects to compute this discount using tax basis instead of issue price. Under the OID regulations, in general, individuals and certain other cash method U.S. Holders of a Short Term Note are not required to include accrued discount in their income currently unless the U.S. Holder elects to do so (but may be required to include any stated interest in income as it is received). U.S. Holders that report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short Term Notes (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realised on the sale, exchange or retirement of the Short Term Note will generally be ordinary income to the extent of the discount accrued on a straight-line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income will be required to defer deductions for a portion of the U.S. Holder's interest expense with respect to any indebtedness incurred or continued to purchase or carry such Notes.

Foreign Currency Discount Notes

OID for any accrual period on an Original Issue Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined for any accrual period in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under "Foreign Currency Denominated Qualified Stated Interest" above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder will recognise foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. Dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for an Original Issue Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*Election to Treat All Interest as Original Issue Discount*" above. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a capital loss when the Note matures.

Sale, Exchange or Retirement

A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. Dollar cost increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The U.S. Dollar cost of a Note purchased with a foreign currency generally will be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder generally will recognise gain or loss on the sale, exchange or retirement of a Note equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid interest or OID, which will be taxable as interest income to the extent not previously included in income. The amount realised on a sale, exchange or retirement for an amount in foreign currency will be the U.S. Dollar value of such amount on the date of sale, exchange or retirement or, in the case of Notes traded on an established securities market, within the meaning of the applicable U.S. Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale, exchange or retirement. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

Except with respect to (i) gains or losses attributable to changes in exchange rates (as described in the next paragraph), and (ii) gain on the disposition of a Short Term Note (see "*—Short Term Notes*"), gain or loss recognised on the sale, exchange or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year at the time of such sale, exchange or retirement. The deductibility of capital losses is subject to limitation. Gain or loss realised by a U.S. Holder on the sale, exchange or retirement of a Note generally will be U.S. source income or loss. Prospective investors should consult their tax advisors as to the foreign tax credit implications of such sale, exchange or retirement of Notes.

Gain or loss recognised by a U.S. Holder on the sale, exchange or retirement of a Note that is attributable to changes in exchange rates will be treated as U.S. source ordinary income or loss; however, exchange gain or loss is taken into account only to the extent of total gain or loss realised on the transaction.

Disposition of Foreign Currency

A U.S. Holder will have a tax basis in any foreign currency received as interest on a Note or on the sale, exchange or retirement of a Note equal to its U.S. Dollar value at the time such interest is received or at the time of such sale, exchange or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss realised by a U.S. Holder on a sale or other disposition of foreign currency (including its exchange for U.S. Dollars or its use to purchase Notes) generally will be ordinary income or loss.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the U.S. Treasury Regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (US$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amount for other U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty of up to US$10,000 in the case of a natural person and US$50,000 in all other cases may be imposed in any taxable year on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any foreign currency received as interest or as proceeds from the sale, exchange or retirement of the Notes.

Foreign Financial Asset Reporting

Certain U.S. Holders that own certain "specified foreign financial assets" are required to report information relating to such assets with their tax returns. An interest in the Notes generally will constitute specified foreign financial assets, subject to certain exceptions (including an exception for Notes held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisors regarding the application of these rules and any other information reporting obligations, if any, with respect to their ownership and disposition of the Notes.

Non-U.S. Holders

Under U.S. federal income tax law currently in effect, subject to the discussion below under the caption "U.S. Backup Withholding Tax and Information Reporting," payments of interest (including OID) on a Note to a Non-

U.S. Holder generally will not be subject to U.S. federal income tax unless the income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Subject to the discussion below under the caption "U.S. Backup Withholding Tax and Information Reporting," any gain realised by a Non-U.S. Holder upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realised by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

In general, payments of principal, interest and accrued OID on, and the proceeds of a sale, exchange or other disposition of, Notes, payable to a U.S. Holder by a U.S. or certain U.S.-related paying agents or intermediaries will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments (including payments of OID) if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest to a Non-U.S. Holder will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the Non-U.S. Holder to the payor that establishes it is not a U.S. Holder and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is currently 24 per cent.

Backup withholding is not an additional tax. Holders generally will be entitled to credit any amounts withheld under the backup withholding rules against such holder's U.S. federal income tax liability, and may be entitled to a refund, provided the required information is furnished to the IRS in a timely manner.

Kazakhstan Taxation

The following summary of certain Kazakhstan taxation matters is based on the laws as at the date of this Base Prospectus and is subject to any changes in the laws, interpretation and application thereof, whilst such changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. This summary only addresses the position of investors who do not have any connection with Kazakhstan other than through acquiring, holding or disposing of Notes. Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Notes, including their eligibility for the benefits of double tax treaties, under the laws of their country of citizenship, residence, domicile or incorporation, and seek Kazakhstan tax advice as necessary.

This summary discusses the Kazakhstan tax consequences of the disposal, sale, exchange or transfer of Notes and payment of interest. In general, Kazakhstan tax legislation with respect to the taxation of securities and financial instruments is not well developed and, in many cases, the exact scope of Kazakhstan tax compliance rules and enforcement mechanism are unclear or open to different interpretations.

In Respect of Notes issued by KMG Finance

Interest under the 2018 Tax Code

Under Kazakhstan law as presently in effect, payments of principal or interest on the Notes by KMG Finance to an individual who is a tax non-resident of Kazakhstan or to a legal entity that is neither established in accordance with the legislation of Kazakhstan, nor has its actual governing body (place of actual management) in, nor maintains a permanent establishment in, Kazakhstan or otherwise has no legal taxable presence in Kazakhstan (together, "**Non-Kazakhstan Holders**") will not be subject to taxation in Kazakhstan, and no withholding of any Kazakhstan tax will be required on any such payments. Interest payable by KMG Finance to residents of Kazakhstan or to tax non-residents who maintain a permanent establishment in Kazakhstan (together, "**Kazakhstan Holders**"), other than to individuals, will be subject to Kazakhstan income tax unless the Notes 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).

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 Non-Kazakhstan Holders derived from the disposal, sale, exchange or transfer of the Notes will not be subject to Kazakhstan income tax. Any gains derived by 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) and sold through open trades on such stock exchange will not be subject to Kazakhstan income tax.

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 included in the official list of the AIX as at the date of their sale will be exempt from taxation in Kazakhstan.

Payments under the Guarantee

Payments by the Company to Non-Kazakhstan Holders under the Guarantee will be subject to withholding 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 United Kingdom, with which Kazakhstan has bilateral taxation treaties may be entitled to a reduced rate of withholding tax, subject to timely submission to the Company of the duly issued tax residency certificate from such country of residence.

Payments by the Company to Kazakhstan Holders, other than individuals, under the Guarantee will be subject to income tax at a rate of 20 per cent. Payments to individual Kazakhstan Holders under the Guarantee will be subject to income tax at a rate of 10 per cent.

Noteholders should consult their own tax advisors on the applicability of tax deductions and applicable tax rates to the payments under the Guarantee.

The Company will agree under its Guarantee in the Trust Deed to pay additional amounts (as defined in the Trust Deed) in respect of any such withholding, subject to certain exceptions set out in full in Condition 12 (*Taxation*). Payments of interest by the Company under the Guarantee to a Noteholder entitled to the benefits of a Kazakhstan Tax Treaty may be subject to a reduced rate of withholding tax.

In Respect of Notes issued by KMG

Interest under the 2018 Tax Code

Payments of interest on the Notes issued by the Company 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 Liechtenstein, Nigeria, Malta, Aruba (being part of the Netherlands) and others) (and to Non-Kazakhstan Holders who failed to submit to the Company 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 United Kingdom, with which Kazakhstan has bilateral taxation treaties may be entitled to a reduced rate of withholding tax, subject to timely submission to the Company of the duly issued tax residency certificate from such country of residence.

Payments of interest by the Company 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).

The Company will agree under the terms and conditions of the Notes to pay additional amounts (as defined in the Trust Deed) in respect of any such withholding, subject to certain exceptions set out in full in Condition 12 (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) 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 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 included in the official list of the AIX as at the date of their sale will be exempt from taxation in Kazakhstan.

The Netherlands Taxation

General

The following is a general summary of the Dutch tax consequences as at the date of this Base Prospectus in relation to payments made under Notes issued by KMG Finance and in relation to the acquisition, holding or disposal of Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder of a Note or a prospective holder and in view of its general nature, it should be treated with corresponding caution. Holders should consult their tax advisers with regard to the tax consequences of investing in the Notes. Except as otherwise indicated, this summary only addresses the Netherlands tax legislation as in effect at the date of this Base Prospectus and as interpreted in published case law until this date.

This summary does not describe the Netherlands tax considerations for holders, who have a substantial interest ("*aanmerkelijk belang*") in the Issuer. In general, a holder of a Note is considered to have a substantial interest in the Issuer, if he, alone or together with his partner (a statutorily defined term) or certain other related persons, directly or indirectly, has (i) an interest of five per cent. or more of the total issued capital of the Issuer or of five per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer.

Withholding Tax

All payments made by KMG Finance under Notes issued by it can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, *provided that* none of the payments under the Notes will depend on or will be deemed to depend on the profits or distribution of the profits by KMG Finance or an affiliated party.

Corporate Income Tax and Individual Income Tax

Residents of the Netherlands

If the holder of a Note is a resident or deemed to be a resident of the Netherlands for Dutch corporate income tax purposes, income derived from Notes held by it and gains realised upon the disposal of Notes held by it are subject to Dutch corporate income tax (2020 rates of 16.5 per cent. on profits up to and including €200,000; 25.0 per cent. on profits in excess of €200,000).

If the holder of a Note is an individual, resident or deemed to be a resident of the Netherlands for Dutch income tax purposes, the income derived from Notes held by it and the gains realised upon the disposal or deemed disposal of Notes held by it are taxable at the progressive income tax rates (with a maximum of 49.5 per cent.), if:

- the holder has an enterprise or an interest in an enterprise, to which enterprise the Notes are attributable; or
- the holder is considered to perform activities with respect to the Notes that exceed regular asset management ("**normaal vermogensbeheer**").

If both aforementioned conditions do not apply to the individual holder of a Note, such holder will be taxed annually on a notional income of 0.06 - 5.33 per cent. of the value of the Notes held by it at the beginning of the calendar year at a flat rate of 30.0 per cent., regardless of whether any interest is received or any capital gains in respect of the Notes are actually realised. The individual holder of a Note will only be subject to the above notional income tax in so far as certain thresholds are exceeded.

Non-residents of the Netherlands

A holder of a Note who derives income from a Note or who realises a gain on the disposal or deemed disposal of a Note will not be subject to Dutch taxation on income or capital gains, *provided that*:

- such holder is neither resident nor deemed to be resident in the Netherlands; and
- such holder does not have an interest in an enterprise or deemed enterprise (statutorily defined term) which is, in whole or in part either effectively managed in the Netherlands or, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are attributable; and
- in the event the holder is an individual, such holder does not carry out any other activities in the Netherlands that exceed regular asset management; and
- such holder does not have an interest in an enterprise in the Netherlands other than by way of securities.

A holder of a Note will not become subject to taxation in the Netherlands by reason only of the execution, delivery or enforcement of the Notes or the performance by the relevant Issuer or, if applicable, KMG of its obligations under the Notes.

Gift, Estate or Inheritance Taxes

Dutch gift, estate or inheritance taxes will not be levied on the occasion of the acquisition of a Note by way of gift by, or on the death of, a holder of a Note, unless:

- the holder is, or is deemed to be, resident in the Netherlands; or
- in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, whilst being resident or deemed to be resident in the Netherlands.

For purposes of Dutch gift and inheritance tax, an individual who holds Dutch nationality will be deemed to be resident in the Netherlands, if he/she has been resident in the Netherlands at any time during the 10 years preceding the date of the gift or his/her death.

For purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident in the Netherlands, if he/she has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

Other Taxes and Duties

There is no Dutch registration tax, capital tax, stamp duty or any other similar tax or duty other than court fees and contributions for the registration with the Trade Register of the Chamber of Commerce, payable by a holder of a Note in the Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the Notes or the performance of Issuer's obligations under the Notes. There is no Dutch value added tax payable in respect of payments in consideration for the issue of the Notes, in respect of the payment of interest or principal under the Notes or the transfer of the Notes.

The Proposed Financial Transaction Tax

On 14 February 2013, the European Commission has published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal is very broad in scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution and at least one party is established in a participating Member State. A financial institution may be, or may be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State, or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Certain ERISA and Other Considerations

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") imposes certain requirements on "employee benefit plans" (as defined in ERISA) that are subject to Title I of ERISA, including entities whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. For example, Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") prohibit certain transactions involving the assets of an ERISA Plan and of other "plans" that are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**"), and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under Section 4975 of the Code)having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

Accordingly, each purchaser of Notes or any beneficial interest therein, and each transferee thereof, will be deemed to have represented and agreed that (i) it is not (and is not deemed for purposes of ERISA or Section 4975 to be), and will (throughout the period during which it holds Notes (or an interest therein)) not be (or be deemed for purposes of ERISA or Section 4975 to be), a Plan, or (ii) its purchase and holding of Notes do not and will not constitute or otherwise result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.

Certain governmental plans, church plans, non-U.S. plans and other plans that are not subject to ERISA or Section 4975 of the Code may be subject to any federal, state, local or non-U.S. law ("**Similar Law**") that is substantially similar to Section 406 of ERISA or Section 4975 of the Code. Each purchaser of Notes or any beneficial interest therein, and each transferee thereof, that is or may become any such plan is responsible for determining the extent, if any, to which the purchase and holding of Notes will constitute or otherwise result in a violation of Similar Law.

No information that the Issuer, the Company, KMG Finance, the Registrar, the Dealers, or any of their respective affiliates (collectively, the "**Issuer Parties**") is providing shall be considered to be or is advice on which any Plan may rely for any investment decision. Plans need to make their own decisions, with whatever third-party advice they may wish to obtain, and are not authorised to rely on any information any Issuer Party is providing as advice that is a basis for their decisions. The Issuer Parties have not made and are not making a recommendation, have not provided and are not providing investment advice of any kind whatsoever (whether impartial or otherwise), and have not given and are not giving any advice in a fiduciary capacity, in connection with any Plan's Decision to purchase a Note.

Each Plan which purchases a Note, or any interest therein, including any fiduciary purchasing or holding a Note (or any interest therein) on behalf of a Plan ("**Plan Fiduciary**"), will be deemed to have represented and agreed that (i) none of the Issuer Parties has provided, and none of them will provide, any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Plan, has relied as a primary basis in connection with its decision to invest in the Notes, and none of them is otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan's acquisition of the Notes; and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN IMPLICATIONS UNDER ERISA, SECTION 4975 OF THE CODE AND SIMILAR LAW OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

OVERVIEW OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Notes

Each Series of Notes will be evidenced on issue (i) in the case of Regulation S Notes, a Regulation S Global Note deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg and (ii) in the case of Rule 144A Notes, one or more Rule 144A Global Notes deposited with a custodian for, and registered in the name of Cede & Co., as nominee of, DTC.

Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*—Book Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in a Regulation S Global Note, the purchaser thereof will be deemed to represent, amongst other things, that it is not a U.S. person and that, prior to the expiration of 40 days after completion of the distribution of the Series of which such Notes are a part as determined and certified to the Principal Paying Agent by the relevant Dealers (or in the case of a Series of Notes sold to or through more than one relevant Dealer, by each of such relevant Dealers as to the Notes of such Series sold by or through it, in which case the Principal Paying Agent shall notify each such relevant Dealer when all relevant Dealers have so certified (the "**distribution compliance period**"), it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See "*Transfer Restrictions*". Beneficial interests in a Rule 144A Global Note may only be held through DTC at any time. See "*—Book Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, amongst other things, that if it is a U.S. person (within the meaning of Regulation S), it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Agency Agreement. See "*Transfer Restrictions*".

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement, and with respect to the Rule 144A Global Note(s), as set forth in Rule 144A, and the Rule 144A Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*".

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note will, upon transfer, cease to be an interest in the Regulation S Global Note and become an interest in the Rule 144A Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note will, upon transfer, cease to be an interest in the Rule 144A Global Note and become an interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the "**Definitive Notes**"). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the above Terms and Conditions of the Notes. The following is a summary of those provisions:

- ***Payments***. Payments of principal and interest in respect of Notes evidenced by a Global Note will be made against presentation for endorsement by the Principal Paying Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the relevant Notes.

- ***Notices***. So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of the Notes *provided that* for so long as the Notes are listed on the Regulated Market of the London Stock Exchange and the rules of the Regulated Market of the London Stock Exchange so require, notices will also be published in a leading newspaper having general circulation in London (which is expected to be the Financial Times).

- ***Meetings***. The holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of Notes for which the relevant Global Note may be exchangeable.

- ***Trustee's Powers***. In considering the interests of Noteholders whilst the relevant Global Note is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of such Global Note.

- ***Record Date***. Notwithstanding Condition 11, "Record Date" shall mean the Clearing System Business Day immediately prior to the due date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive, except 25 December and 1 January.

- ***Cancellation***. Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

- ***Redemption at the Option of the Issuer***. Any Call Option provided for in the Conditions shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required.

- ***Redemption at the Option of Noteholders***. Any Put Option provided for in the Conditions may be exercised by the holder of the Global Note (i) giving notice to the Issuer within the time limits relating to the deposit of Notes set out in the Conditions substantially in the form of the notice available from any Paying Agent, the Registrar or any Transfer Agent (except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised) stating the nominal amount of Notes in respect of which the option is exercised and (ii) at the same time depositing the Global Note with the Registrar or any Transfer Agent at its specified office.

Exchange for Definitive Notes

Exchange

Registration of title to Notes initially represented by a Rule 144A Global Note in a name other than DTC or a successor depositary or one of their respective nominees will not be permitted unless such depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Rule 144A Global Note or ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended, 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 such depositary and the Registrar has received a notice from the registered holder of a Rule 144A Global Note requesting an exchange of a specified amount of the Rule 144A Global Note for Definitive Notes.

Registration of title to Notes initially represented by a Regulation S Global Note in a name other than the nominee of the common depositary for Euroclear and Clearstream, Luxembourg will only be permitted (i) if 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 (ii) following the failure to pay principal in respect of any Note at maturity or upon acceleration of any Note and the Registrar has received a notice from the registered holder (*i.e.*, common depositary) of the relevant Regulation S Global Note requesting an exchange of the Regulation S Global Note for Definitive Notes.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the Registrar or any Transfer Agent. In exchange for the relevant Global Note, as provided in the Paying Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in the relevant schedule to the Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Notes for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Company (but against such indemnity as the Registrar or any relevant Transfer Agent 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 Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer, the Guarantor (if any) and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A Global Note 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 to a QIB that is also a QP. Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Company, KMG Finance and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Company or KMG Finance that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

Book Entry Procedures for the Global Notes

For each Series of Notes evidenced by both a Regulation S Global Note and a Rule 144A Global Note, custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See "*—Book Entry Ownership — Settlement and Transfer of Interests in Notes held in the Clearing Systems*".

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*—Exchange for Definitive Notes*", DTC will surrender the relevant Rule 144A Global Notes for exchange for individual Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Notes representing Regulation S Notes of any Series will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

DTC

The Rule 144A Global Notes representing Rule 144A Notes of any Series will have a CUSIP number, unless otherwise agreed, and will be deposited with a custodian for, and registered in the name of Cede & Co., as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the relevant Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The relevant Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The relevant Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the relevant Issuer or, if applicable, the Company in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the relevant Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of KMG Finance or the Company, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Interests in Notes held in the Clearing Systems

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual beneficial owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the beneficial owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements amongst them, subject to any statutory or regulatory requirements as may be in effect from time-to-time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading Between Euroclear and/or Clearstream, Luxembourg Participants

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 held 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 Notes.

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 in same day funds, if payment is effected in U.S. Dollars, or free of payment, if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. Dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

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 a Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 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 participant. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note of the relevant class and (ii) 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 Regulation S Global Note. 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 a Rule 144A Global Note (subject to the certification procedures provided in the 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 accountholder, 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 of the Rule 144A Global Note who will in turn deliver such book entry interests 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 of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note, and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes amongst participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the relevant Issuer, the Trustee or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that the delivery of Notes will be made against payment therefor on the closing date thereof, which could be more than two business days following the date of pricing. Under Rule 15c6 1 under the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until two days prior to the relevant closing date will be required, by virtue of the fact that the Notes initially will settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant closing date should consult their own advisors.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of a beneficial interest in the Rule 144A Global Note, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a QIB that is also a QP, (b) not a broker dealer which owns and invests on a discretionary basis less than US$25 million in securities of unaffiliated issuers, (c) not a participant directed employee plan, such as a 401(k) plan, (d) acquiring such Notes for its own account, or for the account of one or more QIBs each of which is also a QP, (e) not formed for the purpose of investing in the Notes of the Issuer, and (f) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(2) It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Note in a principal amount that is not less than US$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book entry depositaries.

(3) It understands that Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred, except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIBs each of which is also a QP, each of which is purchasing not less than US$200,000 in principal amount of the Rule 144A Notes, or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(4) It understands that the relevant Issuer has the power to compel any beneficial owner of Rule 144A Notes that is a U.S. person and is not a QIB and a QP to sell its interest in the Rule 144A Notes, or may sell such interest on behalf of such owner. The relevant Issuer has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to any person who it reasonably believes is a U.S. person who is not a QIB and a QP.

(5) It understands that its purchase and holding of Rule 144A Notes constitute a representation and agreement by it that (i) it is not (and is not deemed for purposes of ERISA or Section 4975 to be), and will (throughout the period during which it holds Rule 144A Notes (or an interest therein)) not be (or be deemed for purposes of ERISA or Section 4975 of the Code to be), (A) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (B) other "plan" (as defined in Section 4975 of the Code) that is subject to Section 4975 of the Code, or (C) an entity whose underlying assets include plan assets by reason of such employee benefit plan's or other plan's investment in the entity (each plan or entity described in the foregoing clauses (A), (B) or (C), a "**Plan**"), and it is not (and is not deemed to be), and will not be (or be deemed to be), a governmental plan, church plan, non-U.S. plan or other plan subject to any federal, state, local or non-U.S. law ("**Similar Law**") that is substantially similar to Section 406 of ERISA or Section 4975 of the Code, or (ii) the purchase and holding of the Regulation S Notes do not and will not constitute or otherwise result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of Similar Law.

(6) It understands that Rule 144A Notes (and any individual Note Certificates issued in respect thereof), unless otherwise agreed between the relevant Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE [AND THE GUARANTEE IN RESPECT HEREOF] [HAS] [HAVE] NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED

INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A "**QIB**") THAT IS ALSO A QUALIFIED PURCHASER ("**QUALIFIED PURCHASER**") WITHIN THE MEANING OF SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QUALIFIED PURCHASER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN US$200,000 PRINCIPAL AMOUNT OF NOTES, OR (2) TO NON U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

EACH BENEFICIAL OWNER HEREOF REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QUALIFIED PURCHASER; (2) IT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A "401(k)" PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QUALIFIED PURCHASER; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS NOTE; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS RULE 144A NOTES, WILL HOLD AND TRANSFER AT LEAST US$200,000 IN PRINCIPAL AMOUNT OF RULE 144A NOTES; (7) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK ENTRY DEPOSITARIES, AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES. THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT, IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A PERSON WHO IS NOT A QIB THAT IS ALSO A QUALIFIED PURCHASER, THE ISSUER MAY (A) REQUIRE IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON (I) WHO IS A QIB WHO IS ALSO A QUALIFIED PURCHASER AND WHO IS OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) TO A NON U.S. PERSON PURCHASING THIS NOTE IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S OR (B) REQUIRE THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LEAST OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100 PER CENT. OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS NOTE TO ANY PERSON WHO IT REASONABLY BELIEVES IS A U.S. PERSON WHO IS NOT A QIB AND A QUALIFIED PURCHASER. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

EACH BENEFICIAL OWNER HEREOF REPRESENTS AND AGREES THAT (I) IT IS NOT (AND IS NOT DEEMED FOR PURPOSES OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") TO BE), AND WILL (THROUGHOUT THE PERIOD DURING WHICH IT HOLDS THIS NOTE OR ANY INTEREST HEREIN) NOT BE (OR BE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO BE), (A) AN "**EMPLOYEE BENEFIT PLAN**" (AS DEFINED IN ERISA) THAT IS SUBJECT TO TITLE I OF ERISA, (B) OTHER "**PLAN**" (AS DEFINED IN SECTION 4975 OF THE CODE) THAT IS SUBJECT TO SECTION 4975 OF THE CODE, OR (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF SUCH

EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY, AND IT IS NOT (AND IS NOT DEEMED TO BE), AND WILL NOT BE (OR BE DEEMED TO BE), A GOVERNMENTAL PLAN, CHURCH PLAN, NON-U.S. PLAN OR OTHER PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW ("**SIMILAR LAW**") THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (II) THE PURCHASE AND HOLDING OF THIS NOTE DO NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THE ISSUER MAY COMPEL EACH BENEFICIAL HOLDER HEREOF TO CERTIFY PERIODICALLY THAT SUCH HOLDER IS A QIB AND A QUALIFIED PURCHASER.

(1) It acknowledges that the Company, KMG Finance, the Registrar, the Dealers and their affiliates, and others will rely upon the trust and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Company, KMG Finance and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts who are QIBs that are also QPs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each such account.

(2) It understands that Rule 144A Notes will be evidenced by one or more Rule 144A Global Notes. Before any interest in a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(3) Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes outside the United States and each subsequent purchaser of Regulation S Notes in resales, throughout the period that it holds such Regulation S Notes, by accepting delivery of this Base Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(2) It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred, except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIB each of which is also a QP, each of which is purchasing not less than US$200,000 in principal amount of the Rule 144A Notes or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that Regulation S Notes will be evidenced by one or more Regulation S Global Notes. Before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(4) It acknowledges that the Company, KMG Finance, the Registrar, the Dealers and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agree that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the

Company, KMG Finance and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such accounts and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

(5) It understands that its purchase and holding of Regulation S Notes constitute a representation and agreement by it that (i) it is not (and is not deemed for purposes of ERISA or Section 4975 to be), and will (throughout the period during which it holds Regulation S Notes (or an interest therein)) not be (or be deemed for purposes of ERISA or Section 4975 of the Code to be), (A) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (B) other "plan" (as defined in Section 4975 of the Code) that is subject to Section 4975 of the Code, or (C) an entity whose underlying assets include plan assets by reason of such employee benefit plan's or other plan's investment in the entity (each plan or entity described in the foregoing clauses (A), (B) or (C), a "**Plan**"), and it is not (and is not deemed to be), and will not be (or be deemed to be), a governmental plan, church plan, non-U.S. plan or other plan subject to any federal, state, local or non-U.S. law ("**Similar Law**") that is substantially similar to Section 406 of ERISA or Section 4975 of the Code, or (ii) the purchase and holding of the Rule 144A Notes do not and will not constitute or otherwise result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of Similar Law.

(6) If such purchaser is or may be a Plan (including, without limitation, an individual retirement account) including any fiduciary purchasing or holding a Note (or any interest therein) on behalf of a Plan ("**Plan Fiduciary**"), it understands that its purchase and holding of Regulation S Notes constitute a representation and agreement by it that that (i) none of the Issuer Parties has provided, and none of them will provide, any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Plan, has relied as a primary basis in connection with its decision to invest in the Notes, and none of them is otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan's acquisition of the Notes; and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes.

SUBSCRIPTION AND SALE

Notes may be sold from time-to-time by the relevant Issuer to any one or more of J.P. Morgan Securities plc, MUFG Securities EMEA plc, JSC Halyk Finance and SkyBridge Invest (the "**Joint Arrangers**") and any other Dealers appointed under the terms of the Dealer Agreement (as defined below). The arrangements under which Notes may from time-to-time be agreed to be sold by the relevant Issuer to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated 3 April 2018, as may be supplemented, amended or restated from time-to-time (the "**Dealer Agreement**"), and made amongst the Company, KMG Finance, the Joint Arrangers and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Company and KMG Finance in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes. The Dealer Agreement provides that the obligations of the Dealers to subscribe for the Notes are subject to certain conditions precedent.

Some of the Dealers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company, KMG Finance or any of their subsidiaries and affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities or instruments of the Company, KMG Finance or any of their subsidiaries and affiliates. Certain of the Dealers and their affiliates have lending relationships with the Company, KMG Finance and certain of their subsidiaries and affiliates and, in this connection, routinely hedge their credit exposure to these entities consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions, which consist of either the purchase of credit default swaps or the creation of short positions in securities issued by the Company, KMG Finance and certain of their subsidiaries and affiliates, including, potentially, Notes issued under the Programme. Any such short positions could adversely affect future trading prices of the Notes. The Dealers and their affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

United States of America

The Notes and the Guarantee have not been and will not be registered under the Securities Act and 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 the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree, that it will not offer, sell or deliver any Notes, (a) as part of their distribution at any time, or (b) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the relevant Issuer and, if the relevant Issuer is KMG Finance, the Company by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each Dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period relating thereto 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. The Dealer Agreement provides that the Dealers may, directly or through their respective U.S. broker dealer affiliates only, arrange for the offer and resale of Notes within the United States only to QIBs that are QPs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any 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.

Prohibition of Sales to EEA and UK Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area or 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:

(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, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Dealer has represented and agreed that:

(1) in relation to any Notes which have a maturity of less than a year (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(2) 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 the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Kazakhstan

Each Dealer 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 laws of Kazakhstan and the regulations of the KASE and/or applicable laws of AIFC and the regulations of the AIX, as the case may be.

The Netherlands

Offer to qualified investors only

Notes offered pursuant to this Base Prospectus, are not and may not be offered in the Netherlands other than to persons or entities which are qualified investors as defined in the Prospectus Regulation.

Zero Coupon Notes

Zero Coupon Notes in bearer form and other Notes that qualify as savings certificates as defined in the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) may only be transferred or accepted through the mediation of either KMG Finance or a member of Euronext Amsterdam with due observance of the Dutch Savings Certificates Act and its implementing regulations (including registration requirements), *provided that* no such mediation is required in respect of (i) the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (ii) the initial issue of such Notes to the first holders thereof, (iii) any transfer and acceptance by individuals who do not act in the conduct of a profession or trade, or (iv) the issue and trading of Notes, if such Notes are physically issued outside the Netherlands and are not distributed in the Netherlands in the course of primary trading or immediately thereafter.

Russian Federation

Each Dealer has represented and agreed that it has not offered or sold or transferred or otherwise disposed of, and will not offer or sell or transfer or otherwise dispose of, any Notes (as part of their initial distribution or at any time thereafter) to, or for the benefit of, any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation, or to any person located within the territory of the Russian Federation, unless and to the extent otherwise permitted under Russian law.

Switzerland

Each Dealer has represented, warranted and agreed that:

(a) this Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland; and

(b) neither this Base Prospectus nor any other offering or marketing material relating to the offering nor the Issuer, nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, *e.g.,* Swiss Financial Markets Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

General

These selling restrictions may be modified by the agreement of the Company, KMG Finance and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in a supplement to this Base Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any other offering material or any set of Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus, any other offering material or any set of Final Terms and neither the Company, KMG Finance nor any other Dealer shall have responsibility therefor.

GENERAL INFORMATION

1. The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted for listing on the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of the Global Note representing the Notes of that Tranche. The listing of the Programme in respect of Notes to be issued under the Programme during the 12-month period from the date of this Base Prospectus is expected to be granted on or around 30 September 2020.

2. In addition, unless otherwise agreed with the relevant Dealer(s) and provided for in the Final Terms, the Company will use its reasonable endeavours to cause all Notes issued by the Company under the Programme 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/or (ii) the AIX, in each case as from (and including) the Issue Date. The Company will use its reasonable endeavours to cause the Notes issued by KMG Finance to be listed on the KASE and/or the AIX. If the Notes are listed and offered for sale on the KASE, no such Notes may be issued or placed without the prior permissions of the ARDFM.

3. The establishment of the Programme was authorised by a duly adopted resolution of the board of directors of KMG Finance on 25 March 2008 and by a duly adopted resolution of the Board of Directors of the Company on 4 March 2008. An increase in the size of the Programme was authorised by a duly adopted resolution of the board of directors of the KMG Finance on 24 June 2009 and by a duly adopted resolution of the Board of Directors of the Company on 23 June 2009. A subsequent increase in the size of the Programme was authorised by a duly adopted resolution of the board of directors of KMG Finance on 18 February 2010 and by a duly adopted resolution of the Board of Directors of the Company on 14 April 2010. A further increase in the size of the Programme was authorised by a duly adopted resolution of the board of directors of KMG Finance on 11 April 2013 and by a duly adopted resolution of the Board of Directors of the Company on 13 March 2013. The Company and KMG Finance have obtained or will obtain from time-to-time all necessary consents, approvals and authorisations, if any required of them, respectively, in connection with the issue and performance of the Notes and the granting of guarantees in relation thereto.

4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and/or DTC. The appropriate common code and the International Securities Identification Number and (where applicable) the CUSIP number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

5. The issue price and the amount of the relevant Notes will be determined based on the prevailing market conditions. Neither the Company nor KMG Finance intends to provide any post issuance information in relation to any issues of Notes.

6. There has been no material adverse change in the prospects of the Company and the Group, taken as a whole, since 31 December 2019 and there has been no significant change in the financial performance or financial position of the Company and the Group, since 30 June 2020.

7. There has been no material adverse change in the prospects of KMG Finance since 31 December 2019, and there has been no significant change in the financial performance or financial position of KMG Finance since 30 June 2020.

8. The Company's independent auditors are Ernst & Young LLP, acting as auditors under licence № 0000003 dated 15 July 2005 issued by the Ministry of Finance of the Republic of Kazakhstan. Ernst &Young LLP is a member of the Chamber of Auditors of Kazakhstan, the professional body which oversees audit firms in Kazakhstan. The Company's annual financial statements are prepared in accordance with IFRS and interim financial statements in accordance with IAS 34. The Company's audited financial statements for each of the financial years ended 31 December 2019 and 31 December 2018 were audited by Ernst & Young LLP, which issued reports thereon without qualification. The Company's reviewed financial statements for the six months ended 30 June 2020 were reviewed by Ernst & Young LLP, which issued reports thereon without qualification. The

business address of Ernst & Young LLP is Esentai Tower, 77/7, Al-Farabi Ave., Almaty 050060, Kazakhstan.

9. For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations, of the following documents may be inspected during normal business hours at the specified office of the Paying Agent, namely:

- the constitutional documents of the Company and KMG Finance;
- the annual report and accounts of the Company for the financial years ended 31 December 2019 and 2018, including, in each case, the audit report relating to such accounts;
- the most recently publicly available annual report and accounts of the Company prepared in accordance with IFRS (published on an annual basis);
- the Agency Agreement;
- the Trust Deed (which contains the forms of the Notes in global and definitive form);
- the Final Terms relating to Notes;
- copies of the documents incorporated by reference into this Base Prospectus; and
- a copy of this Base Prospectus, together with any supplements to this Base Prospectus or any further base prospectus and any documents incorporated by reference therein.

The constitutional documents of the Company and KMG Finance will also be available on the website of the Company at http://ir.kmg.kz/.

In addition, this Base Prospectus, together with any supplements to this Base Prospectus, will be published on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Copies of documents incorporated by reference into this Base Prospectus may also be viewed electronically and free of charge at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

10. Any information on the websites referred to herein does not form part of this Base Prospectus unless that information is incorporated by reference into this Base Prospectus.

APPENDIX I - GLOSSARY OF FREQUENTLY USED DEFINED TERMS

"**2010 Subsoil Law**" means Law № 291-IV "On Subsoil and Subsoil Use", dated 24 June 2010 (as amended), which replaced the Old Subsoil Law and the Petroleum Law and serves the current framework for the regulation of subsoil use rights in Kazakhstan.

"**2016 Financial Statements**" means the Company's consolidated financial statements as at and for the year ended 31 December 2016;

"**2017 Financial Statements**" means the Company's consolidated financial statements as at and for the year ended 31 December 2017;

"**A+B+C1 reserves**" means reserves of crude oil and gas classified as category A, B and C1 under Kazakhstan methodology. See "*The Oil and Gas Industry in Kazakhstan—Reserve Classifications*".

"**Agency Agreement**" means the agency agreement by and between KMG EP and KMG RM in relation to sales of crude oil by KMG EP (as annually renewed under the Kazakhstan state procurement legislation);

"**AGP**" means Asia Gas Pipeline LLP;

"**AIFC**" means the Astana International Financial Centre;

"**Aktobe System**" means the Aktobe pipeline system;

"**ARDFM**" means the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market;

"**Asia Gas Pipeline**" means the Uzbekistan-China gas pipeline across Kazakhstan, which transmits gas from the other Central Asian Republics to major population centres in southern Kazakhstan and to China, owned and operated by AGP;

"**Atyrau Refinery**" means the oil refinery at Atyrau, western Kazakhstan, operated by "**Atyrau Refinery LLP**";

"**Aysir**" means Aysir Turizm ve Inshaat AS;

"**BP**" means BP p.l.c.;

"**BSGP**" means Beineu-Shymkent Gas Pipeline LLP;

"**BTC Pipeline**" means the pipeline operated by BP;

"**CA-VIT**" means CA VIT B.V.;

"**CAC Pipeline**" means the Central Asia Centre pipeline system, a sub-system of the Central Asia System;

"**CCEL**" means CITIC Canada Energy Limited;

"**CFC**" means controlled foreign companies;

"**CGU**" means cash generating unit;

"**CIS**" means the Commonwealth of Independent States;

"**CITIC**" means CITIC Resources Holding Limited;

"**CNODC**" means China National Oil and Gas Exploration and Development Corporation;

"**CNPC**" means China National Petroleum Corporation;

"**CNPC E&D**" means CNPC Exploration and Development Company Ltd. controlled by CNPC;

"**Company**" means, as the context requires, KMG itself or KMG together with its subsidiaries and joint ventures or KMG together with its subsidiaries, joint ventures and associates;

"**Company's A+B+C1 reserves**" means the A+B+C1 reserves of crude oil and gas of the Company and its subsidiaries and the Company's and the Company's subsidiaries proportionate share in their respective joint venture's A+B+C1 reserves of crude oil and gas, collectively, but not including CCE (see "*Presentation of Financial, Reserves and Certain Other Information—Presentation of Certain Information Relating to Subsidiaries, Joint Ventures and Associates*");

"**Company's production**" means the crude oil and gas production of the Company and its subsidiaries and the Company's and the Company's subsidiaries proportionate share in their respective joint venture's crude oil and gas production, collectively, but not including CCEL.

"**Competent Authority**" means the State's central executive body, designated by the Government to act on behalf of the State to exercise rights relating to the execution and performance of Subsoil Use Agreements in oil and gas and mining, except for contracts for exploration and production of commonly occurring minerals (the exploration and production contracts which have been concluded with the local executive authorities), which was historically the MEMR (for oil and gas and minerals), and from and after 12 March 2010, was the MOG for oil and gas and the MINT for solid minerals and certain types of underground waters; and, following the reorganisation of the MOG and the MINT in August 2014, are currently the Ministry of Energy and the MID, respectively. Also, currently, the MID is the Competent Authority for subsoil use contracts for exploration and production of industrial and technical underground waters produced in the volume of 2,000 cubic metres or more per day for their injection into the formation in accordance with the respective technological schemes of production;

"**Concession Agreement**" means the agreement between ICA and the Government relating to the operation of the domestic and international gas transportation network in Kazakhstan dated 14 June 1997 as further amended;

"**CPC**" means the Caspian Pipeline Consortium;

"**CPC Pipeline**" means the pipeline owned and operated by the CPC;"**EIA**" means the U.S. Energy Information Agency;

"**EMG**" means JSC EmbaMunaiGas;

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended;

"**FGP**" means TCO's future growth expansion project;

"**FSMA**" means the Financial Services and Markets Act, 2000;

"**Gas Law**" means Law No 532-IV "On Gas and Gas Supply" dated 9 January 2012 (as amended);

"**GDR**" means Global Depository Receipt;

"**Government**" means the Government of Kazakhstan;

"**Group**" means, as the context requires, KMG together with its subsidiaries and joint ventures or KMG together with its subsidiaries, joint ventures and associates;

"**Guarantor**" means, if applicable, JSC NC "KazMunayGas";

"**ICA**" means JSC Intergas Central Asia;

"**IDD**" means the Directive (EU) 2016/97;

"**IFRS**" means International Financial Reporting Standards as promulgated by the International Accounting Standards Board;

"**IMF**" means the International Monetary Fund;

"**Issuer**" means KMG Finance or, as specified in the relevant Final Terms, JSC NC "KazMunayGas";

"**JSC Law**" means Law № 415 of the Republic of Kazakhstan "On Joint Stock Companies" dated 13 May 2003 (as amended);

"**KASE**" means the Kazakhstan Stock Exchange;

"**Kazakhoi**l" means CJSC "National Oil and Gas Company Kazakhoil";

"**Kazakhoil Aktobe**" means Kazakhoil Aktobe LLP;

"**Kazakhstan**" means the Republic of Kazakhstan;

"**Kazakhstan methodology**" means the method by which the Company estimates its crude oil and natural gas reserves. See "*The Oil and Gas Industry in Kazakhstan—Reserve Classifications*".

"**Kazgermunai**" means "JV "Kazgermunai" LLP;

"**KazMunayTeniz**" means Limited liability partnership "Offshore oil company "KazMunayTeniz" (or LLP "OOC "KazMunayTeniz");

"**KazRosGas**" means KazRosGas LLP;

"**KBTU**" means Kazakhstan-British University JSC;

"**KCP**" means Kazakhstan-China Pipeline JV LLP or JV Kazakhstan-China Pipeline LLP;

"**KC Pipeline**" means a pipeline network under construction that will connect western Kazakhstan with the Chinese border;

"**KGM**" means JV Kazgermunai LLP;

"**KMG**" means Joint Stock Company "National company "KazMunayGas" or JSC NC "KazMunayGas";

"**KMG EP**" means JSC KazMunaiGas Exploration Production or JSC KazMunaiGas EP;

"**KMG Finance**" means KazMunaiGaz Finance Sub B.V.;

"**KMG International"** means KazMunayGas International B.V.;

"**KMG PKOP"** means KazMunaiGaz PKOP Investment B.V.;

"**KMG Retail**" means KMG Retail LLP;

"**KPO**" means Karachaganak Petroleum Operating B.V.;

"**KMG RM**" means JSC KazMunaiGaz Refining and Marketing;

"**KNOC**" means the Korean National Oil Consortium;

"**KRG**" means KazRosGas LLP;

"**KTG**" means JSC KazTransGas;

"**KTO**" means JSC KazTransOil;

"**KZT**" or "**Tenge**" means the official currency of Kazakhstan;

"**LCIA**" means the London Court of International Arbitration;

"**LIBOR**" means the London Inter Bank Offered Rate;

"**LPG**" means liquefied petroleum gas;

"**MEMR**" means the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan, which was the Competent Authority before its functions were transferred to the MOG and the MINT;

"**MEWR**" means the Ministry of Environment and Water Resources of the Republic of Kazakhstan;

"**MIBV**" means Mangistau Investments B.V.;

“**MID**” means the Ministry for Investments and Development of the Republic of Kazakhstan, the State’s central executive agency which is currently the transferee of the MINT’s supervisory authority and, accordingly, the Competent Authority in the mining sector, also having a number of major functions related to operations in oil and gas; it is in charge of such matters as, amongst others, granting geological information and regulating its use (export), issuing geological and mining allotments, recording reserves and putting them on the State’s balance, conducting expertise of subsoil use contracts and project documentation required for conducting subsoil use operations under the law, and granting permits for water use;

“**MiFID II**” means the Directive 2014/65/EU;

“**Ministry of Energy**” means the Ministry of Energy of the Republic of Kazakhstan, the State’s central executive agency, which is currently the Competent Authority in oil and gas sector;

“**MINT**” means the Ministry of Industry and New Technologies of the Republic of Kazakhstan, which was the Competent Authority and the transferee of the MEMR’s supervisory authority prior to 6 August 2014, when its functions were transferred to the MID;

“**MMG**” means JSC MangistauMunaiGaz;

“**MOG**” means the Ministry of Oil and Gas of Kazakhstan, the State’s central executive agency, which was the Competent Authority in the oil and gas sector prior to 6 August 2014, when its functions were transferred to the Ministry of Energy;

“**MunayTas**” means JSC MunayTas North West Pipeline Company JV;

“**Natural Monopolies Committee**” means the Committee for Regulation of Natural Monopolies, Protection of Competition and Consumers' Rights under the Ministry of the National Economy of the Republic of Kazakhstan;

“**NBK**” means the National Bank of the Republic of Kazakhstan;

“**NC PSA**” means the North Caspian Production Sharing Agreement dated 18 November 1997 and a joint operating agreement dated 29 March 2005 amongst a consortium consisting of AGIP Caspian Sea B.V., ExxonMobil Kazakhstan Inc., Inpex North Caspian Sea Ltd, Phillips Petroleum Kazakhstan Ltd, Shell Kazakhstan Development B.V. and Total EP Kazakhstan;

“**NCPC**” means the North Caspian Project Consortium;

“**North Caspian Project**” means the project by NCPC to develop the North Caspian Sea, which includes the Kashagan Field;

“**Note**” means notes of the Issuer unconditionally issued under the Programme and irrevocably guaranteed the Guarantor;

“**Old Subsoil Law**” means Law № 2828 of the Republic of Kazakhstan “On Subsoil and Subsoil Use”, as amended, dated 27 January 1996 (as amended), which was then replaced with the 2010 Subsoil Law;

“**OMG**” means JSC OzenMunaiGas;

“**OPEC**” means the Organisation of Petroleum Exporting Countries;

“**Parliament**” means the Parliament of Kazakhstan;

“**Pavlodar Refinery**” means “**Pavlodar Oil Chemistry Refinery**” LLP, the oil refinery in Pavlodar, Kazakhstan;

“**Petroleum Law**” means Law № 2350 of the Republic of Kazakhstan “On Petroleum” dated 28 June 1995 (as amended), which was replaced with the 2010 Subsoil Law;

“**Petromidia Refinery**” means the oil refinery in Navodari, Romania operated by Rompetrol Rafinare;

"**PKI**" means PetroKazakhstan Inc.;

"**PKKR**" means JSC PetroKazakhstan Kumkol Resources;

"**PRMS**" means the Petroleum Resources Management System;

"**Programme**" means the U.S.$10,500,000,000 Global Medium Term Note Programme whereby KMG Finance and KMG may from time to time issue Notes, which in the case of Notes issued by KMG Finance are unconditionally and irrevocably guaranteed by KMG, in an aggregate amount (taken all together) up to U.S.$10,500,000,000;

"**PSAs**" means production sharing agreements;

"**Relationship Agreement**" means the agreement by and between the Company and KMG EP dated 8 September 2006;

"**Russia**" means the Russian Federation;

"**Samruk-Kazyna**" means Sovereign Wealth Fund "Samruk-Kazyna" JSC;

"**SEC**" means the Securities and Exchange Commission of the United States of America;

"**Securities Act**" means the U.S. Securities Act of 1933, as amended;

"**Services Agreement**" means the agreement entered annually by and between the Company and KMG EP;

"**Shymkent Refinery**" means the oil refinery in Shymkent, Kazakhstan operated by "PetroKazakhstan Oil Products" LLP;

"**S-K Rules**" means the Rules for Conducting of Procurement of Goods, Works and Services by Samruk-Kazyna and Entities 50 and More Percent of Voting Shares (Participatory Interests) in Which are Directly or Indirectly Owned by Samruk-Kazyna on the Basis of a Right of Ownership or Trust Management, adopted by Resolution № 126 of the board of directors of Samruk-Kazyna dated 28 January 2016 (as amended);

"**SOFR**" means the Secured Overnight Financing Rate;

"**SONIA**" means the Sterling Overnight Index Average;

"**Southern Pipeline Network**" means the pipeline network running through the southern region of Kazakhstan from the Uzbekistan/Kazakhstan border to Almaty in Kazakhstan and operated by ICA;

"**Sovereign Wealth Fund Law**" means Law № 550=IV of the Republic of Kazakhstan "On Sovereign Wealth Fund" dates 1 February 2012 (as amended);

"**State**" means Kazakhstan;

"**State Procurement Law**" means Law № 434-V of the Republic of Kazakhstan "On State Procurement" dated 4 December 2015 (as amended);

"**State's Pre-Emptive Right**" means the pre-emptive right of the State to acquire subsoil use rights in subsoil use projects in Kazakhstan or shares (participation interests) in the subsoil users or their controlling entities;

"**Statistics Committee**" means the Statistics Committee of Kazakhstan.

"**Subsoil Code**" means the Subsoil Code adopted by Parliament in December 2017, which will enter into force and replace the 2010 Subsoil Law on 29 June 2018.

"**Subsoil Use Agreement**" means a production and exploration licence and/or subsoil use contract (after 1999 subsoil operations are based on contracts only) or PSAs (as the case may be);

"**TCO**" means JV Tengizchevroil LLP;

"**Trunk Pipeline Law**" means Law № 20-V of the Republic of Kazakhstan "On Trunk Pipeline" dated 22 June 2012 (as amended);

"**UAS pipeline**" means Uzen-Atyrau-Samara pipeline, owned and operated by KTO;

"**UGL**" means Ural Group Limited;

"**UOG**" means Ural Oil and Gas LLP;

"**Uralsk System**" means the Uralsk pipeline system;

"**U.S.$** or **U.S. Dollar**" means the currency of the United States of America;

"**Uzen fields**" means the fields operated by JSC EmbaMunaiGas;

"**Western Pipeline Network**" means the pipeline network in western Kazakhstan that services Central Asia's producing natural gas fields and which is operated by ICA; and

"**WPMP**" means TCO's wellhead pressure management project.

APPENDIX II - GLOSSARY OF MEASUREMENT AND TECHNICAL TERMS

Certain Abbreviations and Related terms

%	per cent.
bcm	billion cubic metres
bopd	barrels of oil per day
g	gramme
kbopd	thousand barrels of oil per day
km	kilometre
km^2	square kilometres
m	metre
mcm	million cubic metres
mmcf	million cubic feet

Certain Terminology

2D seismic	Geophysical data that depicts the subsoil strata in two dimensions.
3D seismic	Geophysical data that depict the subsoil strata in three dimensions. 3D seismic typically provides a more detailed and accurate interpretation of the subsoil strata than 2D seismic.
Exploration well	A well drilled to find hydrocarbons in an unproved area or to extend significantly a known oil or natural gas reservoir.
Formation	A succession of sedimentary beds that were deposited under the same general geologic conditions.
Gas condensate	The heavier hydrocarbon fractions in a natural gas reservoir that condense into a liquid as they are produced. They are used as a chemical feedstock or for blending into gasoline.
Hydrocarbons	Compounds formed from the elements hydrogen (H) and carbon (C) and existing in solid, liquid or gaseous forms.
Natural gas	Hydrocarbons that are gaseous at one atmosphere of pressure at 20°C. It can be divided into lean gas, primarily methane but often containing some ethane and smaller quantities of heavier hydrocarbons (also called sales gas), and wet gas, primarily ethane, propane and butane as well as smaller amounts of heavier hydrocarbons; partially liquid under atmospheric pressure.
Quality bank	An arrangement whereby oil companies that supply lower quality (heavy and sour) crude oil to a pipeline system pay more for the use of pipelines than those who supply higher quality crude oil. (Alternatively, suppliers of lower quality crude oil might directly compensate suppliers of higher quality crude oil for the deterioration in crude quality due to blending).

Reservoir .... A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water filled rock layers.

Seismic survey...................... A method by which an image of the earth's subsoil is created through the generation of shockwaves and analysis of their reflection from rock strata. Such surveys can be done in two or three dimensional form.

Vacuum distillation .... Distillation under reduced pressure (less than atmospheric), which lowers the boiling temperature of the liquid being distilled. This technique with its relatively low temperatures prevents cracking or decomposition of the charge stock.

Watercut............................... The proportion of water produced, along with crude oil, from extracted reservoir liquids, usually expressed as a percentage.

Workover .... A maintenance or repair operation on a well after it has commenced production. Usually undertaken to maintain or increase production from the well.

INDEX TO FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS

JSC "National Company "KazMunayGas"

Interim condensed consolidated financial statements (unaudited)

For the three and six months ended June 30, 2020

CONTENT

Building a better working world

«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 59 60
Факс: +7 727 258 59 61
www.ey.com/kz

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, д. 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 59 60
Факс: +7 727 258 59 61
www.ey.com/kz

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 59 60
Fax: +7 727 258 59 61
www.ey.com/kz

Report on Review of Interim Financial Information

To the Shareholders and Management of "National Company "KazMunayGas" JSC:

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of "National Company "KazMunayGas" JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2020, the related interim consolidated statement of comprehensive income for the three-month and six-month periods then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period 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 "National Company "KazMunayGas" JSC is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP

Paul Cohn
Audit Partner

Guldariya Zaripova
Auditor

Auditor qualification certificate
No. МФ-0000414 dated 13 January 2017

Rustamzhan Sattarov
General Director
Ernst and Young LLP

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

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

25 August 2020

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of tenge	Note	For the three months ended, June 30 **2020 (unaudited)**	For the three months ended, June 30 2019* (unaudited) (reclassed)	For the six months ended, June 30 **2020 (unaudited)**	For the six months ended, June 30 2019* (unaudited) (reclassed)
Revenue and other income					
Revenue	4	**877,981**	1,637,309	**2,254,095**	3,402,580
Share in profit of joint ventures and associates, net	5	**158,964**	226,228	**224,280**	445,250
Finance income	12	**26,516**	32,190	**63,531**	61,796
Gain on sale of subsidiaries		**–**	–	**–**	17,481
Other operating income		**3,154**	6,111	**11,764**	10,143
Total revenue and other income		**1,066,615**	1,901,838	**2,553,670**	3,937,250
Costs and expenses					
Cost of purchased oil, gas, petroleum products and other materials	6	**(384,506)**	(875,263)	**(1,125,890)**	(1,942,076)
Production expenses	7	**(189,136)**	(173,818)	**(363,532)**	(336,716)
Taxes other than income tax	8	**(45,187)**	(107,213)	**(139,480)**	(225,890)
Depreciation, depletion and amortization		**(88,461)**	(83,847)	**(180,219)**	(167,216)
Transportation and selling expenses	9	**(103,836)**	(99,957)	**(222,485)**	(215,512)
General and administrative expenses	10	**(37,121)**	(62,082)	**(74,818)**	(94,179)
Impairment of property, plant and equipment, intangible assets and exploration and evaluation assets	11	**(164,263)**	(24,872)	**(225,402)**	(25,240)
Impairment of investment in joint venture and associate	15	**–**	–	**(38,000)**	–
Finance costs	12	**(68,120)**	(75,454)	**(135,194)**	(160,847)
Other expenses		**(7,420)**	(1,892)	**(14,735)**	(6,627)
Net foreign exchange gain/(loss)		**(14,618)**	(1,183)	**18,119**	2,185
Total costs and expenses		**(1,102,668)**	(1,505,581)	**(2,501,636)**	(3,172,118)
Profit/(loss) before income tax		**(36,053)**	396,257	**52,034**	765,132
Income tax expenses	13	**(12,757)**	(83,053)	**(31,330)**	(142,734)
Profit/(loss) for the period from continuing operations		**(48,810)**	313,204	**20,704**	622,398
Discontinued operations					
Profit after income tax for the period from discontinued operations		**–**	–	**–**	6
Net profit/(loss) for the period		**(48,810)**	313,204	**20,704**	622,404
Net profit/(loss) for the period attributable to:					
Equity holders of the Parent Company		**17,387**	314,371	**103,654**	623,536
Non-controlling interest		**(66,197)**	(1,167)	**(82,950)**	(1,132)
		(48,810)	313,204	**20,704**	622,404

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge	Note	For the three months ended June, 30 2020 (unaudited)	2019* (unaudited) (reclassed)	For the six months ended, June 30 2020 (unaudited)	2019* (unaudited) (reclassed)
Other comprehensive income/(loss)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods					
Hedging effect		**2,432**	–	**2,432**	–
Exchange differences on translation of foreign operations		**(483,318)**	2,265	**220,318**	(38,314)
Tax effect		**42,145**	2,721	**(19,881)**	2,721
Net other comprehensive income/(loss) to be reclassified to profit or loss in the subsequent periods		**(438,741)**	4,986	**202,869**	(35,593)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods					
Actuarial loss on defined benefit plans		**(1,132)**	(1,362)	**(1,132)**	(1,156)
Net other comprehensive loss not to be reclassified to profit or loss in the subsequent periods		**(1,132)**	(1,362)	**(1,132)**	(1,156)
Net other comprehensive income/(loss) for the period		**(439,873)**	3,624	**201,737**	(36,749)
Total comprehensive income/(loss) for the period, net of tax		**(488,683)**	316,828	**222,441**	585,655
Total comprehensive income/(loss) for the period attributable to:					
Equity holders of the Parent Company		**(422,624)**	318,068	**305,273**	587,215
Non-controlling interest		**(66,059)**	(1,240)	**(82,832)**	(1,560)
		(488,683)	316,828	**222,441**	585,655
EARNINGS PER SHARE** – Tenge thousands					
Basic and diluted		**(0.08)**	0.51	**0.03**	1.02

* *Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the period ended June 30, 2019 and reflect reclassifications made, refer to Note 3.*

** *The number of ordinary shares as of June 30, 2020 and December 31, 2019 equaled to 610,119,493.*

Deputy Chairman of the Management Board for Economy and Finance ______ *D.S. Karabayev*

Chief accountant ______ *Y.Y. Orynbayev*

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of tenge	Note	**June 30, 2020 (unaudited)**	December 31, 2019* (audited)
Assets			
Non-current assets			
Property, plant and equipment	14	**4,385,152**	4,484,271
Right-of-use assets		**36,309**	38,379
Exploration and evaluation assets		**170,294**	179,897
Investment property	14	**24,641**	9,541
Intangible assets		**165,375**	171,172
Long-term bank deposits		**53,955**	52,526
Investments in joint ventures and associates	15	**6,039,641**	5,590,384
Deferred income tax assets		**72,475**	73,714
VAT receivable		**93,980**	133,557
Advances for non-current assets		**51,194**	73,367
Loans and receivables due from related parties		**659,394**	615,546
Other non-current financial assets		**2,651**	2,488
Other non-current non-financial assets		**9,985**	17,162
		11,765,046	11,442,004
Current assets			
Inventories		**211,463**	281,215
VAT receivable		**96,422**	74,049
Income tax prepaid		**64,595**	54,517
Trade accounts receivable	16	**347,714**	397,757
Short-term bank deposits		**358,536**	359,504
Loans and receivables due from related parties		**101,987**	138,719
Other current financial assets	16	**60,104**	63,555
Other current non-financial assets	16	**98,380**	198,539
Cash and cash equivalents	17	**956,742**	1,064,452
		2,295,943	2,632,307
Assets classified as held for sale		**7,557**	7,604
		2,303,500	2,639,911
Total assets		**14,068,546**	14,081,915

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In millions of tenge	Note	**June 30, 2020 (unaudited)**	December 31, 2019* (audited)
Equity and liabilities			
Equity			
Share capital		**916,541**	916,541
Additional paid-in capital		**24,927**	40,794
Other equity		**2,515**	83
Currency translation reserve		**1,932,166**	1,731,747
Retained earnings		**5,490,966**	5,469,236
Attributable to equity holders of the Parent Company		**8,367,115**	8,158,401
Non-controlling interest		**(49,429)**	38,255
Total equity		**8,317,686**	8,196,656
Non-current liabilities			
Borrowings	18	**3,586,622**	3,584,076
Provisions		**277,309**	273,589
Deferred income tax liabilities		**521,360**	509,462
Lease liabilities		**33,668**	35,996
Other non-current financial liabilities		**24,193**	26,157
Other non-current non-financial liabilities		**18,166**	17,537
		4,461,318	4,446,817
Current liabilities			
Borrowings	18	**380,671**	253,428
Provisions		**104,594**	103,538
Income tax payable		**6,549**	13,011
Trade accounts payable	19	**497,787**	667,861
Other taxes payable		**67,148**	86,666
Lease liabilities		**12,071**	10,922
Other current financial liabilities	19	**89,017**	93,139
Other current non-financial liabilities	19	**131,705**	209,877
		1,289,542	1,438,442
Total liabilities		**5,750,860**	5,885,259
Total equity and liabilities		**14,068,546**	14,081,915
Book value per ordinary share – Tenge thousands		**13.362**	13.154

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2019, and reflect reclassifications made, refer to Note 3.*

Deputy Chairman of the Management Board for Economy and Finance ______ D.S. Karabayev

Chief accountant ______ Y. Orynbayev

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended June 30,	
In millions of tenge	**Note**	**2020 (unaudited)**	2019* (unaudited) (reclassed)
Cash flows from operating activities			
Profit before income tax from continuing operations		**52,034**	765,132
Profit before income tax from discontinued operations		**–**	6
Profit before income tax		**52,034**	765,138
Adjustments:			
Depreciation, depletion and amortization		**180,219**	167,216
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	11	**225,402**	25,240
Impairment of investments in joint venture and associate	15	**38,000**	–
Allowance for / (reversal of) obsolete inventories		**(2,365)**	(3,056)
Net foreign exchange differences		**(5,012)**	(1,665)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		**1,595**	636
Realized gain from derivatives on petroleum products		**(21,295)**	(11,884)
Adjustment for repayment of advances received for the supply of oil		**–**	(471,466)
Finance costs	12	**135,194**	160,847
Finance income	12	**(63,531)**	(61,796)
Gains on sale of subsidiaries		**–**	(17,481)
Share in profit of joint ventures and associates, net	5	**(224,280)**	(445,250)
Movements in provisions		**4,775**	(29,520)
Other adjustments		**11,489**	28,748
Operating profit before working capital changes		**332,225**	105,707
Change in VAT receivable		**17,548**	(9,496)
Change in inventory		**96,315**	49,691
Change in trade accounts receivable and other assets		**177,023**	(82,754)
Change in trade and other payables and contract liabilities		**(301,725)**	(107,071)
Change in other taxes payable		**(25,034)**	9,929
Cash generated from / (used in) operations		**296,352**	(33,994)

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

		For the six months ended June 30,	
In millions of tenge	Note	2020 (unaudited)	2019* (unaudited) (reclassed)
Dividends received from joint ventures and associates	15	**16,140**	42,306
Income taxes paid		**(46,108)**	(78,896)
Interest received		**51,594**	56,588
Interest paid		**(120,192)**	(126,211)
Net cash flow from / (used in) operating activities		**197,786**	(140,207)
Cash flows from investing activities			
Withdrawal/(placement) of bank deposits, net		**16,989**	(166,257)
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets		**(226,925)**	(210,689)
Proceeds from sale of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets		**6,151**	4,962
Proceeds from disposal of subsidiaries		**8,699**	56,760
Loans given to related parties		**(27,036)**	(28,024)
Contributions to a joint venture		**(5,789)**	–
Repayment of loans due from related parties		**12,314**	10,934
Acquisition of debt securities		**(820)**	–
Proceeds from Note receivable from a shareholder of a joint venture		**4,844**	168
Net cash flows used in investing activities		**(211,573)**	(332,146)
Cash flows from financing activities			
Proceeds from borrowings	18	**124,850**	333,670
Repayment of borrowings	18	**(181,198)**	(445,088)
Dividends paid to Samruk-Kazyna		**(73,911)**	–
Dividends paid to non-controlling interests		**(4,538)**	(157)
Share buyback by subsidiary		**(212)**	(1,729)
Distribution to Samruk-Kazyna		**(906)**	(33,956)
Payment of principal lease liabilities		**(7,253)**	(7,337)
Net cash flows used in financing activities		**(143,168)**	(154,597)
Effects of exchange rate changes on cash and cash equivalents		**48,876**	(19,650)
Change in allowance for expected credit losses in cash and cash equivalents		**369**	82
Net change in cash and cash equivalents		**(107,710)**	(646,518)
Cash and cash equivalents, at the beginning of the period		**1,064,452**	1,545,848
Cash and cash equivalents, at the end of the period		**956,742**	899,330

* *Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the period ended June 30, 2019 and reflect reclassifications made, refer to Note 3.*

Deputy Chairman of the Management Board for Economy and Finance ________ D.S. Karabayev

Chief accountant ________ A.K. Orynbayev

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holder of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
As at December 31, 2018 (audited)	916,541	40,794	83	1,764,108	4,341,062	7,062,588	80,480	7,143,068
Effect of adoption of IFRS 16	–	–	–	–	(4,268)	(4,268)	(910)	(5,178)
As at January 1, 2019 (restated)	916,541	40,794	83	1,764,108	4,336,794	7,058,320	79,570	7,137,890
Net profit for the period	–	–	–	–	623,536	623,536	(1,132)	622,404
Other comprehensive loss	–	–	–	(35,165)	(1,156)	(36,321)	(428)	(36,749)
Total comprehensive income for the period (unaudited)	–	–	–	(35,165)	622,380	587,215	(1,560)	585,655
Transactions with Samruk-Kazyna	–	–	–	–	(7,350)	(7,350)	–	(7,350)
Dividends	–	–	–	–	(36,998)	(36,998)	(4,137)	(41,135)
Distributions to Samruk-Kazyna	–	–	–	–	(3,853)	(3,853)	–	(3,853)
Share buyback by the subsidiary	–	–	–	–	(1,702)	(1,702)	(31)	(1,733)
Contribution to share capital of subsidiary without change in ownership	–	–	–	–	–	–	1,896	1,896
As at June 30, 2019 (unaudited)	916,541	40,794	83	1,728,943	4,909,271	7,595,632	75,738	7,671,370

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holder of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
As at December 31, 2019 (audited)	916,541	40,794	83	1,731,747	5,469,236	8,158,401	38,255	8,196,656
Net profit/(loss) for the period	–	–	–	–	103,654	103,654	(82,950)	20,704
Other comprehensive (loss)/income	–	–	2,432	200,419	(1,232)	201,619	118	201,737
Total comprehensive income for the period (unaudited)	–	–	2,432	200,419	102,422	305,273	(82,832)	222,441
Pipelines contributed by the Government	–	4,733	–	–	–	4,733	–	4,733
Transfer of discount related to the loan received from Samruk-Kazyna to the Company due to its settlement	–	(10,971)	–	–	10,971	–	–	–
Transfer of pipelines contributed by the Government due to termination of the trust management agreement	–	(9,629)	–	–	626	(9,003)	–	(9,003)
Dividends	–	–	–	–	(81,738)	(81,738)	(4,850)	(86,588)
Distributions to Samruk-Kazyna	–	–	–	–	(4,096)	(4,096)	–	(4,096)
Transactions with Samruk-Kazyna	–	–	–	–	(6,246)	(6,246)	–	(6,246)
Share buyback by the subsidiary	–	–	–	–	(209)	(209)	(2)	(211)
As at June 30, 2020 (unaudited)	916,541	24,927	2,515	1,932,166	5,490,966	8,367,115	(49,429)	8,317,686

Deputy Chairman of the Management Board for Economy and Finance — D.S. Karabayev

Chief accountant — Y.Y. Orynbayev

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2020

1. GENERAL

JSC "National Company "KazMunayGas" (the "Company" or "KazMunayGas") is oil and gas enterprise of the Republic of Kazakhstan, which was established on February 27, 2002 as a closed joint stock company pursuant to the Decree No. 811 of the President of the Republic of Kazakhstan dated February 20, 2002 and the Resolution of the Government of the Republic of Kazakhstan (the "Government") No. 248 dated February 25, 2002. The Company was formed as a result of the merger of National Oil and Gas Company Kazakhoil CJSC ("Kazakhoil") and National Company Transport Nefti i Gaza CJSC ("TNG"). As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to KazMunayGas. The Company was reregistered as a joint stock company in accordance with the legislation of the Republic of Kazakhstan in March 2004.

Starting from June 8, 2006, the sole shareholder of the Company was JSC "Kazakhstan Holding Company for State Assets Management "Samruk" ("Samruk"), which in October 2008 was merged with the state owned Sustainable Development Fund "Kazyna" and formed JSC "National Welfare Fund Samruk-Kazyna" ("Samruk-Kazyna"), now renamed to JSC "Sovereign Wealth Fund Samruk-Kazyna". The Government is the sole shareholder of Samruk-Kazyna. On August 7, 2015 National Bank of Republic of Kazakhstan ("National Bank of RK") purchased 10% plus one share of the Company from Samruk-Kazyna.

As at June 30, 2020, the Company has an interest in 61 operating companies (as of December 31, 2019: 54) (jointly the "Group").

The Company has its registered office in the Republic of Kazakhstan, Nur-Sultan, Kunayev, 8.

The principal activity of the Group includes, but is not limited, to the following:

- Participation in the Government activities relating to the oil and gas sector;
- Representation of the state interests in subsoil use contracts through interest participation in those contracts; and
- Corporate governance and monitoring of exploration, development, production, processing, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil-and-gas pipeline and field infrastructure.

The interim condensed consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries.

These interim condensed consolidated financial statements of the Group were approved for issue by the Deputy Chairman of the Management Board for Economy and Finance and the Chief accountant on August 25, 2020.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended June 30, 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting* (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, 2019.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The consolidated financial statements are presented in millions of Kazakhstan tenge ("tenge" or "KZT"), which is the Company's functional 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Transactions and balances (continued)

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 the 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.

Differences arising on settlement or translation of monetary items are recognised 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 recognised 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.

Translation of foreign operations

The results 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 currency exchange rate of KASE as at June 30, 2020 and December 31, 2019 were 403.93 and 382.59 tenge to 1 US dollar, respectively. These rates were used to translate monetary assets and liabilities denominated in United States dollars (“US dollar”) as at June 30, 2020 and December 31, 2019. The weighted average rate for six months ended June 30, 2020 was 404.71 tenge to 1 US dollar. The currency exchange rate of KASE as at August 25, 2020 was 419.48 tenge to 1 US dollar.

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 financial information has been considered. The Group continues to consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial information. 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, 2019. These were subsequently reviewed at the end of the six months ended June 30, 2020 to determine if any changes were required to these judgments and estimates as a result of the current market conditions. The valuation of certain assets and liabilities is subject to a greater level of uncertainty than when reported in the annual consolidated financial statements, including those set out below.

2. BASIS OF PREPARATION (continued)

Considerations in respect of COVID-19 (coronavirus) pandemic and the current economic environment (continued)

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 six months of 2020 ended June 30. 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 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. Discount rates were estimated on the weighted average cost of capital of the individual cash generating unit and ranged between 8.92%-14.01% depending on the functional currency, production period, size, equity risk premium, beta and gearing ratio of the relevant cash-generating unit.

At the end of the second quarter the revision to the Group's oil and gas price assumptions and discount rates did not result in the recognition of any impairment charges for the second quarter of 2020, except for amounts recognized at the end of the first quarter, 60,440 million tenge attributable to Embamunaigas CGU (*Note 11*) and 38,000 million tenge related to the Group's joint venture and the associate (*Note 15*) in *Exploration and production of oil and gas* segment.

The Group has revised its price assumptions used in value-in-use impairment testing. A summary of the Group's revised price assumptions, in real 2020 terms, is provided below:

	Second half of 2020	2021	2022	2023	2024
Brent oil ($/bbl)	**39**	**47**	**55**	**60**	**64**

With the COVID-19 pandemic having continued during the second quarter of 2020, the Group assessed recoverability of the refining assets, including goodwill attributable to Pavlodar refinery. 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 at KMG International (further - KMGI), impairment charges were recognized in the consolidated financial statements for the six months ended June 30, 2020 for 159,009 million tenge *(Note 11),* recoverable amounts of other refinery were higher than their carrying values.

The Group revisited its impairment analysis for downstream and other assets, as a result, recoverable amounts were identified to be higher than the carrying values, and no impairment charges were accrued.
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. Sensitivity to key assumptions for significant components of the Group at which impairment charges were recognized in the first half of 2020 are discussed in *Note 11.*

Provisions assumptions

The credit-adjusted risk-free rate used to discount provisions was reviewed as a result of the changes in long-dated government bond yields during the second quarter of 2020. The changes have not significantly affected the Group's overall assessment of the discount rate applied to the Group's provisions as the discount rates changed insignificantly. The timing and amount of cash flows relating to Group's existing provisions are not currently expected to change significantly as a result of the current environment however the detailed annual review will take place later in 2020.

Other accounting judgments and estimates

All other significant accounting judgments and estimates disclosed in the annual consolidated financial statements remain applicable and no new significant accounting judgments or estimates have been applied.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Amendments to IFRS 3: Definition of a Business

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

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

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8: Definition of Materiality

The amendments provide a new definition of materiality that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity".

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the consolidated financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

Changes in accounting policies related to presentation

Since December 31, 2019 in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Group has applied voluntary changes in accounting policies related to presentation of the consolidated financial statements and elected to present its statement of comprehensive income based on nature and cash flow statement using indirect method to increase on the comparability of the Group`s consolidated financial statements to its industry peers. The Group applied those voluntary changes in accounting policies into interim consolidated financial statements for the six months ended June 30, 2019. These reclassifications do not affect net profit, equity or comprehensive income for the period.

Changes in presentation of the interim consolidated statement of financial position

The Group decided not to aggregate, but present separately other financial and non-financial other current assets, non-current and current liabilities separately as at June 30, 2020 and December 31, 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies related to presentation (continued)

Changes in presentation of the interim consolidated statement of comprehensive income from function based to nature based approach led to reclassification of certain line items below:

		For the six months ended June 30, 2019		
In millions of tenge	Notes	According to the issued interim condensed consolidated financial statements	Reclassifica-tions	Reclassified
Cost of purchased oil, gas, petroleum products and other materials	[A]	–	(1,942,076)	**(1,942,076)**
Production expenses	[B]	–	(336,716)	**(336,716)**
Taxes other than income tax	[C]	–	(225,890)	**(225,890)**
Depreciation, depletion and amortization	[D]	–	(167,216)	**(167,216)**
Cost of sales	[A], [B], [C], [D]	(2,511,579)	2,511,579	**–**
General and administrative expenses	[C], [D]	(110,700)	16,521	**(94,179)**
Transportation and selling expenses	[C], [D]	(358,123)	142,611	**(215,512)**
Other expenses	[D]	(7,178)	551	**(6,627)**
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	[D]	(636)	636	–
		(2,988,216)	–	**(2,988,216)**

For the six months ended June 30, 2019 the following changes in presentation were made:

[A] The Group elected to present *Cost of purchased oil, gas, petroleum products and other materials* as a separate line item.

[B] Other line items previously presented within *Cost of sales*, except for *Cost of purchased oil, gas, petroleum products and other materials, taxes and depreciation,* were aggregated as *Production expenses* and presented as a separate line item in the interim consolidated statement of comprehensive income.

[C] The Group excluded mineral extraction and other taxes from *Cost of sales* in the amount of 50,566 million tenge and 33,815 million tenge, respectively, other taxes from *General and administrative expenses* of 5,784 million tenge, rent tax on crude oil export, customs duty and social taxes (presented within others) from *Transportation and selling expenses* of 68,969 million tenge, 66,645 million tenge and 111 million tenge, respectively, and presented as *Taxes other than income tax* in the interim consolidated statement of comprehensive income.

[D] The Group excluded *Depreciation, depletion and amortization charges* from *Cost of sales* of 148,406 million tenge, from *General and administrative expenses* 10,737 million tenge, from *Transportation and selling expenses* 6,886 million tenge, from *Other expenses* 1,187 million tenge and presented as a separate line item in the interim consolidated statement of comprehensive income.

Additionally, interest income and expenses were presented separately within finance income and finance costs disclosures.

Changes in presentation of the interim consolidated cash flow statement from direct to indirect method was applied retrospectively, additionally viewing that one of the Group's principal activities is representation of the State interests in subsoil use contracts through interest participation in those contracts via joint ventures, the Group decided to present dividends received from joint ventures and associates of 42,306 million tenge within operating cash flows in accordance with IAS 7.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. REVENUE

In millions of tenge	For the three months ended June 30, 2020 (unaudited)	2019* (unaudited) (reclassed)	For the six months ended June 30, 2020 (unaudited)	2019* (unaudited) (reclassed)
Type of goods and services				
Sales of crude oil and gas*	**472,117**	925,743	**1,273,550**	1,997,057
Sales of refined products*	**234,449**	516,649	**615,729**	1,024,488
Oil and gas transportation services	**65,519**	81,393	**147,552**	159,767
Refining of oil and oil products	**41,560**	45,348	**92,469**	96,298
Other revenue	**64,336**	68,176	**124,795**	124,970
	877,981	1,637,309	**2,254,095**	3,402,580
Geographical markets				
Kazakhstan	**231,739**	274,707	**536,033**	590,896
Other countries	**646,242**	1,362,602	**1,718,062**	2,811,684
	877,981	1,637,309	**2,254,095**	3,402,580

* *For six months ended June 30, 2019, the Group reclassified sales of gas products of 18,824 million tenge previously presented within Sales of crude oil, gas and gas refining products into Sales of refined products.*

5. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

In millions of tenge	For the three months ended June 30, 2020 (unaudited)	2019 (unaudited)	For the six months ended June 30, 2020 (unaudited)	2019* (unaudited) (reclassed)
Asian Gas Pipeline LLP (AGP)	**80,848**	36,662	**76,566**	67,518
Tengizchevroil LLP (TCO)	**5,563**	117,883	**69,514**	223,618
Caspian Pipeline Consortium	**20,540**	15,876	**40,664**	33,396
Beineu-Shymkent Gas Pipeline	**31,906**	10,584	**24,139**	33,840
KazGerMunay LLP	**2,949**	5,067	**8,955**	11,862
PetroKazakhstan Inc.	**4,629**	1,071	**7,347**	2,948
Mangistau Investments B.V.	**(1,359)**	22,973	**4,755**	46,242
Kazakhoil-Aktobe LLP	**1,657**	3,258	**1,640**	4,908
KazRosGas LLP (KRG)	**7,909**	9,606	**1,468**	11,243
Teniz Service LLP	**12**	4,917	**427**	8,570
Valsera Holdings B.V.	**7,255**	(550)	**(4,020)**	(3,389)
Ural Group Limited	**(2,486)**	(1,859)	**(4,952)**	(3,665)
Kashagan B.V.	**(11,308)**	(3,847)	**(11,409)**	1,328
Other joint ventures and associates	**10,849**	4,587	**9,186**	6,831
	158,964	226,228	**224,280**	445,250

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. COST OF PURCHASED OIL, GAS, PETROLEUM PRODUCTS AND OTHER MATERIALS

In millions of tenge	**For the three months ended June 30, 2020 (unaudited)**	For the three months ended June 30, 2019 (unaudited) (reclassed)	**For the six months ended June 30, 2020 (unaudited)**	For the six months ended June 30, 2019 (unaudited) (reclassed)
Purchased oil for resale	**245,571**	499,994	**652,189**	1,114,152
Purchased gas for resale	**58,591**	70,489	**204,652**	199,794
Cost of oil for refining	**29,689**	225,554	**152,979**	451,686
Materials and supplies	**45,408**	51,749	**94,159**	94,539
Purchased petroleum products for resale	**5,247**	27,477	**21,911**	81,905
	384,506	875,263	**1,125,890**	1,942,076

7. PRODUCTION EXPENSES

In millions of tenge	**For the three months ended June 30, 2020 (unaudited)**	For the three months ended June 30, 2019 (unaudited) (reclassed)	**For the six months ended June 30, 2020 (unaudited)**	For the six months ended June 30, 2019 (unaudited) (reclassed)
Payroll	**85,556**	72,508	**158,383**	151,107
Repair and maintenance*	**31,189**	31,044	**50,540**	52,910
Energy	**19,111**	20,398	**40,318**	42,785
Short-term lease expenses*	**12,505**	8,856	**28,891**	27,161
Transportation costs	**7,115**	7,033	**14,865**	14,344
Other	**33,660**	33,979	**70,535**	48,409
	189,136	173,818	**363,532**	336,716

* *For the six months ended June 30, 2019, the Group reclassified expenses on outsourced repair and maintenance in amount of 23,792 million tenge from Other into repair and maintenance expenses. Additionally, Lease expenses were disaggregated from Others and presented separately within production expenses.*

8. TAXES OTHER THAN INCOME TAX

In millions of tenge	**For the three months ended June 30 2020 (unaudited)**	For the three months ended June 30 2019 (reclassed) (unaudited)	**For the six months ended June 30, 2020 (unaudited)**	For the six months ended June 30, 2019 (reclassed) (unaudited)
Export customs duty	**10,284**	33,000	**41,247**	66,645
Rent tax on crude oil export	**(123)**	34,798	**19,474**	68,969
Mineral extraction tax	**14,546**	19,853	**33,070**	50,566
Other taxes	**20,480**	19,562	**45,689**	39,710
	45,187	107,213	**139,480**	225,890

9. TRANSPORTATION AND SELLING EXPENSES

In millions of tenge	**For the three months ended June 30, 2020 (unaudited)**	For the three months ended June 30, 2019 (reclassed) (unaudited)	**For the six months ended June 30, 2020 (unaudited)**	For the six months ended June 30, 2019 (reclassed) (unaudited)
Transportation	**94,264**	88,578	**202,496**	189,524
Payroll	**2,902**	3,963	**5,830**	8,200
Other	**6,670**	7,416	**14,159**	17,788
	103,836	99,957	**222,485**	215,512

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended June 30,		For the six months ended June 30,	
In millions of tenge	**2020 (unaudited)**	2019 (unaudited) (reclassed)	**2020 (unaudited)**	2019 (unaudited) (reclassed)
Payroll	**16,513**	19,961	**34,107**	36,736
Consulting services	**5,315**	4,533	**11,012**	8,726
VAT that could not be offset	**1,075**	1,073	**2,061**	1,974
Accrual of expected credit losses for trade receivables	**1,537**	1,092	**2,153**	2,475
Impairment of VAT receivable	**(61)**	11,008	**490**	11,008
Short-term lease expenses	**604**	621	**1,127**	1,126
Accrual of expected credit losses for other current financial assets	**1,196**	8,725	**1,403**	8,715
Social payments, out of payroll	**1,890**	1,056	**2,934**	1,965
Maintenance	**1,807**	1,718	**3,548**	3,058
Communication	**1,016**	786	**1,778**	1,504
Other	**6,229**	11,509	**14,205**	16,892
	37,121	62,082	**74,818**	94,179

For the six months ended June 30, 2020, the total payroll amounted to 198,320 million tenge (for the six months ended June 30, 2019: 196,043 million tenge) and included in production expenses, transportation and selling expenses and general and administrative expenses in the interim consolidated statement of comprehensive income.

11. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGLE ASSETS, EXPLORATION AND EVALUATION ASSETS

	For the three months ended June 30,		For the six months ended June 30,	
In millions of tenge	**2020 (unaudited)**	2019 (unaudited)	**2020 (unaudited)**	2019 (unaudited)
Property, plant and equipment *(Note 14)*	**157,497**	5,933	**202,248**	6,009
Exploration and evaluation assets	**1**	18,939	**16,389**	19,231
Intangible assets	**6,765**	–	**6,765**	–
	164,263	24,872	**225,402**	25,240

Impairment losses were recognised for the following CGUs:

	For the three months ended June 30,		For the six months ended June 30,	
In millions of tenge	**2020 (unaudited)**	2019 (unaudited)	**2020 (unaudited)**	2019 (unaudited)
CGUs of KMGI	**159,009**	–	**159,009**	–
Embamunaigas (EMG)	**–**	–	**60,440**	–
Write-off of brownfields of KMG EP	**–**	18,888	**–**	18,888
Others	**5,254**	5,984	**5,953**	6,352
	164,263	24,872	**225,402**	25,240

11. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGLE ASSETS AND EXPLORATION AND EVALUATION ASSETS (continued)

CGUs of KMGI

As of June 30, 2020, KMGI, the Group subsidiary, performed impairment tests of its KMGI CGU. The Group considered forecasted refinery margins and production volumes, among other factors, when reviewing for indicators of impairment.

The recoverable amount of the CGUs was determined based on fair value less costs of disposal (FVLCD), which was determined using the discounted cash flow method. The key assumptions used in the fair value less costs to disposal calculations for the above-mentioned CGUs 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 KMGI CGUs was 10.3% and cash flows beyond the 5-year period were extrapolated using 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 8.4%.

For the purposes of impairment test, KMGI updated projected cash flows to reflect the decrease in forecasted refinery margins and change in post-tax discount rate. As at June 30, 2020 based on the results 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.

Sensitivity to changes in assumptions:

Any unfavorable change in key assumptions of KMGI CGU would result in additional impairment.

EMG

As of March 31, 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 13.99%. 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, and was recognised as impairment in the interim consolidated statement of comprehensive income. As of June 30, 2020, at EMG no additional impairment was identified.

Sensitivity to changes in assumptions:

For sensitivity purposes, a decrease in the long-term Brent price assumption by 1% with other inputs held unchanged, would result in additional pre-tax impairment of 11 billion tenge as at June 30, 2020.

Write of the brownfields of KMG EP

During six months ended June 30, 2019 the Group has written-off exploration and evaluation assets of 18,888 million tenge related to few KMG EP subsoil use contracts, which were terminated with contract territories relinquishment to the Government.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. FINANCE INCOME / FINANCE COST

Finance income

In millions of tenge	For the three months ended June 30, 2020 (unaudited)	For the three months ended June 30, 2019 (unaudited)	For the six months ended June 30, 2020 (unaudited)	For the six months ended June 30, 2019 (unaudited)
Interest income on bank deposits, financial assets, loans and bonds	**22,734**	24,750	**45,666**	50,356
Amortization of issued financial guarantees	**1,613**	5,500	**3,244**	6,019
Total interest income	**24,347**	30,250	**48,910**	56,375
Discount on borrowings with non-market interest rate *(Note 18)*	**–**	–	**11,002**	–
Derecognition of loan *(Note 18)*	**–**	21	**–**	546
Bond redemption gain *(Note 18)*	**927**	–	**927**	–
Other	**1,242**	1,919	**2,692**	4,875
	26,516	32,190	**63,531**	61,796

Finance costs

In millions of tenge	For the three months ended June 30, 2020 (unaudited)	For the three months ended June 30, 2019 (unaudited)	For the six months ended June 30, 2020 (unaudited)	For the six months ended June 30, 2019 (unaudited)
Interest on loans and debt securities issued *(Note 18)*	**57,608**	55,167	**113,263**	113,083
Interest on lease liabilities	**813**	995	**1,678**	1,985
Interest under oil supply agreement	**–**	6,576	**–**	15,368
Total interest expense	**58,421**	62,738	**114,941**	130,436
Unwinding of discount on asset retirement obligations and provision for environmental obligation	**3,631**	3,349	**6,690**	6,332
Discount on employee benefits obligations	**929**	936	**1,679**	1,660
Discount on assets with non-market interest rate	**74**	1,195	**540**	1,305
Allowance of expected credit losses of bank deposits, current accounts and loans due from related parties	**133**	245	**290**	472
Changes of fair value of debt securities	**44**	37	**44**	2,836
Other	**4,888**	6,954	**11,010**	17,806
	68,120	75,454	**135,194**	160,847

13. INCOME TAX EXPENSES

In millions of tenge	For the three months ended June 30, 2020 (unaudited)	For the three months ended June 30, 2019 (unaudited)	For the six months ended June 30, 2020 (unaudited)	For the six months ended June 30, 2019 (unaudited)
Current income tax				
Corporate income tax	**11,213**	43,811	**33,961**	71,853
Excess profit tax	**(241)**	7,256	**(208)**	7,342
Withholding tax on dividends and interest income	**2,533**	3,010	**5,585**	6,485
Deferred income tax				
Corporate income tax	**(838)**	8,081	**(21,156)**	23,408
Excess profit tax	**(18)**	96	**3,447**	103
Withholding tax on dividends	**108**	20,799	**9,701**	33,543
Income tax expenses	**12,757**	83,053	**31,330**	142,734

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve-ments	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
As at January 1, 2019 (restated)	**1,081,676**	**787,813**	**1,550,680**	**263,204**	**394,602**	**116,561**	**44,124**	**275,986**	**4,514,646**
Foreign currency translation	(6,277)	(399)	(5,456)	(610)	124	(525)	(97)	(196)	(13,436)
Change in estimate	3,724	1,420	–	8	–	–	–	–	5,152
Additions	14,923	239	104	284	3,802	1,002	808	128,063	149,225
Disposals	(2,717)	(450)	(2,572)	(5,404)	(3,551)	(3,162)	(3,430)	(414)	(21,700)
Depreciation charge	(44,791)	(14,586)	(57,903)	(8,654)	(19,465)	(6,072)	(4,695)	–	(156,166)
Accumulated depreciation and impairment on disposals	2,034	413	2,567	3,384	2,660	2,739	2,937	312	17,046
Impairment *(Note 11)*	–	(1)	–	(2,443)	(1,863)	(855)	(98)	(749)	(6,009)
Transfers from/(to) inventory, net	7	(22)	2,583	–	454	(10)	10	469	3,491
Transfers to assets classified as held for sale	–	–	(41)	(10,368)	(18,408)	(116)	(61)	–	(28,994)
Transfers (to)/from intangible assets	–	–	–	–	–	–	68	(258)	(190)
Transfers from exploration and evaluation assets	1,821	–	–	–	–	–	–	1,044	2,865
Transfers and reclassifications	81,777	(925)	9,914	30,164	121,793	3,802	4,393	(250,918)	–
Net book value as at June 30, 2019 (unaudited)	**1,132,177**	**773,502**	**1,499,876**	**269,565**	**480,148**	**113,364**	**43,959**	**153,339**	**4,465,930**
At cost	2,244,709	985,486	2,379,094	536,804	820,694	235,043	122,775	202,966	7,527,571
Accumulated depreciation and impairment	(1,112,532)	(211,984)	(879,218)	(267,239)	(340,546)	(121,679)	(78,816)	(49,627)	(3,061,641)
Net book value as at June 30, 2019 (unaudited)	**1,132,177**	**773,502**	**1,499,876**	**269,565**	**480,148**	**113,364**	**43,959**	**153,339**	**4,465,930**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve-ments	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2019 (audited)	1,049,763	803,717	1,381,661	300,655	457,811	97,637	106,286	286,741	4,484,271
Foreign currency translation	**29,098**	**2,243**	**24,203**	**3,821**	**1,920**	**1,705**	**3,980**	**7,054**	**74,024**
Additions	**5,004**	**6,003**	**490**	**3,603**	**2,301**	**1,679**	**871**	**215,153**	**235,104**
Change in estimate	**(8,171)**	**(1,762)**	**–**	**4**	**–**	**–**	**–**	**–**	**(9,929)**
Disposals	**(7,021)**	**(10,019)**	**(5,543)**	**(2,344)**	**(1,962)**	**(534)**	**(1,025)**	**(888)**	**(29,336)**
Depreciation charge	**(58,503)**	**(14,849)**	**(58,186)**	**(8,695)**	**(18,794)**	**(5,608)**	**(5,424)**	**–**	**(170,059)**
Accumulated depreciation and impairment on disposals	**5,824**	**977**	**5,542**	**2,563**	**1,752**	**413**	**943**	**829**	**18,843**
Impairment *(Note 11)*	**(38,612)**	**(273)**	**(152,251)**	**(890)**	**(488)**	**(6,185)**	**(311)**	**(3,238)**	**(202,248)**
Transfers to assets classified as held for sale	**–**	**–**	**(3)**	**(3)**	**(73)**	**(4)**	**–**	**–**	**(83)**
Transfers from/(to) inventory, net	**19**	**(36)**	**689**	**–**	**110**	**(19)**	**72**	**793**	**1,628**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**–**	**–**	**(580)**	**(1,190)**	**(1,770)**
Transfers to investment property	**–**	**–**	**–**	**(15,293)**	**–**	**–**	**–**	**–**	**(15,293)**
Transfers and reclassifications	**41,436**	**7,772**	**1,901**	**15,526**	**67,475**	**4,089**	**3,963**	**(142,162)**	**–**
Net book value as at June 30, 2020 (unaudited)	**1,018,837**	**793,773**	**1,198,503**	**298,947**	**510,052**	**93,173**	**108,775**	**363,092**	**4,385,152**
At cost	**2,110,448**	**1,033,738**	**2,469,370**	**581,869**	**917,582**	**234,739**	**233,233**	**416,206**	**7,997,185**
Accumulated depreciation and impairment	**(1,091,611)**	**(239,965)**	**(1,270,867)**	**(282,922)**	**(407,530)**	**(141,566)**	**(124,458)**	**(53,114)**	**(3,612,033)**
Net book value as at June 30, 2020 (unaudited)	**1,018,837**	**793,773**	**1,198,503**	**298,947**	**510,052**	**93,173**	**108,775**	**363,092**	**4,385,152**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions

For the six months ended June 30, 2020, additions of Group subsidiaries to capital work in progress are mainly attributable to development drilling at Ozenmunaigas, Embamunaigas and Karachaganak for total of 71,743 million tenge, construction of compressor stations at KTG for 74,908 million tenge within the framework of the projects «Beineu-Bozoy-Shymkent and Bukhara-Ural» and «reconstruction of Bozoi underground gas storage», replacement of Prorva-Kulsary pipeline for 10,740 million tenge at KTO, and improvement of plant facilities at Rompetrol Rafinare for 38,724 million tenge.

Other

For the six months ended June 30, 2020, the Group capitalized to the carrying amount of property, plant and equipment borrowing costs related to the construction of new assets of 1,941 million tenge at the average interest rate of **3.71%** (for the six months ended June 30, 2019: 2,014 million tenge at the average interest rate of 3.42%) (*Note 18*).

For the six months ended June 30, 2020, the Group transferred from property, plant and equipment to investment property a building, located in Nur–Sultan, Kabanbay batyr avenue, 19, in the amount of 15,293 million tenge due to change in designation of the asset from owner-occupied property to leased out to third parties.

As at June 30, 2020, the cost of fully depreciated but still in use property, plant and equipment was 420,132 million tenge (as at December 31, 2019: 394,841million tenge).

As at June 30, 2020, property, plant and equipment with the net book value of 914,973 million tenge (as at December 31, 2019: 1,023,146 million tenge) were pledged as collateral to secure borrowings and payables of the Group.

Capital commitments are disclosed in *Note 22*.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

			June 30, 2020 (unaudited)		December 31, 2019 (audited)	
In millions of tenge	**Main activity**	**Place of business**	**Carrying value**	**Percentage ownership**	Carrying value	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**2,579,183**	**20.00%**	2,377,207	20.00%
Kashagan B.V.	Oil and gas exploration and production	Kazakhstan	**2,161,187**	**50.00%**	2,057,795	50.00%
Asia Gas Pipeline LLP	Construction and operation of the gas pipeline		**244,652**	**50.00%**	168,086	50.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	**163,656**	**50.00%**	158,867	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	**125,905**	**50.00%**	101,766	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	**85,906**	**50.00%**	79,849	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	**29,372**	**50.00%**	25,620	50.00%
Ural Group Limited BVI (UGL)	Oil and gas exploration and production	Kazakhstan	**26,405**	**50.00%**	47,662	50.00%
MunayTas LLP	Oil transportation	Kazakhstan	**21,870**	**51.00%**	21,373	51.00%
Kazakhoil-Aktobe LLP	Production of crude oil	Kazakhstan	**21,578**	**50.00%**	21,438	50.00%
Teniz Services LLP	Design, construction and operation of infrastructure facilities, offshore oil operations support	Kazakhstan	**17,009**	**48.996%**	19,277	48.996%
Valsera Holding BV	Oil refining	Kazakhstan	**6,562**	**50.00%**	12,776	50.00%
Other			**23,102**		19,641	
Associates						
Caspian Pipeline Consortium (CPC)	Transportation of liquid hydrocarbons	Kazakhstan/Russia	**419,792**	**20.75%**	359,173	20.75%
PetroKazakhstan Inc. (PKI)	Exploration, production and processing of oil and gas	Kazakhstan	**86,498**	**33.00%**	95,320	33.00%
Other			**26,964**		24,534	
			6,039,641		5,590,384	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

All of the above joint ventures and associates are strategic for the Group's business.

As of June 30, 2020, the Group's share in unrecognized losses of joint ventures and associates was equal to 7,468 million tenge (as of December 31, 2019: 17,812 million tenge).

The following table summarizes the movements in the investments during the six months ended June 30, 2020:

In millions of tenge	
At December 31, 2019 (audited)	**5,590,384**
Share in profits of joint ventures and associates, net *(Note 5)*	**224,280**
Other changes in the equity of the joint venture	**547**
Contribution without change in ownership	**789**
Dividends received	**(16,140)**
Change in dividends receivable	**(2,113)**
Impairment of investments	**(38,000)**
Foreign currency translation	**279,894**
At June 30, 2020 (unaudited)	**6,039,641**

On October 16, 2015, the Group sold 50% of its shares in KMG Kashagan B.V. to Samruk-Kazyna with a right to buy back all or part of the shares effective from January 1, 2018 to December 31, 2020 (further "Option"). On December 20, 2017, the exercise period for the call option was changed to January 1, 2020 and December 31, 2022. As of June, 30 2020 and December 31, 2019 the fair value of the option was insignificant.

The Group impaired its investments in PKI and UGL by 18,000 million tenge and 20,000 million tenge, respectively.

16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

In millions of tenge	**June 30, 2020 (unaudited)**	December 31, 2019 (audited)
Trade accounts receivable	**379,303**	430,125
Less: allowance for expected credit losses	**(31,589)**	(32,368)
Trade accounts receivable	**347,714**	397,757
Other current financial assets		
Other receivables	**89,063**	91,610
Dividends receivable	**9,289**	7,582
Less: allowance for expected credit losses	**(38,248)**	(35,637)
	60,104	63,555
Other current non-financial assets		
Advances paid and prepaid expenses	**64,185**	138,822
Taxes receivable, other than VAT	**28,575**	52,642
Other current non-financial assets	**9,308**	10,794
Less: impairment allowance	**(3,688)**	(3,719)
	98,380	198,539
Total other financial and non-financial current assets	**158,484**	262,094

As at June 30, 2020 and December 31, 2019 the above assets were non-interest bearing.

As at June 30, 2020 trade accounts receivable of 124,299 million tenge are pledged as collateral (December 31, 2019: 71,296 million tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS (continued)

Trade accounts receivable is denominated in the following currencies as of June 30, 2020 and December 31, 2019:

In millions of tenge	**June, 30 2020 (unaudited)**	December, 31 2019 (audited)
Tenge	**90,763**	118,870
US dollars	**197,883**	206,155
Romanian Leu	**52,590**	60,673
Euro	**4,227**	4,676
Other currency	**2,251**	7,383
	347,714	397,757

Set out below is the information about credit risk exposure on the Group's trade receivables using a provision matrix:

	Days past due					
In millions of tenge	**current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
June 30, 2020						
Expected credit loss rate	**0.16%**	**3.33%**	**4.11%**	**4.53%**	**76.51%**	
Trade accounts receivable	**322,915**	**7,177**	**4,913**	**4,524**	**39,774**	**379,303**
Expected credit loss	**513**	**239**	**202**	**205**	**30,430**	**31,589**

	Days past due					
In millions of tenge	**current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
December 31, 2019						
Expected credit loss rate	0.12%	1.19%	5.30%	3.37%	82.30%	
Trade accounts receivable	364,869	19,869	5,418	1,871	38,098	430,125
Expected credit loss	427	236	287	63	31,355	32,368

17. CASH AND CASH EQUIVALENTS

In millions of tenge	**June 30, 2020 (unaudited)**	December 31, 2019 (audited)
Term deposits with banks − US dollars	**350,366**	108,298
Term deposits with banks − tenge	**231,104**	210,354
Term deposits with banks − other currencies	**6,839**	6,450
Current accounts with banks − US dollars	**275,453**	633,231
Current accounts with banks − tenge	**67,774**	75,168
Current accounts with banks − other currencies	**10,225**	10,220
Cash in transit	**14,041**	19,991
Cash-on-hand and cheques	**979**	1,150
Less: allowance for expected credit losses	**(39)**	(410)
	956,742	1,064,452

As at June 30, 2020, the weighted average interest rate for time deposits with banks was 1.82% in US dollars, 8.08% in tenge and 1.22% in other currencies, respectively (December 31, 2019: 2.02% in US dollars, 8.84% in tenge and 0.12% in other currencies, respectively).

As at June 30, 2020 and December 31, 2019, cash and cash equivalents were not pledged as collateral.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. BORROWINGS

In millions of tenge	**June, 30 2020 (unaudited)**	December, 31 2019 (audited)
Fixed interest rate borrowings	**3,338,816**	3,146,477
Weighted average interest rates	**5.48%**	5.48%
Floating interest rate borrowings	**628,477**	691,027
Weighted average interest rates	**5.15%**	5.73%
	3,967,293	3,837,504

In millions of tenge	**June, 30 2020 (unaudited)**	December, 31 2019 (audited)
US dollar − denominated borrowings	**3,671,393**	3,555,347
Tenge − denominated borrowings	**291,085**	271,776
Euro-denominated borrowings	**2,795**	2,881
Other currencies − denominated borrowings	**2,020**	7,500
	3,967,293	3,837,504

In millions of tenge	**June, 30 2020 (unaudited)**	December, 31 2019 (audited)
Current portion	**380,671**	253,428
Non-current portion	**3,586,622**	3,584,076
	3,967,293	3,837,504

As at June 30, 2020 and as at December 31, 2019, the bonds comprised:

In millions of tenge	**Issuance amount**	**Redemption date**	**Interest**	**June, 30 2020 (unaudited)**	December, 31 2019 (audited)
Bonds					
AIX 2019	56 billion KZT	2024	5.00%	**49,518**	52,843
Bonds LSE 2018	1.5 billion USD	2048	6.375%	**606,300**	574,230
Bonds LSE 2018	1.25 billion USD	2030	5.375%	**509,332**	482,393
Bonds LSE 2018	0.5 billion USD	2025	4.75%	**203,538**	192,764
Bonds LSE 2017	1.25 billion USD	2047	5.75%	**495,382**	468,940
Bonds LSE 2017	1 billion USD	2027	4.75%	**402,051**	380,413
Bonds ISE 2017	750 million USD	2027	4.375%	**287,853**	289,487
Bonds LSE 2017	0.5 billion USD	2022	3.88%	**202,635**	191,694
Bonds LSE 2013	1 billion USD	2023	4.40%	**163,412**	154,442
Others	−	−	−	**4,557**	4,518
Total				**2,924,578**	2,791,724

The increase in carrying value of placed bonds during the six months ended June 30, 2020, is due to the effect of the foreign currency exchange rate on bonds placed at LSE and ISE and denominated in US dollars for 157,605 million tenge.

In May 2020, KTG made an early partial settlement of bonds placed at ISE for the total amount of 41 million US dollars (equivalent to 17,816 million tenge) with bond redemption fee of 927 million tenge (*Note 12*).

.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. BORROWINGS (continued)

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

In millions of tenge	Issuance amount	Redemption date	Interest	June, 30 2020 (unaudited)	December, 31 2019 (audited)
Loans					
The Export-Import Bank of China (Eximbank)	1.13 billion USD	2026	6M Libor + 4.10%	**301,615**	350,042
Development bank of Kazakhstan JSC (DBK)	230 billion KZT	2022-2028	7.00%-10.20%	**167,945**	138,313
DBK	1.1 billion USD	2023-2025	6M Libor + 4.00%, 5.00%, 10.99%	**122,290**	131,022
The Syndicate of banks (*Unicredit Tiriac Bank, ING Bank, BCR, Raiffeisen Bank*)	360 million USD	2023	1M Libor + 2.75%, 1M Libor + 2.50%, 1M Robor + 2.00%,1W Libor + 2.50%, ON Libor + 2.50%, 1M Euribor + 2.75%,	**84,478**	99,554
The Syndicate of banks (*Citibank, N.A., London Branch, Mizuho Bank, Ltd., MUFG Bank Ltd., Société Générale, ING Bank, and ING Bank N.V.*)	200 million USD	2021	3M Libor + 1.35%	**80,586**	76,442
Japan Bank for International Cooperation	297.5 million USD	2025	2.19% + CIRR	**63,315**	65,254
Halyk bank JSC (Halyk bank)	150 million USD	2024	5.25%	**46,274**	52,771
European Bank for Reconstruction and Development (EBRD)	68 billion KZT	2023	3M CPI + 50 basis points + 3.15%	**37,275**	42,940
Sumitomo Mitsui Banking Corporation	150 million USD	2021	COF (0.19%) + 1.50%	**27,081**	–
EBRD	39 billion KZT	2026	6M CPI + 100 basis points + 3.15%	**26,719**	24,573
Halyk bank	100 million USD[1]	2020	5.00%	**19,823**	38,323
Credit Agricole	75 million USD	2021	COF (0.30%)+2.00%	**15,681**	874
BNP Paribas	368 million USD[1]	2020	COF (1.59%) + 0.25%	**13,715**	–
Sberbank Russia	50 million USD	2020	COF (0.80%) + 1.50%	**13,219**	13,773
Other	–	–	–	**22,699**	11,899
Total				**1,042,715**	1,045,780

[1] Revolving credit facility.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. BORROWINGS (continued)

Changes in liabilities arising from financing activities for the six months ended June 30:

	2020				2019			
In millions of tenge	**Short-term loans**	**Long-term loans**	**Bonds**	**Total**	Short-term loans	Long-term loans	Bonds	Total
On January 1 (audited)	**70,843**	**974,937**	**2,791,724**	**3,837,504**	81,813	1,258,009	2,813,416	4,153,238
Received in cash	**72,749**	**52,101**	**–**	**124,850**	210,937	66,510	56,223	333,670
Interest paid	**(3,149)**	**(34,351)**	**(82,447)**	**(119,947)**	(2,520)	(38,127)	(85,371)	(126,018)
Repayment of principal in cash	**(28,914)**	**(128,796)**	**(23,488)**	**(181,198)**	(215,034)	(198,423)	(31,631)	(445,088)
Interest expense *(Note 12)*	**3,089**	**30,678**	**79,496**	**113,263**	2,335	34,884	75,864	113,083
Interest capitalized *(Note 14)*	**–**	**1,941**	**–**	**1,941**	–	2,014	–	2,014
Discount *(Note 12)*	**–**	**(11,002)**	**–**	**(11,002)**	–	–	–	–
Derecognition of liabilities *(Note12)*	**–**	**–**	**–**	**–**	–	(546)	–	(546)
Bond redemption gain *(Note 12)*	**–**	**–**	**(927)**	**(927)**	–	–	–	–
Foreign currency translation	**1,495**	**5,112**	**138,183**	**144,790**	(416)	(1,024)	(24,092)	(25,532)
Foreign exchange loss/(gain)	**2,291**	**29,464**	**21,898**	**53,653**	(1,561)	(10,433)	(2,308)	(14,302)
Other	**–**	**4,227**	**139**	**4,366**	109	4,417	271	4,797
On June 30 (unaudited)	**118,404**	**924,311**	**2,924,578**	**3,967,293**	75,663	1,117,281	2,802,372	3,995,316
Current portion	**118,404**	**219,257**	**43,010**	**380,671**	75,663	147,897	62,285	285,845
Non-current portion	**–**	**705,054**	**2,881,568**	**3,586,622**	–	969,384	2,740,087	3,709,471

Covenants

The Group is required to ensure execution of the financial and non-financial covenants under the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As of June 30, 2020 and December 31, 2019 the Group complied with all financial and non-financial covenants.

Hedge of net investment in the foreign operations

As at June 30, 2020, certain borrowings denominated in US dollar were designated a hedge instrument for the net investment in the foreign operations. These borrowings are used to hedge the Group's exposure to the US dollar foreign exchange risk. For the six months ended, June 30, 2020 loss of 138,183 million tenge (for the six months ended, June 30, 2019: gain of 24,092 million tenge) on the translation of these borrowings were transferred to other comprehensive income and offset translation gains or losses of the net investments in foreign operations. As of December 31, 2019 and June 30, 2020 there was no ineffective portion of the hedge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. OTHER CURRENT FINANCIAL AND NON-FINANCIAL LIABILITIES

In millions of tenge	**June, 30 2020 (unaudited)**	December, 31 2019 (audited)
Other current financial liabilities		
Due to employees	**47,977**	51,613
Financial guarantees	**5,602**	5,866
Dividends payable	**8,524**	354
Other	**26,914**	35,306
	89,017	93,139
Other current non-financial liabilities		
Contract liabilities	**119,318**	184,362
Short-term lease prepayments	**432**	4,399
Other	**11,955**	21,116
	131,705	209,877
Total other financial and non-financial current liabilities	**220,722**	303,016
Trade accounts payable	**497,787**	667,861

Trade accounts payable is denominated in the following currencies as of June 30, 2020 and December 31, 2019:

In millions of tenge	**June, 30 2020 (unaudited)**	December, 31 2019 (audited)
Tenge	**277,126**	328,538
US dollars	**160,264**	280,742
Romanian Leu	**51,249**	42,740
Euro	**5,321**	3,196
Other currency	**3,827**	12,645
	497,787	667,861

20. RELATED PARTY DISCLOSURES

Terms and conditions of transactions with related parties

Related party transactions were made on terms agreed 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. Outstanding balances are mainly unsecured and interest free and settlement occurs in cash. The Group recognizes allowances for expected credit losses on amounts owed by related parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. RELATED PARTY DISCLOSURES (continued)

Transactions balances

The following table provides the balances of transactions with related parties as at June 30, 2020 and December 31, 2019:

In millions of tenge	As at	Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	**June 30, 2020 (unaudited)**	**361,022**	**1,786**	**–**	**49,518**
	December 31, 2019 (audited)	327,597	6,168	–	52,843
Associates	**June 30, 2020 (unaudited)**	**28,558**	**3,360**	**–**	**–**
	December 31, 2019 (audited)	56,331	3,814	–	–
Other state-controlled parties	**June 30, 2020 (unaudited)**	**4,279**	**8,148**	**163,705**	**290,235**
	December 31, 2019 (audited)	6,381	712	192,548	269,335
Joint ventures	**June 30, 2020 (unaudited)**	**436,243**	**289,567**	**–**	**–**
	December 31, 2019 (audited)	519,351	217,027	–	–

Due from/to related parties

Samruk-Kazyna entities

As at June 30, 2020, the increase in due from Samruk-Kazyna entities is mainly due to additional tranches of financial aid of 26,141 million tenge provided to Samruk-Kazyna.

Associates

As at June 30, 2020, the decrease in due from associates was mainly attributable to the interest repayment on the "Kazakhstan Note" of 24,363 million tenge.

Joint ventures

As at June 30, 2020, the decrease in due from joint ventures is mainly due to settlement of advances paid to TCO for crude oil delivery.The increase in due to joint ventures is primarily attributable to the increase in accounts payable to TCO for crude oil by 49,565 million tenge and due to BeineuShymkent Pipelines for gas transportation by 17,721 million tenge.

Cash and deposits placed with related parties

Other state-controlled parties

As at June 30, 2020, the decrease in cash and deposits is due to withdrawal of deposits placed with the related party of 200 million US dollars (equivalent to 75,174 million tenge as of the withdrawal date) and additional placement of 100 million US dollars (equivalent to 42,541 million tenge as of placement date, May 5, 2020).

Borrowings payable to related parties

Other state-controlled parties

The increase in the borrowings from related parties is mainly due to that the Group received additional loan from DBK for 46,062 million tenge, which was partially offset by the effect of the repayment of the loan to DBK for total amount of 30,823 million tenge, including interest.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. RELATED PARTY DISCLOSURES (continued)

Proceeds from loans given to related parties

During the six months ended June 30, 2020, the Group received proceeds from principal and interest redemption of the loan issued to PetroKazakhstan Oil Products LLP (“PKOP”), JV, for 15,487 million tenge (during the six months ended June 30, 2019: 15,181 million tenge), and proceeds from interest redemption of the loan issued to CPC for 6,180 million tenge (during the six months ended June 30, 2019: 5,518 million tenge), BeineuShymkent Pipelines for 4,564 million tenge (during the six months ended June 30, 2019: 2,116 million tenge), and the “Kazakhstan Note” for 24,363 million tenge (during the six months ended June 30, 2019: 20,889 million tenge).

Transactions turnover

The following table provides the total amount of transactions, which have been entered into with related parties during the six months ended June 30, 2020 and 2019:

In millions of tenge	As at June 30,	Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	**2020 (unaudited)**	**6,631**	**12,330**	**14,165**	**1,174**
	2019 (unaudited)	22,441	9,932	11,242	1,357
Associates	**2020 (unaudited)**	**12,045**	**14,329**	**2,205**	**–**
	2019 (unaudited)	3,554	14,427	5,054	–
Other state-controlled parties	**2020 (unaudited)**	**20,318**	**10,046**	**11,791**	**13,458**
	2019 (unaudited)	5,313	1,238	–	12,838
Joint ventures	**2020 (unaudited)**	**146,499**	**548,577**	**15,863**	**230**
	2019 (unaudited)	152,759	778,917	15,187	464

Purchases from related parties

Joint ventures

The decrease in purchases from joint ventures is primarily driven by the decrease in the volume of crude oil purchased from TCO and oil price decline occured in March 2020.

Key management employee compensation

Total compensation to key management personnel (members of the Boards of directors and Management boards of the Group) included in general and administrative expenses in the accompanying interim condensed consolidated statement of the comprehensive income was equal to 3,551 million tenge and 4,029 million tenge, respectively, for the six months ended June 30, 2020 and 2019. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

Fair values of financial instruments

The carrying amount of the Group financial instruments as at June 30, 2020 and December 31, 2019 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

	June 30, 2020 (unaudited)					December 31, 2019 (audited)				
			Fair value by level of assessment					Fair value by level of assessment		
In millions of tenge	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying amount	Fair value	Level 1	Level 2	Level 3
Bonds receivable from Samruk-Kazyna	**16,452**	**14,408**	**–**	**14,408**	**–**	16,241	18,835	–	18,835	–
Debts issued to related parties at amortised cost and lease receivable from a joint venture	**524,684**	**510,399**	**–**	**326,886**	**183,513**	510,002	506,868	–	304,422	202,446
Fixed interest rate borrowings	**3,338,816**	**3,717,195**	**3,269,302**	**447,893**	**–**	3,146,477	3,576,082	3,172,400	403,682	–
Floating interest rate borrowings	**628,477**	**645,627**	**–**	**645,627**	**–**	691,027	714,271	–	714,271	–
Financial guarantee issued	**17,686**	**25,911**	**–**	**–**	**25,911**	20,189	20,189	–	–	20,189

There were no transfers between Level 1 and Level 2 during the reporting period, and no transfers into or out of Level 3 the fair value measurement.

There were no changes in the Group's valuation processes, techniques, and types of inputs used in the fair value measurements during the six months ended June 30, 2020.

Fair values of financial instruments

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**
Debts issued to related parties at amortised cost and lease receivable from a joint venture	DCF method	Discount rate	**June 30, 2020: 4.2%-7.83%** December 31, 2019: 4.5%-9.1%
Financial guarantee issued	DCF method	Discount rate	**June 30, 2020: 4.1%** December 31, 2019: 4.1%

22. CONTINGENT LIABILITIES AND COMMITMENTS

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, 2019, the following changes have taken place during the six months ended June 30, 2020:

Cost recovery audits

As of June 30, 2020 Group's share in the total disputed amounts of costs is 428,672 million tenge (as of December 31, 2019: 402,474 million tenge). The disputed amounts are denominated in US dollars and the change in the amount is due to the increase of exchange rate of tenge against US dollar.

Kazakhstan local market obligation

During the six months ended June 30, 2020 in accordance with its obligations, the Group delivered 3,048,295 tons of crude oil (for the six months ended June 30, 2019: 3,052,248 tons), including the joint ventures, to local market.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Commitments under subsoil use contracts

As at June 30, 2020, the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government:

In millions of tenge	Capital expenditures	Operational expenditures
Year		
2020	94,555	11,787
2021	89,561	5,161
2022	93,089	4,878
2023	1,879	4,586
2024-2048	6,146	36,406
Total	**285,230**	**62,818**

Oil supply commitments

As of June 30, 2020 the Group had commitments under the oil supply agreements in the total amount of 12.45 million ton (as of December 31, 2019: 12.8 million ton), including commitments of the joint venture.

Other contractual commitments

As of June 30, 2020, the Group, including the joint ventures, had other capital commitments of approximately 314,030 million tenge (as of December 31, 2019: 335,609 million tenge), related to acquisition and construction of long-lived assets.

As of June 30, 2020, the Group had commitments of 74,067 million tenge (as of December 31, 2019: 78,677 million tenge) under the investment programs approved by the joint order of the Ministry of Energy of the RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the RK to facilitate production units.

Legal claims contingencies

Potential breach of anti-monopoly regulations at Atyrau refinery

During six months ended June 30, 2020 the antimonopoly commission of the RK conducted an investigation on potential breach of anti-monopoly provisions at Atyrau Refinery. Based on the results of the investigation, the anti-monopoly commission initiated an administrative case with a claim that third-party services were added to contracts with Atyrau refinery. The case resolution will be made based on court proceedings.

As at June 30, 2020 the Group did not recognize any provision for the given matter as the Group believes it will be successful in defending its position on this matter.

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 of the post-privatization requirements for the 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, in criminal and civil cases.

On December 27, 2019 KMGI appealed against the ordinance and required the case to be dismissed on merits, not expiration of statute of limitations.

22. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Legal claims contingencies (continued)

Resolution of civil litigation at KMGI (continued)

On July 10, 2020, the Supreme Court issued a final decision according to which all the complaints against the POR's decision was rejected as inadmissible.

However, Faber has resumed one of the previous filings in accordance with which the increase in the Rompetrol Rafinare Constanta, the KMGI subsidiary, share capital in 2003-2005 is challenged. The next hearing is scheduled to September 15, 2020.

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 at June 30, 2020.

Sign-off of settlement agreement between KMG Drilling and Services LLP (KMG DS) and Consortium

As of December 31, 2019 in accordance with the legal advice and existing international practices, KMG DS, the subsidiary of the Group, accrued a provision of 90 million US dollars (equivalent to 34,132 million tenge at the exchange rate for December 31, 2019) in relation to the dispute with the Consortium of companies (Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP), which is discussed in detail in the annual consolidated financial statements of the Group for the year ended December 31, 2019

On July 15, 2020, KMG DS signed-off a settlement agreement on the dispute with the Consortium. The amount of exposure has not changed significantly and amounted to 90.4 million US dollars (equivalent to 36,515 million tenge at the exchange rate as of June 30, 2020).

23. SEGMENT REPORTING

The Group's operating segments have their own structure and management according to the type of the produced goods and services provided. Moreover, all segments are strategic directions of the business which offer different types of the goods and services in different markets. The functions have been defined as the operating segments of the Group because they are segments a) that engages in business activities from which revenues are generated and expenses incurred; b) whose operating results are regularly reviewed by the Group's chief operating decision makers to make decisions. The Group's activity consists of four main operating segments: exploration and production of oil and gas, oil transportation, gas trading and transportation, refining and trading of crude oil and refined products. The Group presents KMG's activities separately, since KMG performs not only the functions of the parent company, but also carries out operational activities. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

Disaggregation of revenue by types of goods and services is presented in *Note 4* to the financial statements.

For the six months ended June 30, 2020 disaggregated revenue type *Sales of crude oil and gas* mainly represents sales made by the following operating segments: *Gas trading and transportation* of 432,973 million tenge (for the six months ended June 30, 2019: 445,399 million tenge) and *Refining and trading of crude oil and refined products of* 840,577 million tenge (for the six months ended June 30, 2019: 1,551,658 million tenge).

For the six months ended June 30, 2020 disaggregated revenue type *Sales of refined products* mainly includes revenue of operating segments such as *Refining and trading of crude oil and refined products* of 442,576 million tenge (for the six months ended June 30, 2019: 866,656 million tenge), *Sales of crude oil and gas* of 2,190 million tenge (for the six months ended June 30, 2019: 2,011 million tenge) and *Corporate* of 165,462 million tenge (for the six months ended June 30, 2019: 150,338 million tenge).

Segment performance is evaluated based on revenues, net profit and EBITDA, which are measure on the same basis as in the consolidated financial statements.

EBITDA is a supplemental non-IFRS financial measure used by management to evaluate segments performance, and is defined as earnings before depreciation, depletion and amortization, finance income and expense, income tax expense.

EBITDA, % is calculated as EBITDA of each reporting segment divided by the total EBITDA.

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. SEGMENT REPORTING (continued)

Geographic information

The Group's property, plant and equipment *(Note 14)* are located in the following countries:

In millions of tenge	**June, 30 2020 (unaudited)**	December, 31 2019 (audited)
Kazakhstan	**3,753,535**	3,751,128
Other countries	**631,617**	733,143
	4,385,152	4,484,271

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. SEGMENT REPORTING (continued)

The following represents information about profit or loss, and assets and liabilities of operating segments of the Group as of June 30, 2020 and for the period then ended:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	3,946	114,456	504,439	1,412,125	165,462	53,667	–	**2,254,095**
Revenues from sales to other segments	413,198	57,514	566	166,851	25,353	37,236	(700,718)	–
Total revenue	417,144	171,970	505,005	1,578,976	190,815	90,903	(700,718)	2,254,095
Cost of purchased oil, gas, petroleum products and other materials	(14,417)	(6,057)	(203,893)	(1,321,346)	(99,125)	(12,872)	531,820	**(1,125,890)**
Production expenses	(150,271)	(61,956)	(36,380)	(112,437)	(67,324)	(66,830)	131,666	**(363,532)**
Taxes other than income tax	(102,505)	(6,498)	(7,804)	(6,893)	(12,342)	(3,524)	86	**(139,480)**
Transportation and selling expenses	(62,579)	(7,013)	(154,344)	(27,701)	(4,021)	(11)	33,184	**(222,485)**
General and administrative expenses	(15,073)	(5,475)	(11,414)	(19,011)	(13,609)	(12,809)	2,573	**(74,818)**
Share in profit of joint ventures and associates, net	76,297	45,409	102,234	(1,887)	–	2,227	–	**224,280**
EBITDA	**148,596**	**130,380**	**193,404**	**89,701**	**(5,606)**	**(2,916)**	**(1,389)**	**552,170**
EBITDA, %	**27%**	**24%**	**35%**	**16%**	**(1%)**	**(1%)**	**0%**	
Depreciation, depletion and amortization	(62,451)	(19,580)	(21,927)	(70,262)	(1,516)	(4,483)	–	**(180,219)**
Finance income	57,301	2,170	10,625	15,301	48,321	6,030	(76,217)	**63,531**
Finance costs	(8,717)	(3,126)	(16,121)	(45,948)	(126,117)	(5,120)	69,955	**(135,194)**
Impairment of property, plant and equipment, exploration and evaluation assets	(61,067)	(4,986)	–	(159,008)	(46)	(295)	–	**(225,402)**
Impairment of investments in joint venture and associate	(38,000)	–	–	–	–	–	–	**(38,000)**
Income tax expenses	(19,581)	(12,764)	(13,728)	21,647	(5,612)	(1,292)	–	**(31,330)**
Net profit for the period	**28,180**	**95,333**	**150,374**	**(189,632)**	**(41,708)**	**(15,285)**	**(6,558)**	**20,704**
Other segment information								
Investments in joint ventures and associates	5,073,061	449,474	457,555	36,600	–	22,951	–	**6,039,641**
Capital expenditures	79,747	12,218	86,982	50,965	5,069	8,461	–	**243,442**
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(3,958)	(5,401)	(9,374)	(44,789)	(23,052)	(9,675)	–	**(96,249)**
Assets of the segment	**7,929,563**	**1,092,842**	**2,324,808**	**2,486,166**	**1,398,157**	**287,139**	**(1,450,129)**	**14,068,546**
Liabilities of the segment	**712,849**	**175,279**	**935,155**	**1,549,471**	**3,682,118**	**143,061**	**(1,447,073)**	**5,750,860**

23. SEGMENT REPORTING (continued)

The following represents information about profit or loss, and assets and liabilities of operating segments of the Group as of December 31, 2019 and for the period ended June 30, 2019:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	50,709	116,714	523,129	2,552,474	150,338	9,216	–	**3,402,580**
Revenues from sales to other segments	695,450	53,556	590	286,669	64,837	7,438	(1,108,540)	**–**
Total revenue	**746,159**	**170,270**	**523,719**	**2,839,143**	**215,175**	**16,654**	**(1,108,540)**	**3,402,580**
Cost of purchased oil, gas, petroleum products and other materials	(27,922)	(5,378)	(199,268)	(2,556,059)	(100,989)	(530)	948,070	**(1,942,076)**
Production expenses	(198,766)	(68,328)	(31,863)	(91,088)	(67,826)	1,952	119,203	**(336,716)**
Taxes other than income tax	(195,005)	(6,052)	(7,444)	(5,835)	(10,725)	(829)	–	**(225,890)**
Transportation and selling expenses	(61,829)	(680)	(141,008)	(36,260)	(3,732)	(9,659)	37,656	**(215,512)**
General and administrative expenses	(20,992)	(6,248)	(19,116)	(21,585)	(16,963)	(12,065)	2,790	**(94,179)**
Share in profit of joint ventures and associates, net	296,806	34,353	112,592	(2,250)	–	3,749	–	**445,250**
EBITDA	**538,451**	**117,937**	**237,612**	**126,066**	**14,940**	**(728)**	**(821)**	**1,033,457**
EBITDA, %	**52%**	**12%**	**23%**	**12%**	**1%**	**0%**	**0%**	
Depreciation, depletion and amortization	(50,296)	(20,438)	(20,612)	(70,952)	(1,115)	(3,803)	–	**(167,216)**
Finance income	47,405	3,608	10,103	24,432	153,364	191	(177,307)	**61,796**
Finance costs	(11,375)	(3,595)	(20,630)	(69,866)	(129,644)	(4,106)	78,369	**(160,847)**
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(19,310)	(5,509)	(110)	35	(343)	(3)	–	**(25,240)**
Impairment of investments in joint venture and associate	–	–	–	–	–	–	–	**–**
Income tax expenses	(89,590)	(13,617)	(22,098)	(11,735)	(4,822)	(243)	(629)	**(142,734)**
Net profit for the period	**474,324**	**79,050**	**181,976**	**29,694**	**(42,822)**	**(6,929)**	**(92,895)**	**622,398**
Other segment information								
Investments in joint ventures and associates	4,788,314	384,173	350,732	40,304	–	26,861	–	**5,590,384**
Capital expenditures	87,104	14,348	40,306	20,325	4,161	492	–	**166,736**
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(3,146)	(5,173)	(9,991)	(46,020)	(22,297)	(9,903)	–	**(96,530)**
Assets of the segment	**7,504,518**	**1,080,046**	**2,195,386**	**2,854,018**	**1,480,009**	**454,084**	**(1,486,146)**	**14,081,915**
Liabilities of the segment	**748,226**	**204,540**	**956,917**	**1,771,290**	**3,453,634**	**117,899**	**(1,367,247)**	**5,885,259**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. SUBSEQUENT EVENTS

Proceeds from new loans and scheduled settlement of borrowings:

On July 27, 2020, KMGI concluded a new credit agreement with Transilvania Bank for 9 million EUR with maturity of April 26, 2021. Additionally, on July 27, 2020, KMGI prolonged its existing agreements with Transilvania Bank for 58 million US dollars for an additional year with maturity of July 30, 2021.

On July 13, 2020, ANPZ, the Group subsidiary, received a loan from Halyk bank of 21,040 million tenge (equivalent to 51 million US dollars) with interest rate of 5% to refinance its current borrowings from Eximbank and DBK, and made a partial repayment of the loan from Halyk bank for 7,017 million tenge, including interest accrued.

On July 16, 2020, ANPZ redeemed the loan from Eximbank for 35,418 million tenge, including interest accrued.

On July 21, 2020, ANPZ redeemed the loan obtained from DBK for 18,096 million tenge, including interest accrued.

On August 7, KMGI concluded a new trade finance loan with Banque de Commerce et de Placements SA for 100 million US dollars. During August 7-16, 2020, KMGI received 26 million US dollars from the credit facility.

Withdrawal/placement of deposits with National Bank of RK

On July 30, 2020, the Company withdrew a deposit placed with the National Bank of RK for 400 million US dollars (equivalent to 166,596 million tenge at withdrawal date), and placed a short-term deposit for 300 million US dollars (equivalent to 124,947 million tenge at placement date) with the National Bank of RK.

Dividends paid to National Bank of RK

On August 20, 2020 the Company paid dividends to National Bank of RK of 7,827 million tenge.

Dividends received from joint ventures

In July and August, 2020 the Group received dividends from KazGerMunay LLP, Mangistau Investments B.V. and KazRosGas LLP of 4,165 million tenge, 24 million US dollars (equivalent to 10,047 million tenge) and 15,155 million tenge, respectively.

JSC "National Company "KazMunayGas"

Consolidated financial statements

For the year ended December 31, 2019
with independent auditors' report

CONTENTS

«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 59 60
Факс: +7 727 258 59 61
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, д. 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 59 60
Факс: +7 727 258 59 61
www.ey.com

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 59 60
Fax: +7 727 258 59 61
www.ey.com

Independent auditor's report

To the Shareholders and Management of "National Company "KazMunayGas" JSC

Opinion

We have audited the consolidated financial statements of National Company "KazMunayGas" JSC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years 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 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an 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.

EY
Building a better working world

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 materiality of the balances of non-current assets, including upstream, exploration and evaluation, downstream assets and investments in upstream and midstream joint ventures and associates, to the consolidated financial statements, the high level of subjectivity in respect of assumptions underlying impairment analysis and significant judgements and estimates made by management. In addition, the combination of volatility in oil prices and Tenge, increased inflation and cost of debt and uncertainty about future economic growth affects the Group's business prospects and therefore triggers potential impairment of the Group's assets. Significant assumptions included discount rates, oil and petroleum products prices forecasts and inflation and exchange rate forecasts. Significant estimates included production forecast, future capital expenditure and oil and gas 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 our business valuation specialists in the testing of impairment analysis and calculation of recoverable amount performed by management. We analyzed the assumptions underlying management forecast. We compared oil and petroleum products prices used in the calculation of recoverable amounts to available market forecasts. We compared the discount rates and long-term growth rates to general market indicators and other available evidence. We tested the mathematical integrity of the impairment models and assessed the analysis of the sensitivity of the results of impairment tests to changes in assumptions. We analysed disclosures on impairment test in the consolidated financial statements.

Compliance with debt covenants

In accordance with the terms of certain financing arrangements, the Group should comply with certain financial and non-financial covenants. There is a higher likelihood that covenants impacted by trading volumes, revenue and profit may be breached particularly in subsidiaries impacted by volatility of oil prices and higher operating expenses, therefore, we focused on this area during our audit. Breaching covenants could result in funding shortages. Cross default provisions are in place under the Group's financing arrangements. Compliance with the financing covenants is 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 25* to the consolidated financial statements.

We examined the terms of financing arrangements and analysed financial and non-financial covenants, terms of early repayment and events of default. We examined the presence of confirmations received from the banks related to compliance with financial covenants. We compared data used in the calculations with the financial statements. We tested arithmetic accuracy of financial covenants calculations.

We analysed the disclosures in respect of debt covenants compliance in the consolidated financial statements of the Group.

Estimation of oil and gas reserves and resources

We considered this matter to be one of most significance in our audit due to the fact that the estimate of hydrocarbon reserves and resources has significant impact on the impairment test, depreciation, depletion and amortization and decommissioning provisions.

Reserves and resources are also a fundamental indicator of the future potential of the group's performance.

Information on estimation of oil and gas reserves and resources is disclosed in *Note 4* to the consolidated financial statements as part of significant accounting estimates.

We performed procedures to assess competence, capabilities and objectivity of the external expert engaged by the Group to estimate volumes of oil and gas reserves and resources. We assessed the assumptions used by the external expert and compared the assumptions to the macroeconomic indicators, hydrocarbon production, operating costs, capital expenditures forecasts and other performance indicators, approved by the Group's management. We compared the estimates of reserves and resources to the estimates included in the consideration of impairment, depreciation, depletion and amortization and decommissioning provisions.

EY
Building a better working world

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.

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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

EY
Building a better working world

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.

Building a better working world

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.

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

Ernst & Young LLP

Gulmira Turmagambetova
Auditor / General Director
Ernst and Young LLP

Auditor qualification certificate
No. 0000374 dated 21 February 1998

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 July 15, 2005

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

5 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the years ended December 31		
In millions of tenge	**Note**	**2019**	2018* (Reclassed)	2017* (Reclassed)
Revenue and other income				
Revenue	6	**6,858,856**	6,988,964	4,793,763
Share in profit of joint ventures and associates, net	7	**827,979**	697,326	414,950
Finance income	14	**240,880**	161,027	122,574
Gain on sale of subsidiaries	5	**17,481**	18,359	–
Other operating income		**24,936**	23,035	20,165
Total revenue and other income		**7,970,132**	7,888,711	5,351,452
Costs and expenses				
Cost of purchased oil, gas, petroleum products and other materials	8	**(3,913,744)**	(4,312,958)	(2,729,514)
Production expenses	9	**(721,693)**	(604,475)	(624,346)
Taxes other than income tax	10	**(454,295)**	(477,732)	(354,447)
Depreciation, depletion and amortization	35	**(337,424)**	(285,186)	(238,021)
Transportation and selling expenses	11	**(420,402)**	(370,777)	(238,063)
General and administrative expenses	12	**(213,967)**	(213,485)	(163,780)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	13	**(207,819)**	(165,522)	(24,660)
Reversal of impairment of investment in joint venture	19	–	–	14,845
Other expenses		**(7,203)**	(23,283)	(34,767)
Finance costs	14	**(317,433)**	(427,655)	(306,355)
Net foreign exchange gain/(loss)		**8,479**	(38,320)	67,055
Total costs and expenses		**(6,585,501)**	(6,919,393)	(4,632,053)
Profit before income tax		**1,384,631**	969,318	719,399
Income tax expenses	30	**(226,180)**	(279,260)	(190,285)
Profit for the year from continuing operations		**1,158,451**	690,058	529,114
Discontinued operations				
Profit/(loss) after income tax for the year from discontinued operations	5	**6**	3,453	(3,666)
Net profit for the year		**1,158,457**	693,511	525,448
Net profit/(loss) for the year attributable to:				
Equity holders of the Parent Company		**1,197,157**	695,864	443,408
Non-controlling interest		**(38,700)**	(2,353)	82,040
		1,158,457	693,511	525,448

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		For the years ended December 31		
In millions of tenge	Note	2019	2018* (Reclassed)	2017* (Reclassed)
Other comprehensive income				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations		**(32,072)**	479,196	(75,011)
Tax effect		**(1,240)**	–	–
Reclassified differences on translation of disposal group		**–**	(476)	(424)
Net other comprehensive (loss)/income to be reclassified to profit or loss in the subsequent periods		**(33,312)**	478,720	(75,435)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods				
Actuarial loss on defined benefit plans of the Group		**(5,688)**	(3,658)	(1,148)
Actuarial loss on defined benefit plans of joint ventures		**199**	(160)	(173)
Other		**–**	–	(150)
Tax effect		**1,179**	(86)	8
Net other comprehensive loss not to be reclassified to profit or loss in the subsequent periods		**(4,310)**	(3,904)	(1,463)
Net other comprehensive (loss)/income for the year		**(37,622)**	474,816	(76,898)
Total comprehensive income for the year, net of tax		**1,120,835**	1,168,327	448,550
Total comprehensive income for the year attributable to:				
Equity holders of the Parent Company		**1,159,447**	1,161,007	366,949
Non-controlling interest		**(38,612)**	7,320	81,601
		1,120,835	1,168,327	448,550

* *Certain numbers shown here do not correspond to the consolidated financial statements for the years ended December 31, 2018 and 2017, and reflect reclassifications made, refer to Note 3*

Deputy Chairman of the Management Board – Chief Financial Officer D.S. Karabayev

Managing director – financial controller A.Zh. Beknazarova

Chief accountant Y.Y. Orynbayev

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31		
In millions of tenge	**Note**	**2019**	2018* (Reclassed)	2017* (Reclassed)
Assets				
Non-current assets				
Property, plant and equipment	15	**4,484,271**	4,515,170	4,080,165
Right-of-use assets		**38,379**	–	–
Exploration and evaluation assets	16	**179,897**	189,800	253,326
Investment property		**9,541**	24,188	27,423
Intangible assets	17	**171,172**	173,077	185,205
Long-term bank deposits	18	**52,526**	52,297	48,523
Investments in joint ventures and associates	19	**5,590,384**	4,895,444	3,823,630
Deferred income tax asset	30	**73,714**	97,881	98,681
VAT receivable		**133,557**	113,073	96,666
Advances for non-current assets		**73,367**	27,176	124,907
Loans and receivables due from related parties	22	**615,546**	638,528	672,449
Other financial assets		**2,488**	4,753	4,161
Other non-current assets		**17,162**	16,942	17,401
		11,442,004	10,748,329	9,432,537
Current assets				
Inventories	20	**281,215**	312,299	250,369
VAT receivable		**74,049**	66,522	69,605
Income tax prepaid	30	**54,517**	53,143	36,135
Trade accounts receivable	21	**397,757**	493,977	467,867
Short-term bank deposits	18	**359,504**	386,459	1,638,941
Loans and receivables due from related parties	22	**138,719**	148,615	169,502
Other current assets	21	**262,094**	204,723	196,110
Cash and cash equivalents	23	**1,064,452**	1,539,453	1,263,987
		2,632,307	3,205,191	4,092,516
Assets classified as held for sale	5	**7,604**	61,760	24,905
		2,639,911	3,266,951	4,117,421
Total assets		**14,081,915**	14,015,280	13,549,958

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		As at December 31		
In millions of tenge	Note	2019	2018* (Reclassed)	2017* (Reclassed)
Equity and liabilities				
Equity				
Share capital	24	**916,541**	916,541	709,345
Additional paid-in capital	24	**40,794**	40,794	243,876
Other equity		**83**	83	83
Currency translation reserve		**1,731,747**	1,764,108	1,295,091
Retained earnings		**5,469,236**	4,341,063	3,665,192
Attributable to equity holders of the Parent Company		**8,158,401**	7,062,589	5,913,587
Non-controlling interest	24	**38,255**	80,480	870,018
Total equity		**8,196,656**	7,143,069	6,783,605
Non-current liabilities				
Borrowings	25	**3,584,076**	3,822,648	3,417,112
Provisions	26	**273,589**	229,797	203,775
Deferred income tax liabilities	30	**509,462**	479,598	380,738
Lease liabilities		**35,996**	6,550	5,314
Prepayment on oil supply agreements	27	—	480,250	581,578
Other non-current liabilities		**43,694**	45,213	51,879
		4,446,817	5,064,056	4,640,396
Current liabilities				
Borrowings	25	**253,428**	330,590	884,140
Provisions	26	**103,538**	98,471	78,812
Income tax payable	30	**13,011**	13,272	10,081
Trade accounts payable	28	**667,861**	632,739	513,851
Other taxes payable	29	**86,666**	105,026	101,198
Lease liabilities		**10,922**	2,656	1,676
Prepayment on oil supply agreements	27	—	384,199	332,330
Other current liabilities	28	**303,016**	236,163	201,940
		1,438,442	1,803,116	2,124,028
Liabilities directly associated with the assets classified as held for sale	5	—	5,039	1,929
Total liabilities		**5,885,259**	6,872,211	6,766,353
Total equity and liabilities		**14,081,915**	14,015,280	13,549,958
Book value per ordinary share	24	**13.154**	11.424	11.195

* *Certain numbers shown here do not correspond to the consolidated financial statements for the years ended December 31, 2018 and 2017, and reflect reclassifications made, refer to Note 3.*

Deputy Chairman of the Management Board – Chief Financial Officer ______ *D.S. Karabayev*

Managing director – financial controller ______ *A.Zh. Beknazarova*

Chief accountant ______ *Y.Y. Orynbayev*

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the years ended December 31		
In millions of tenge	Note	2019	2018* (Restated)	2017* (Restated)
Cash flows from operating activities				
Profit before income tax from continuing operations		**1,384,631**	969,318	719,399
Profit/(loss) before income tax from discontinued operations		**6**	3,453	(3,666)
Profit before income tax		**1,384,637**	972,771	715,733
Adjustments:				
Depreciation, depletion and amortization	35	**337,424**	285,186	238,021
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	13	**207,819**	165,522	24,660
Reversal of impairment of investment in joint venture	19	–	–	(14,845)
Impairment of assets classified as held for sale		**24**	168	68
(Reversal of) /allowance for impairment of long term advances	12	**(11)**	–	1,188
(Reversal of) /allowance for obsolete inventories		**(2,534)**	4,339	345
Accrual/(reversal) of expected credit losses for trade receivables	12	**1,892**	(1,489)	1,056
Accrual/(reversal) of expected credit losses other current assets	12	**12,246**	1,225	(120)
VAT written-off	12	**6,910**	3,031	7,923
Accrual/(reversal) of impairment of VAT receivable	12	**15,703**	4,215	(24,158)
Adjustment on the re-measurement to fair value less costs to sell		–	2,291	711
Net foreign exchange differences		**4,142**	(6,061)	(62,879)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		**6,430**	3,517	3,815
Unrealized (gains)/ losses from derivatives on petroleum products		**(465)**	(415)	231
Realized (gains)/ losses from derivatives on petroleum products		**(8,410)**	1,435	3,534
Adjustment for repayment of advances received for the supply of oil (*Note 27*)		**(864,450)**	(344,274)	(244,559)
Finance costs	14	**317,433**	427,655	306,355
Finance costs from discontinued operations		–	85	131
Finance income	14	**(240,880)**	(161,027)	(122,574)
Finance income from discontinued operations		–	(66)	(427)
Gains on sale of subsidiaries	5	**(17,481)**	(18,359)	–
Share in profit of joint ventures and associates, net	30	**(827,979)**	(697,326)	(414,950)
Change in financial guarantees		**(6,956)**	1,405	1,381
Movements in provisions	26	**2,967**	6,711	(9,896)
Operating profit before working capital changes		**328,461**	650,539	410,744
Change in VAT receivable		**(28,070)**	(12,250)	(9,466)
Change in inventory		**11,710**	(55,606)	(53,833)
Change in trade accounts receivable and other current assets		**11,466**	26,369	(17,795)
Change in trade and other payables and contract liabilities		**(23,578)**	(39,896)	61,908
Change in advances received for oil supply (*Note 27*)		**–**	172,322	175,133
Change in other taxes payable		**(19,916)**	28,022	81,303
Cash generated from operations		**280,073**	769,500	647,994

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	For the years ended December 31		
In millions of tenge	**2019**	2018* (Restated)	2017* (Restated)
Dividends received from joint ventures and associates	**126,461**	160,061	271,783
Net (payment)/ receipt of derivative instruments	**(7)**	(225)	57
Income taxes paid	**(161,979)**	(186,199)	(112,605)
Interest received	**118,207**	134,365	104,804
Interest paid	**(238,954)**	(248,341)	(216,640)
Net cash flow from operating activities	**123,801**	629,161	695,393
Cash flows from investing activities			
Withdrawal/(placement) of bank deposits, net	**28,987**	1,295,272	(457,273)
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	**(444,193)**	(430,305)	(464,353)
Proceeds from sale of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	**42,776**	8,711	1,408
Proceeds from disposal of subsidiaries (*Note 5*)	**56,760**	18,112	9,151
Cash acquired with subsidiaries	–	–	181
Acquisition of and contribution to joint ventures	**(889)**	(1,467)	(3)
Proceeds from disposal of joint ventures *(Note 19)*	–	2,000	–
Refund of contribution to joint ventures	–	93,072	1,715
Loans given to related parties	**(56,516)**	(64,716)	(184,708)
Repayment of loans due from related parties (*Note 31*)	**47,656**	40,984	455
Refund/(acquisition) of debt securities	**454**	244	(332)
Proceeds from Note receivable from a shareholder of a joint venture *(Note 31)*	**5,403**	29,174	–
Net cash flows (used in)/ from investing activities	**(319,562)**	991,081	(1,093,759)
Cash flows from financing activities			
Proceeds from borrowings (*Note 25*)	**271,772**	1,249,907	1,508,170
Repayment of borrowings (*Note 25)*	**(444,656)**	(2,069,977)	(689,074)
Dividends paid to Samruk-Kazyna and National Bank of RK (*Note 24*)	**(36,998)**	(36,273)	(45,878)
Dividends paid to non-controlling interests (*Note 24*)	**(5,693)**	(6,390)	(12,416)
Share buyback by subsidiary *(Note 24)*	**(2,318)**	(642,524)	–
Distribution to Samruk-Kazyna	**(36,297)**	(13,553)	(22,652)
Payment of principal lease liabilities	**(16,181)**	(1,558)	(1,069)
Net cash flows (used in)/from financing activities	**(270,371)**	(1,520,368)	737,081
Effects of exchange rate changes	**(14,985)**	179,467	22,437
Change in allowance for expected credit losses	**(279)**	(98)	–
Net change in cash and cash equivalents	**(481,396)**	279,243	361,152
Cash and cash equivalents, at the beginning of the year	**1,545,848**	1,266,605	905,453
Cash and cash equivalents, at the end of the year	**1,064,452**	1,545,848	1,266,605

* *Certain numbers shown here do not correspond to the consolidated financial statements for the years ended December 31, 2018 and 2017, and reflect reclassifications made, refer to Note 3*

NON-CASH and OTHER TRANSACTIONS: SUPPLEMENTAL DISCLOSURE

The following significant non-cash transactions and other transactions were excluded from the consolidated statement of cash flows:

Account payable for non-current assets

For the year ended December 31, 2019 accounts payable for purchases of property, plant and equipment increased by 97,382 million tenge (2018: 41,609 million tenge, 2017: 11,795 million tenge).

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

NON-CASH TRANSACTIONS: SUPPLEMENTAL DISCLOSURE (continued)

Additions to Property, Plant and Equipment (PPE)

In 2018 and 2017 the Group received PPE on deferred payment terms in the amount of 33,216 million tenge and 135,393 million tenge, respectively, which were directly capitalized within additions to PPE (*Note 25*).

Contribution of pipelines

In 2018 the Company issued common shares for the total amount of 207,196 million tenge in exchange for gas pipelines received from Samruk-Kazyna and earlier recognized as additional paid in capital *(Note 24).*

Derecognition of borrowings from subsoil use contracts' project partners

In 2019 one and in 2018 two subsoil use contracts were terminated voluntarily by the Group and its projects partners. These projects were funded on carry-financing basis, according to which the share of expenses of the Group was financed by the project partners. These amounts were recognized as borrowings and were payable upon start of the commercial production and in case of positive cash flows. As the projects were ceased, the Group derecognized related borrowings for 110,930 million tenge and 53,263 million tenge in 2019 and 2018, respectively (*Note 25*).

Capitalization of borrowing costs

For the year ended December 31, 2019 the Group capitalized in the carrying amount of property, plant and equipment borrowing costs of 2,525 million tenge (2018: 21,715 million tenge, 2017: 26,532 million tenge) (*Note 25*).

Financial guarantee

During 2019 the Group provided a financial guarantee for joint venture to secure its borrowings. At initial recognition of the fair value of the financial guarantee issued was recognized as addition to the carrying amount of investments in joint venture for the amount of 11,162 million tenge and was recognized as an increase in the carrying amount of investment in joint venture (2018 and 2017: nil) (*Note 19*).

Deputy Chairman of the Management Board – Chief Financial Officer ______________________ *D.S. Karabayev*

Managing director – financial controller ______________________ *A.Zh. Beknazarova*

Chief accountant ______________________ *Y.Y. Orynbayev*

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holder of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
As at December 31, 2016	696,377	243,655	222	1,370,264	3,322,319	5,632,837	801,560	6,434,397
Net profit for the year	–	–	–	–	443,408	443,408	82,040	525,448
Other comprehensive loss	–	–	–	(75,173)	(1,286)	(76,459)	(439)	(76,898)
Total comprehensive income for the year	–	–	–	(75,173)	442,122	366,949	81,601	448,550
Contribution to share capital	12,968	221	–	–	–	13,189	–	13,189
Dividends *(Note 24)*	–	–	–	–	(45,879)	(45,879)	(13,269)	(59,148)
Distributions to Samruk-Kazyna *(Note 24)*	–	–	–	–	(23,634)	(23,634)	–	(23,634)
Transactions with Samruk-Kazyna *(Note 24)*	–	–	–	–	(29,736)	(29,736)	–	(29,736)
Execution of share-based payments	–	–	(131)	–	–	(131)	131	–
Forfeiture of share-based payments	–	–	(8)	–	–	(8)	(5)	(13)
As at December 31, 2017	709,345	243,876	83	1,295,091	3,665,192	5,913,587	870,018	6,783,605

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holder of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
As at December 31, 2017	709,345	243,876	83	1,295,091	3,665,192	5,913,587	870,018	6,783,605
Effect of adoption of IFRS 9 and IFRS 15	–	–	–	–	(12,391)	(12,391)	(6)	(12,397)
As at January 1, 2018	709,345	243,876	83	1,295,091	3,652,801	5,901,196	870,012	6,771,208
Net profit for the year	–	–	–	–	695,864	695,864	(2,353)	693,511
Other comprehensive income	–	–	–	469,017	(3,874)	465,143	9,673	474,816
Total comprehensive income for the year	–	–	–	469,017	691,990	1,161,007	7,320	1,168,327
Contribution to share capital *(Note 24)*	207,196	(203,082)	–	–	–	4,114	–	4,114
Dividends *(Note 24)*	–	–	–	–	(36,272)	(36,272)	(6,200)	(42,472)
Distributions to Samruk-Kazyna *(Note 24)*	–	–	–	–	(27,383)	(27,383)	–	(27,383)
Transactions with Samruk-Kazyna *(Note 24)*	–	–	–	–	(88,546)	(88,546)	–	(88,546)
Acquisition of subsidiaries	–	–	–	–	–	–	345	345
Share buyback by subsidiary *(Note 24)*	–	–	–	–	148,473	148,473	(790,997)	(642,524)
As at December 31, 2018	916,541	40,794	83	1,764,108	4,341,063	7,062,589	80,480	7,143,069

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holder of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
As at December 31, 2018	**916,541**	**40,794**	**83**	**1,764,108**	**4,341,063**	**7,062,589**	**80,480**	**7,143,069**
Effect of adoption of IFRS 16 *(Note 3)*	–	–	–	–	(4,268)	(4,268)	(910)	(5,178)
As at January 1, 2019 (restated)	**916,541**	**40,794**	**83**	**1,764,108**	**4,336,795**	**7,058,321**	**79,570**	**7,137,891**
Net profit for the year	–	–	–	–	1,197,157	1,197,157	(38,700)	1,158,457
Other comprehensive (loss)/income	–	–	–	(32,361)	(5,349)	(37,710)	88	(37,622)
Total comprehensive income for the year	–	–	–	(32,361)	1,191,808	1,159,447	(38,612)	1,120,835
Dividends *(Note 24)*	–	–	–	–	(36,998)	(36,998)	(4,138)	(41,136)
Distributions to Samruk-Kazyna *(Note 24)*	–	–	–	–	(6,194)	(6,194)	–	(6,194)
Transactions with Samruk-Kazyna *(Note 24)*	–	–	–	–	(14,184)	(14,184)	–	(14,184)
Share buyback by subsidiary *(Note 24)*	–	–	–	–	(1,991)	(1,991)	(473)	(2,464)
Contribution to share capital without change in ownership shares	–	–	–	–	–	–	1,908	1,908
As at December 31, 2019	**916,541**	**40,794**	**83**	**1,731,747**	**5,469,236**	**8,158,401**	**38,255**	**8,196,656**

Deputy Chairman of the Management Board – Chief Financial Officer ______ *D.S. Karabayev*

Managing director – financial controller ______ *A.Zh. Beknazarova*

Chief accountant ______ *Y.Y. Orynbayev*

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. GENERAL

JSC "National Company "KazMunayGas" (the "Company", "KazMunayGas" or "Parent Company") is oil and gas enterprise of the Republic of Kazakhstan, which was established on February 27, 2002 as a closed joint stock company pursuant to the Decree No. 811 of the President of the Republic of Kazakhstan dated February 20, 2002 and the Resolution of the Government of the Republic of Kazakhstan (the "Government") No. 248 dated February 25, 2002. The Company was formed as a result of the merger of National Oil and Gas Company Kazakhoil CJSC ("Kazakhoil") and National Company Transport Nefti i Gaza CJSC ("TNG"). As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to KazMunayGas. The Company was reregistered as a joint stock company in accordance with the legislation of the Republic of Kazakhstan in March 2004.

Starting from June 8, 2006, the sole shareholder of the Company was JSC "Kazakhstan Holding Company for State Assets Management "Samruk" ("Samruk"), which in October 2008 was merged with the state owned Sustainable Development Fund "Kazyna" and formed JSC "National Welfare Fund Samruk-Kazyna" ("Samruk-Kazyna"), now renamed to JSC "Sovereign Wealth Fund Samruk-Kazyna". The Government is the sole shareholder of Samruk-Kazyna. On August 7, 2015 National Bank of Republic of Kazakhstan ("National Bank of RK") purchased 10% plus one share of the Company from Samruk-Kazyna.

As at December 31, 2019, the Company has an interest in 54 operating companies (2018: 57 and 2017: 52) (jointly the "Group").

The Company has its registered office in the Republic of Kazakhstan, Nur-Sultan, Kunayev, 8.

The principal activity of the Group includes, but is not limited, to the following:

- participation in the Government activities relating to the oil and gas sector;
- representation of the state interests in subsoil use contracts through interest participation in those contracts; and
- corporate governance and monitoring of exploration, development, production, processing, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil-and-gas pipeline and field infrastructure.

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries *(Note 33)*.

These consolidated financial statements of the Group were approved for issue by the Deputy Chairman of the Management Board – Chief Financial Officer, Managing director − financial controller and the Chief accountant on March 5, 2020.

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. All values in these consolidated financial statements are rounded to the nearest millions, except when otherwise indicated.

The Group changed the presentation unit of the consolidated financial statements from thousands tenge to millions tenge since the Group believes that it is more relevant to users of consolidated financial statements.

Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

The preparation of the 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 Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group consolidated financial statements are disclosed in *Note 4*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The consolidated financial statements are presented in Kazakhstan tenge ("tenge" or "KZT"), which is the Company's functional 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

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 the 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.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised 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 Companies

The results 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 currency exchange rate of KASE as at December 31, 2019 was 382.59 tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in United States dollars ("US dollar") as at December 31, 2019 (2018: 384.20 and 2017: 332.33 tenge to 1 US dollar). The currency exchange rate of KASE as at March 5, 2020 was 380.53 tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies and disclosures

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.

The Group applied in 2019, for the first time, IFRS 16 Leases. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

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-balance sheet 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.

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 and upon initial adoption of the standard, 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'), relied on its assessment of whether leases are onerous immediately before the date of initial application and used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adoption IFRS 16 on consolidated financial statement as at January 1, 2019 is as follows:

In millions of tenge	**As at January 1, 2019**
Assets	
Property, plant and equipment *(Note 15)*	(524)
Right-of-use assets	44,398
Advances for non-current assets	(2,364)
Total assets	**41,510**
Equity	
Retained earnings	(4,268)
Non-controlling interest	(910)
	(5,178)
Liabilities	
Lease liabilities	46,688
Total equity and liabilities	**41,510**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

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 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 at 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.

Leases previously classified as finance leases

The Group did not change the initial 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	**71,902**
Weighted average incremental borrowing rate as at 1 January 2019	8.12%
Effect of discounting using incremental borrowing rate as at January 1, 2019	(20,840)
Discounted operating lease commitments as at January 1, 2019	**51,062**
Less commitments relating to short-term leases and low-value assets	(4,374)
Add commitments relating to leases previously classified as finance leases	9,206
Lease liabilities as at January 1, 2019	**55,894**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

(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. Mostly 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.

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 and 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 on 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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

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 from the date of the first adoption and do not contain a purchase option). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgment in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, which it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control over the former joint operation is obtained.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control over the former joint operation is obtained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowings originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The Group is assessing the potential effect of these amendments on its consolidated financial statements. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards 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.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts. IFRS 17 establishes a single framework for the accounting for insurance contracts and contains requirements for related disclosures. The new standard replaces IFRS 4 Insurance Contracts. The standard is effective for annual periods beginning on or after January 1, 2021. The Group does not expect the standard to have a material impact on the consolidated financial statements.

Financial reporting framework

In March 2018, the IASB issued a revised version of Conceptual Framework for Financial Reporting. In particular, the revised version introduces new definitions of assets and liabilities, as well as amended definitions of income and expenses. The new version is effective for annual periods beginning on or after January 2020. The Group does not expect the revised version of Conceptual Framework to have a material impact on the consolidated financial statements.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to IFRS 3 Business Combinations. The amendments enhance definition of a business set out by the standard. The amendments are effective for acquisitions to occur on or after January 1, 2020; earlier application is permitted. Since the amendments apply prospectively to transactions or other events after the date of first application the Group will not be affected by these.

Amendments to IAS 1 and IAS 8: Definition of Materiality

In October 2018, the IASB issued amendments to *IAS 1 Presentation of Financial Statements* and *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments to IAS 1 and IAS 8 introduce new definition of materiality. The amendments are effective on or after January 1, 2020; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments – interest rates

In September 2019, the IASB issued amendments to *IFRS 7 Financial instruments: Disclosures and IFRS 9 Financial instruments named Interest Rate Benchmark Reform*. The amendments provide relief from certain requirements of hedge accounting, as their fulfillment can lead to discontinuation of hedge accounting due to uncertainty caused by the reform. The amendments are effective on or after January 1, 2020; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

IAS 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to *IAS 1 Presentation of Financial Statements named Classification of Liabilities as Current or Non-current*. The amendments clarify requirements for classifying liabilities as current or non-current. The amendments are effective on or after January 1, 2022; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements, as the Group already applies criteria set by the amendments.

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.

Changes in accounting policies related to presentation

In accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Group decided to apply voluntary changes in accounting policies related to presentation of consolidated financial statements and elected to present its statement of comprehensive income based on nature and cash flow statement using the indirect method to improve presentation of financial information for the current year and increase the comparability of the Group consolidated financial statements with the industry peers. Reclassifications do not affect net profit or comprehensive income for the year or equity.

Changes in presentation of the consolidated statement of comprehensive income from function based to nature based approach led to reclassification of certain line items below:

		For the year ended December 31,			
		According to the issued consolidated financial statements		Reclassified	
In millions of tenge	**Notes**	**2018**	**2017**	**2018**	**2017**
Cost of purchased oil, gas, petroleum products and other materials	[A]	–	–	4,312,958	2,729,514
Production expenses	[B]	–	–	604,475	624,346
Taxes other than income tax	[C]	–	–	477,732	354,447
Depreciation, depletion and amortization	[D]	–	–	285,186	238,021
Cost of sales	[A], [B], [C], [D]	5,353,492	3,704,457	–	–
General and administrative expenses	[C], [D]	247,128	200,434	213,485	163,780
Transportation and selling expenses	[C], [D]	659,447	440,568	370,777	238,063
Other expenses	[D]	24,144	33,596	23,283	34,767
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	[D]	3,517	3,815	–	–
Impairment of assets held for sale	[D]	168	68	–	–
		6,287,896	**4,382,938**	**6,287,896**	**4,382,938**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies related to presentation (continued)

Changes in presentation of the consolidated statement of comprehensive income (continued)

[A] The Group elected to present *Cost of purchased oil, gas, petroleum products and other materials* as a separate line item.

[B] Other line items previously presented within cost of sales, except for *Cost of purchased oil, gas, petroleum products and other materials, taxes* and *depreciation*, were aggregated and shown as a separate line item of the consolidated statement of comprehensive income.

[C] The Group elected to aggregate *mineral extraction and other taxes* from cost of sales (2018: 187,606 million tenge, 2017: 152,739 million tenge), general and administrative expenses (2018: 13,475 million tenge, 2017: 13,223 million tenge), transportation and selling expenses (2018: 276,651 million tenge, 2017: 188,485 million tenge) and present as a separate line item of the consolidated profit and loss. The components of the line item were not altered and corresponds to the prior year issued consolidated financial statements.

[D] The Group elected to aggregate *Depreciation, depletion and amortization charges* from cost of sales (2018: 248,453 million tenge, 2017: 197,858 million tenge), general and administrative expenses (2018: 20,168 million tenge, 2017: 23,432 million tenge), transportation and selling expenses (2018: 12,019 million tenge, 2017: 14,020 million tenge), other expenses (2018: 4,546 million tenge, 2017: 2,711 million tenge) and present as a separate line item of the consolidated profit and loss. Additionally, *Loss on disposal of property, plant and equipment, intangible assets and investment property* and *Impairment of assets held for sale* were reclassed to *Other expenses*.

Changes in presentation of the consolidated statement of financial position

The Group performed reclasses below:

	As of 31 December			
	According to the issued consolidated financial statements		Reclassified	
In millions of tenge	**2018**	**2017**	**2018**	**2017**
Other current liabilities	236,988	202,445	236,163	201,940
Financial guarantees	1,831	1,171	–	–
Lease liabilities	–	–	2,656	1,676
	238,819	**203,616**	**238,819**	**203,616**

Changes in presentation of the consolidated cash flow statement from direct to indirect method was applied retrospectively, also as at December 31, 2019, viewing that one of the Group's principal activities is the representation of the State interests in subsoil use contracts through interest participation in those contracts through joint ventures, the Group decided to show dividends received from joint ventures and associates within operating cash flows as dividends received in accordance with IAS 7.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2019. 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, and; the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (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 from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Profit or loss and each component of other comprehensive income are attributable to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. 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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the 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 the separation of embedded derivatives in host contracts by the acquiree.

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, 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, 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 operation disposed of 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 based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (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 this IFRS; and

  (iii) the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree.

(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

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

The assets and liabilities of the subsidiary transferred under common control are recorded in the 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 the 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 the consolidated financial statements as an adjustment to equity.

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

Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognizes its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Investment in associates and joint ventures

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates and joint ventures (continued)

The Group's investments in its joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in a joint venture or an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture or associate since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture or associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture or associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate.

The aggregate of the Group's share in profit or loss of a joint venture and an associate is shown on the face of the consolidated statement of comprehensive income and represents profit or loss after tax and non-controlling interest in the subsidiaries of the joint venture or associate. The financial statements of the joint venture or associate are prepared for the same reporting period as the Group. When 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 recognize an impairment loss on its investment in its joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Impairment of investment in joint venture or associate' in the consolidated statement of comprehensive income.

Upon loss of joint control over the joint venture or significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or 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 as current when it is:

- expected to be realized or intended to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 within exploration and evaluation.

Subsoil use rights and property acquisition costs

Exploration and production subsoil use rights and related property acquisition costs are capitalized within exploration and evaluation assets and subclassified as intangible assets. Each property under exploration and appraisal is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the carrying amount of the exploration subsoil use right and related property acquisition costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves') and internal approval of development, the carrying amount of the subsoil use right and related property acquisition costs held on a field-by-field basis is aggregated with exploration and evaluation assets and transferred to oil and gas assets or intangible assets.

Exploration and evaluation costs

Once the legal right to explore has been acquired, geological and geophysical exploration costs and costs directly associated with exploration and appraisal wells, including unsuccessful development or delineation wells are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no reserves are found, the exploration and evaluation asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially; the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbon reserves. All such carried costs are subject to technical, commercial and management review as well as review for impairment 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 assets are written off. When proved reserves of hydrocarbons are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas assets after impairment is assessed and any resulting impairment loss is recognized.

Development costs

Expenditures on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, are capitalized within oil and gas assets.

Oil and gas assets and other property, plant and equipment

Oil and gas assets and other property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment ("DD&A").

The initial cost of an asset comprises its purchase price or construction cost, borrowing cost for long-term construction or development project, if recognition criteria is met, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if there is any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas assets are depreciated using a unit-of-production method, whereas tangible assets are depreciated over proved developed reserves and intangible assets – over proved reserves. Certain oil and gas assets with useful lives less than the remaining life of the fields or term of the subsoil use contracts are depreciated on a straight-line basis over useful lives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and gas assets and other property, plant and equipment (continued)

Property, plant and equipment other than oil and gas assets and land principally comprise buildings, machinery and equipment, vehicles and others that are depreciated on a straight-line basis over the expected remaining useful average lives as follows:

Refinery assets	4-100 years
Pipelines	2-30 years
Buildings and improvements	2-100 years
Machinery and equipment	2-30 years
Vehicles	3-35 years
Other	2-20 years
Land	not depreciated

The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment, inclusive of production wells which stop producing commercial quantities of hydrocarbons and are scheduled for abandonment, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognized.

Intangible assets

Intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses. Intangible assets include expenditure on acquiring subsoil use rights for oil and natural gas exploration, evaluation and development, computer software and goodwill. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets, except for goodwill and subsoil use rights, are amortized on a straight-line basis over the expected remaining useful life. The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. Computer software costs have an estimated useful life of 3 to 7 years. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit 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 non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

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.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through 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 one year from the date of classification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued operations (continued)

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) 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 or amortized.

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 plant, property 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 of an amount equivalent to the provision is also created. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities based on the appropriate 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 cost 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.

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 debt financial asset to be classified and measured at amortised cost or fair value through OCI, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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

The Group does not have financial assets at fair value through other comprehensive income.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss 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 fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss 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 within the profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Inventories

Inventories are stated at the lower of cost and net realizable value on a first-in first-out ("FIFO") basis. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. The cost of crude oil and refined products is the cost of production, including the appropriate proportion of depreciation, depletion and amortization and overheads based on normal capacity. Net realizable value of crude oil and refined products is based on estimated selling price in the ordinary course of business less any costs expected to be incurred to complete the sale.

Value added tax (VAT)

The tax authorities permit the settlement of VAT on sales and purchases on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in bank and cash on hand, demand deposits with banks with original maturities of 3 (three) months or less.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans borrowings and payables, or as derivatives financial instruments.

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 fair value through profit or loss 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 fair value through profit or loss.

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the 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 liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition

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.

Provisions

Provisions are recognized 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.

Provision for obligations to the Government

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. Furthermore, as the Government is the ultimate controlling party of the Group, the expenditures on these assignments are recognized as other distributions to the Shareholders directly in the equity, in the consolidated financial statements.

Employee benefits

Pension scheme

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state – managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Long-term employee benefits

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with the collective agreements between the Group entities and their employees. The collective agreement provides for certain one-off retirement payments, financial aid for employees' disability, anniversaries, funeral and other benefits. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments upon the end of employment. Actuarial gains and losses arising in the year are taken to other comprehensive income. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. Other movements are recognised in the current period, including current service cost, any past service cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the consolidated statement of comprehensive income as finance costs. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Employee benefits other than one-off retirement payments are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan. Actuarial gains and losses on other long-term employee benefits are recognised in the profit or loss.

These obligations are valued by independent qualified actuaries on an annual basis.

Revenue recognition

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. Specifically, domestic sales of crude oil and gas, as well as petroleum products and materials are usually recognized when title passes. 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.

Interest income and costs

For all financial instruments measured at amortised cost and 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. Interest income is included in finance income in the consolidated statement of comprehensive income.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated financial statements in the period to which they relate on an accrual basis.

Income taxes

Income tax for the year comprises current income tax, excess profit tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Excess profit tax ("EPT") is treated as an income tax and forms part of income tax expense. In accordance with the applicable tax legislation, the Group accrues and pays EPT in respect of each subsoil use contract, at varying rates based on the ratio of aggregate annual income to deductions for the year for a particular subsoil use contract. The ratio of aggregate annual income to deductions in each tax year triggering the application of EPT is 1.25:1. EPT rates are applied to the part of the taxable income (taxable income after corporate income tax and allowable adjustments) related to each subsoil use contract in excess of 25% of the deductions attributable to each contract.

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 subsoil use contracts at the expected rate of EPT to be paid under the contract.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the 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, where 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 income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from 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 the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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.

Equity

Non-controlling interest

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the Company's owners. Total comprehensive income is attributed to the Company's owners and to the non-controlling interests even if this results in the non-controlling interests having 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 when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Distributions to the Shareholders

Expenditures incurred by the Group based on the respective resolution of the Government based on the RK President's charge or decision and instructions of Samruk-Kazyna are accounted for as other distributions through equity. Such expenditures include costs associated with non-core activity of the Group (construction of social assets) to be transferred to the Shareholder.

Subsequent events

The results of 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 to the consolidated financial statements when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities and assets, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Oil and gas reserves

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortization expenses. 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.

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

The Group assesses assets or 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.

As at December 31, 2019, 2018 and 2017, 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 13*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Recoverability of oil and gas assets, downstream, refining and other assets (continued)

As of December 31, 2019, 2018 and 2017 the Group has material goodwill related to acquisitions 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 in December 2019, 2018 and 2017. The Group considers the forecast for oil tolling volumes, oil tolling 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 2019: 9.7% (2018: 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 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 to 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 2019: 5.49% (2018: 3.53%, 2017: 3.89%), excluding capital costs, which are based on the best estimate of management as of valuation date.

As at December 31, 2019, 2018 and 2017 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.

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 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.

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, 2017: from 2.01% to 5.57% and from 5.17% to 10.00%). As at December 31, 2019 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of oil and gas facilities were 54,165 million tenge (December 31, 2018: 36,288 million tenge and 2017: 35,406 million tenge, respectively) *(Note 26)*.

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 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, 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 and December 31, 2017: 65,140 million tenge) *(Note 26)*.

Environmental remediation

The Group 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. The Group has classified this obligation as non-current except for the portion of costs, included in the annual budget for 2019. 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. Movements in the provision for environmental remediation obligations are disclosed in *Note 26*.

Employee benefits

The cost of defined long-term employee benefits payable before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. 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 subsoil use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for tax risks other than on income tax are disclosed under provisions for taxes in *Note 26*. Contingent liabilities for tax risks other than on income tax are disclosed in *Note 34*. Provisions and contingent liabilities related to income tax are included or disclosed as income tax liabilities or contingencies (see *Note 30* and *34* for further details).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments presented in the consolidated financial statements. Further details are disclosed in *Note 32*.

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, 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*.

Fair values of assets and liabilities acquired in business combinations

The Group is required to recognize separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in the business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions.

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

The assets and liabilities, classified as discontinued operations, disposal group held for sale and assets classified as held for sale as at December 31, 2019, 2018 and 2017 and the results for 2019, 2018 and 2017 are as follows:

	December 31, 2019			
In millions of tenge	Assets classified as held for sale	Liabilities directly associated with the assets classified as held for sale	Net assets directly associated with the disposal group	Profit after income tax for 2019 from discontinued operation
Kazakh British Technical University JSC	–	–	–	6
Other assets	7,604	–	7,604	–
Total	7,604	–	7,604	6

	December 31, 2018			
In millions of tenge	Assets classified as held for sale	Liabilities directly associated with the assets classified as held for sale	Net assets directly associated with the disposal group	Profit/(loss) after income tax for 2018 from discontinued operation
KMG Retail	43,651	380	43,271	–
Kazakh British Technical University JSC	15,704	4,659	11,045	(4,301)
Other assets	2,405	–	2,405	7,754
Total	61,760	5,039	56,721	3,453

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

	December 31, 2017			
In millions of tenge	Assets classified as held for sale	Liabilities directly associated with the assets classified as held for sale	Net assets directly associated with the disposal group	Loss after income tax for 2017 from discontinued operation
Kazakh British Technical University JSC	16,803	1,925	14,878	(2,612)
Other assets	8,102	4	8,098	(1,054)
Total	24,905	1,929	22,976	(3,666)

LOSS OF CONTROL

KMG Retail

On February 8, 2019 the Company completed the sale of 100% interest in KMG Retail, which was classified as a disposal group held for sale since December 31, 2018, for 60,512 million tenge.

At the date of loss of control net assets of KMG Retail LLP were as follow:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	34,266
Intangible assets	42
Cash	2,288
Other current and non-current assets	6,694
	43,290
Non-current liabilities	259
	259
Net assets	**43,031**

The resulting gain on disposal of KMG Retail amounted to 17,481 million tenge.

KBTU

As of December 31, 2018, KMG classified Kazakhstan-British University JSC (KBTU) as a discontinued operation. In January 2019, a sale agreement on 100% shares in KBTU, between KMG and the Public Foundation “Nursultan Nazarbayev Education Fund” came into force. According to the terms of the agreement, the transfer of stake and its payment of 11,370 million tenge 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 following:

In millions of tenge	**Net assets at the date of disposal**
Property and equipment	6,367
Intangible assets	1,964
Bank deposits	2,091
Cash	4,732
Other current and non-current assets	1,097
	16,251
Current and non-current liabilities	5,349
	5,349
Net assets	**10,902**

The resulting gain on disposal of KBTU amounted to 149 million tenge and the loss incurred by KBTU for the period from January 1, 2019 until the date of disposal equaled to 143 million tenge were recognized in the profit from discontinued operations.

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

LOSS OF CONTROL (continued)

KazTransGas Tbilisi LLC

As of December 31, 2017, KazTransGas JSC (KTG), the subsidiary, had 100% legal ownership in KazTransGas Tbilisi LLC (KTG Tbilisi). On March 16, 2009 the City Court of Kutaisi disqualified KTG from exercising rights to direct the relevant activities of KTG Tbilisi. As a result, the Group lost control over KTG Tbilisi and ceased consolidating it since the date of loss of control.

On September 13, 2018, KTG and the Government of Georgia signed an arbitration agreement on the peaceful settlement of the dispute as a result of which KTG sold 100% shares of KTG Tbilisi for 40,000 thousand US dollars (equivalent to 15,110 million tenge). On September 28, 2018, KTG collected proceeds from sale of interest ownership of 40,000 thousand US dollars (equivalent to 14,473 million tenge).

Additionally, in 2018 the Group sold other subsidiaries with net assets of 252 million tenge as of disposal date for the consideration of 3,501 million tenge, which resulted in the gain of 3,249 million tenge.

6. REVENUE

In millions of tenge	**2019**	2018* (reclassed)	2017* (reclassed)
Type of goods and services			
Sales of crude oil and gas*	**3,966,941**	4,094,011	2,677,102
Sales of refined products*	**2,043,848**	2,175,909	1,422,391
Oil and gas transportation services	**389,496**	315,229	333,038
Refining of oil and oil products	**195,896**	175,618	129,067
Other revenue	**262,675**	228,197	232,165
	6,858,856	6,988,964	4,793,763
Geographical markets			
Kazakhstan	**1,212,267**	1,131,911	944,145
Other countries	**5,646,589**	5,857,053	3,849,618
	6,858,856	6,988,964	4,793,763

*In 2019 the Group decided to present sales of gas products within *Sales of refined products* and thus reclassed from *Sales of crude oil and gas* 58,026 million tenge for 2018 and 29,309 million tenge for 2017.

7. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

In millions of tenge	**2019**	2018	2017
Tengizchevroil LLP	**414,940**	439,149	289,980
Asian Gas Pipeline LLP (AGP)	**168,086**	–	–
Mangistau Investments B.V.	**81,991**	95,510	49,605
Caspian Pipeline Consortium	**70,869**	57,965	54,666
Beineu-Shymkent Pipeline	**56,194**	16,710	(668)
KazGerMunay LLP	**17,561**	27,915	17,713
KazRosGas LLP	**18,091**	5,254	8,622
Kashagan B.V.	**13,114**	34,034	(10,208)
Kazakhoil-Aktobe LLP	**9,722**	9,057	(16,788)
Tenizservice LLP	**6,742**	13,897	1,653
Kazakh-chinese pipeline JSC	**3,313**	–	–
Valsera Holdings B.V.	**(6,107)**	(7,989)	9,751
PetroKazakhstan Inc.	**(18,244)**	14,590	7,233
Ural Group Limited	**(18,895)**	(18,822)	(1,877)
Other joint ventures and associates	**10,602**	10,056	5,268
	827,979	697,326	414,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. COST OF PURCHASED OIL, GAS, PETROLEUM PRODUCTS AND OTHER MATERIALS

In millions of tenge	**2019**	2018	2017
Purchased oil for resale	**2,448,412**	2,607,706	1,445,419
Cost of oil for refining	**638,293**	698,473	732,682
Purchased gas for resale	**493,280**	356,932	242,987
Materials and supplies	**217,138**	182,067	147,484
Purchased petroleum products for resale	**116,621**	467,780	160,942
	3,913,744	4,312,958	2,729,514

9. PRODUCTION EXPENSES

In millions of tenge	**2019**	2018* (reclassed)	2017* (reclassed)
Payroll	**338,120**	291,693	311,973
Repair and maintenance*	**129,450**	98,424	86,570
Energy	**88,910**	71,914	63,082
Transportation costs	**30,456**	21,988	15,685
Lease expenses*	**52,091**	10,085	8,293
Others	**82,666**	110,371	138,743
	721,693	604,475	624,346

*The Group reclassed outsourced *repair and maintenance* amounts from *Others* for 2018 and 2017 for 56,527 million tenge and 43,912 million tenge, respectively. Additionally, *Lease expenses* were presented separately and excluded from *Others* for 2017 and 2018.

10. TAXES OTHER THAN INCOME TAX

In millions of tenge	**2019**	2018	2017
Rent tax on crude oil export	**133,144**	145,523	83,183
Export customs duty	**131,326**	131,128	105,302
Mineral extraction tax	**100,300**	115,968	93,569
Other taxes	**89,525**	85,113	72,393
	454,295	477,732	354,447

11. TRANSPORTATION AND SELLING EXPENSES

In millions of tenge	**2019**	2018	2017
Transportation	**374,686**	317,402	189,949
Payroll	**12,542**	16,180	16,103
Other	**33,174**	37,195	32,011
	420,402	370,777	238,063

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. GENERAL AND ADMINISTRATIVE EXPENSES

In millions of tenge	**2019**	2018	2017
Payroll	**78,055**	73,632	77,572
Provision under Consortium case (*Note 34*)	**34,132**	–	–
Consulting services	**25,448**	22,435	19,523
Accrual/(reversal) of impairment of VAT receivable	**15,703**	4,215	(24,158)
Accrual/(reversal) of expected credit losses for other current assets (*Note 21*)	**12,246**	1,225	(120)
Social payments	**8,933**	24,095	28,024
VAT that could not be offset	**6,910**	3,031	7,923
Rent of property, plant and equipment and intangible assets	**2,309**	5,750	5,780
Accrual/(reversal) of expected credit losses for trade receivables (*Note 21*)	**1,892**	(1,489)	1,056
Charitable donations and sponsorship	**381**	1,699	1,225
(Reversal of) /allowance for impairment of long term advances	**(11)**	–	1,188
(Reversal of) /allowance for obsolete inventories	**(80)**	4,339	345
(Reversal of) /allowance for fines, penalties and tax provisions	**(19,755)**	29,836	(4,212)
Other	**47,804**	44,717	49,634
	213,967	213,485	163,780

The total payroll amounted to 428,717 million tenge (2018: 381,505 million tenge, 2017: 405,648 million tenge) and included in Production expenses, transportation and selling expenses and general and administrative expenses in the consolidated statement of profit or loss.

13. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, EXPLORATION AND EVALUATION ASSETS

In millions of tenge	**2019**	2018	2017
Property, plant and equipment *(Note 15)*	**144,482**	33,603	22,328
Exploration and evaluation assets *(Note 16)*	**57,239**	107,745	814
Investment property	**(142)**	1,538	1,518
Intangible assets *(Note 17)*	**6,240**	22,636	–
	207,819	165,522	24,660

For the following CGUs impairment losses were recognised for years ended:

In millions of tenge	**2019**	2018	2017
CGUs of KMG International (KMGI)	**93,587**	43,702	–
Pearls project	**38,180**	–	–
Drilling jackup rig "*Satti*" (Satti rig)	**24,505**	–	–
CGU *Batumi Oil Terminal* (BNT)	**12,583**	4,136	–
Self-propelled barges "*Sunkar*" and "*Berkut*" (Barges)	**11,837**	2,659	–
Write-off of brownfields of KMG EP	**18,888**	–	–
N project	**–**	67,897	–
Satpayev project	**–**	34,539	–
Write-off of construction in progress of PNHZ	–	–	15,277
Others	**8,239**	12,589	9,383
	207,819	165,522	24,660

13. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, EXPLORATION AND EVALUATION ASSETS (continued)

CGUs of KMGI

As of December 31, 2019, 2018 and 2017 KMGI performed impairment tests of its CGUs, Petrochemical, Bulgaria, Refining and Other. The Group considered forecasted refinery margins and production volumes, among other factors, when reviewing for indicators of impairment.

In 2017, 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 at 9.6% (2018: 9.7%, 2017: 9.0%) and cash flows beyond the 5-year period were extrapolated using 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 7.7% (2018: 7.8%, 2017: 7.5%).

As to Bulgaria CGU, the discount rate applied to cash flow projections was at 9.6% (2018: 9.8 %, 2017: 9.1%) and cash flows beyond the 5-year period were extrapolated using growth rate of 1.9% that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.6% (2018: 7.9%, 2017: 7.6%).

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 CGU. For the purposes of impairment test, KMGI updated projected cash flows to reflect the decrease in forecasted refinery margins and change in post-tax discount rate. As at December 31, 2019 based on the results of the test performed, KMGI recognized 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 materially exceed its recoverable amount, other than for CGU Refinery, for which the breakeven point for the current model is achieved under a decrease of 3.3% of operating profit.

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.

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.

CGU BNT

For the year ended December 31, 2019, the Group recognized an impairment loss of 12,583 million tenge.

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 was remote, the Group recognized an impairment loss of 11,837 million tenge for the year ended December 31, 2019.

13. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, EXPLORATION AND EVALUATION ASSETS (continued)

Write 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.

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 *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.

Write of construction of progress of PNHZ

In 2017, the Group wrote-off construction in progress that became idle due to change in configuration of Pavlodar Refinery modernization project.

14. FINANCE INCOME / FINANCE COST

Finance income

In millions of tenge	**2019**	2018	2017
Interest income on bank deposits, financial assets, loans and bonds	**99,274**	100,097	119,061
Amortization of discount on issued financial guarantees	**1,974**	1,861	1,541
Total interest income	**101,248**	101,958	120,602
Derecognition of loan *(Note 25)*	**111,476**	53,263	–
Write-off of guarantee due to significant modification	**13,573**	–	–
Other	**14,583**	5,806	1,972
	240,880	161,027	122,574

Finance costs

In millions of tenge	**2019**	2018	2017
Interest on loans and debt securities issued (*Note 25*)	**225,093**	250,055	217,246
Interest under oil supply agreement (*Note 27*)	**19,541**	35,868	26,473
Total interest expense	**244,634**	285,923	243,719
Issued financial guarantees	**11,341**	2,324	160
Unwinding of discount on asset retirement obligations and provision for environmental obligation	**13,819**	11,523	9,941
Bonds redemption fee (*Note 25*)	**–**	89,612	–
Discount on assets with non-market interest rate	**1,705**	915	6,155
Impairment of bank deposits and current accounts	**1,034**	806	18,610
Other	**44,900**	36,552	27,770
	317,433	427,655	306,355

On May 4 and 11, 2018, the Company made early redemption of Eurobonds for 3,463 million US dollars (equivalent to 1,143,982 million tenge at payment dates), including interest. In order to make these early redemptions, in 2018, the Company recognized fee for the early redemption of 89,612 million tenge (*Note 25*).

15. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2016	913,553	682,348	844,277	291,311	317,213	70,860	42,428	538,210	3,700,200
Foreign currency translation	(2,514)	(140)	(1,936)	(660)	264	(109)	175	(442)	(5,362)
Change in estimate	248	(200)	–	(5)	–	–	–	–	43
Additions	27,268	17,102	19,859	8,134	6,466	8,144	2,912	539,998	629,883
Disposals	(17,372)	(1,154)	(2,647)	(5,617)	(4,286)	(2,832)	(7,143)	(1,459)	(42,510)
Depreciation charge	(62,018)	(25,537)	(72,919)	(19,440)	(32,307)	(8,307)	(7,467)	–	(227,995)
Accumulated depreciation and impairment on disposals	14,881	859	2,517	4,973	3,617	2,482	6,867	760	36,956
Impairment, net *(Note 13)*	–	(1)	–	(1,439)	(1,431)	(1,908)	(947)	(16,602)	(22,328)
Transfers (to)/from inventory, net	(2)	(52)	13,087	1	34	–	1	166	13,235
Transfer to assets held for sale, net	(170)	–	(3,908)	(3,553)	(242)	(124)	(98)	-	(8,095)
Transfers to investment property	–	–	–	(251)	(13)	–	(1)	(355)	(620)
Transfers (to)/from intangible assets, net *(Note 17)*	(211)	–	–	–	(306)	–	2	(1,608)	(2,123)
Transfer from exploration and evaluation assets *(Note 16)*	8,881	–	–	–	–	–	–	–	8,881
Transfers and reclassifications	82,278	104,461	194,363	16,688	100,818	5,829	6,032	(510,469)	–
Net book value as at December 31, 2017	964,822	777,686	992,693	290,142	389,827	74,035	42,761	548,199	4,080,165

15. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2017	964,822	777,686	992,693	290,142	389,827	74,035	42,761	548,199	4,080,165
Foreign currency translation	90,854	5,661	76,744	11,115	6,037	5,129	1,893	2,975	200,408
Change in estimate	(2,105)	7,677	–	(5)	–	–	–	–	5,567
Additions	24,267	5,285	22,149	1,273	9,482	12,958	4,596	497,659	577,669
Disposals	(17,128)	(3,442)	(1,909)	(6,913)	(5,329)	(3,183)	(4,463)	(2,407)	(44,774)
Depreciation charge	(73,553)	(28,114)	(98,975)	(20,840)	(36,372)	(10,603)	(8,750)	–	(277,207)
Accumulated depreciation and impairment on disposals	12,602	3,009	1,905	4,155	4,444	2,985	3,596	569	33,265
Impairment, net *(Note 13)*	(3,651)	(3)	–	(11,557)	(11,710)	(2,853)	(851)	(2,978)	(33,603)
Transfers (to)/from inventory, net	45	(101)	4,145	(4)	177	25	(11)	3,015	7,291
Transfer to assets held for sale, net	(9,847)	(2)	(354)	(20,348)	(1,846)	(192)	(1,492)	(1,509)	(35,590)
Transfers from/(to) investment property	–	–	–	354	–	–	–	(176)	178
Transfers (to)/from intangible assets, net *(Note 17)*	(97)	–	–	–	–	–	1	(1,703)	(1,799)
Transfer from exploration and evaluation assets *(Note 16)*	3,113	–	–	–	–	–	–	487	3,600
Transfers and reclassifications	92,354	20,157	554,806	15,832	39,892	38,260	6,844	(768,145)	–
Net book value as at December 31, 2018	1,081,676	787,813	1,551,204	263,204	394,602	116,561	44,124	275,986	4,515,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2018	1,081,676	787,813	1,551,204	263,204	394,602	116,561	44,124	275,986	4,515,170
Change in accounting policy (*Note 3*)	–	–	(524)	–	–	–	–	–	(524)
As at January 1, 2019	1,081,676	787,813	1,550,680	263,204	394,602	116,561	44,124	275,986	4,514,646
Foreign currency translation	**(2,749)**	**(173)**	**(1,115)**	**(306)**	**374**	**(314)**	**(50)**	**–**	**(4,333)**
Additions	**48,725**	**6,370**	**794**	**10,615**	**11,190**	**5,076**	**6,400**	**345,236**	**434,406**
Change in estimate	**13,006**	**12,156**	**–**	**27**	**–**	**–**	**19**	**–**	**25,208**
Disposals	**(24,598)**	**(2,161)**	**(4,100)**	**(15,970)**	**(7,534)**	**(3,455)**	**(7,200)**	**(1,088)**	**(66,106)**
Depreciation charge	**(85,565)**	**(28,859)**	**(121,306)**	**(17,969)**	**(37,832)**	**(11,608)**	**(10,601)**	**–**	**(313,740)**
Accumulated depreciation and impairment on disposals	**14,198**	**1,794**	**4,039**	**11,148**	**7,085**	**3,141**	**6,733**	**325**	**48,463**
Impairment/ (reversal impairment) (*Note 13*)	**(4,911)**	**228**	**(86,946)**	**(5,277)**	**(31,068)**	**(13,140)**	**(1,057)**	**(2,311)**	**(144,482)**
Transfers (to)/from assets classified as held for sale (*Note 5*)	**18**	**–**	**(81)**	**(10,610)**	**(18,390)**	**(6,493)**	**(65)**	**–**	**(35,621)**
Transfers from /(to) investment property	**215**	**–**	**–**	**16,314**	**144**	**–**	**2,356**	**(39)**	**18,990**
Transfers (to)/from inventory, net	**35**	**(35)**	**4,435**	**1**	**362**	**13**	**666**	**3,295**	**8,772**
Transfers from exploration and evaluation assets *(Note 16)*	**1,743**	**–**	**–**	**–**	**–**	**–**	**–**	**1,024**	**2,767**
Transfers (to)/from intangible assets *(Note 17)*	**(145)**	**–**	**(64)**	**–**	**–**	**–**	**97**	**(4,587)**	**(4,699)**
Transfers and reclassifications	**8,115**	**26,584**	**35,325**	**49,478**	**138,878**	**7,856**	**64,864**	**(331,100)**	**–**
Net book value as at December 31, 2019	**1,049,763**	**803,717**	**1,381,661**	**300,655**	**457,811**	**97,637**	**106,286**	**286,741**	**4,484,271**
At cost	**2,032,972**	**1,028,456**	**2,408,000**	**568,723**	**841,626**	**226,215**	**222,426**	**336,772**	**7,665,190**
Accumulated depreciation and impairment	**(983,209)**	**(224,739)**	**(1,026,339)**	**(268,068)**	**(383,815)**	**(128,578)**	**(116,140)**	**(50,031)**	**(3,180,919)**
Net book value as at December 31, 2019	**1,049,763**	**803,717**	**1,381,661**	**300,655**	**457,811**	**97,637**	**106,286**	**286,741**	**4,484,271**
At cost	2,154,422	985,787	2,381,309	526,180	720,221	234,740	121,458	324,851	7,448,968
Accumulated depreciation and impairment	(1,072,746)	(197,974)	(830,105)	(262,976)	(325,619)	(118,179)	(77,334)	(48,865)	(2,933,798)
Net book value as at December 31, 2018	1,081,676	787,813	1,551,204	263,204	394,602	116,561	44,124	275,986	4,515,170
At cost	1,933,302	948,285	1,647,460	522,194	665,120	179,515	111,072	599,853	6,606,801
Accumulated depreciation and impairment	(968,480)	(170,599)	(654,767)	(232,052)	(275,293)	(105,480)	(68,311)	(51,654)	(2,526,636)
Net book value as at December 31, 2017	964,822	777,686	992,693	290,142	389,827	74,035	42,761	548,199	4,080,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions

In 2019 additions are mainly attributable to development drilling at Ozenmunaigas, Embamunaigas and Karachaganak for 181,050 million tenge, the construction of compressor stations at KTG for 67,998 million tenge within the framework of modernization of gas transportation system, the reconstruction of the water pipeline Astrakhan-Mangyshlak and the reconstruction of the Uzen-Atyrau-Samara oil pipeline for 35,323 million tenge at KTO, overhaul at the Atyrau refinery for 36,972 million tenge and Rompetrol Rafinare for 31,859 million of tenge.

Transfer to assets held for sale

During the year ended December 31, 2019, the Group classified gas compressor station and barges with net book value of 35,621 million tenge as assets held for sale.

Other

For the year ended December 31, 2019, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs of 2,525 million tenge at the average interest rate of 4.3% related to the construction of new assets (for the year ended December 31, 2018: 21,715 million tenge at the weighted average interest rate of 2.75% and for the year ended December 31, 2017: 26,532, million tenge at the weighted average interest rate of 3.36%).

As at December 31, 2019 the cost of fully depreciated but still in use property, plant and equipment was 394,841 million tenge (as at December 31, 2018: 334,533 million tenge and as at December 31, 2017: 290,360 million tenge).

As at December 31, 2019, property, plant and equipment with the net book value of 1,023,146 million tenge (as at December 31, 2018: 1,108,420 million tenge and as at December 31, 2017: 940,437 million tenge) were pledged as collateral to secure borrowings and payables of the Group.

Capital commitments disclosed in *Note 34*.

16. EXPLORATION AND EVALUATION ASSETS

In millions of tenge	Tangible	Intangible	Total
Net book value as at December 31, 2016	193,835	37,719	231,554
Foreign currency translation	(95)	(53)	(148)
Additions	33,075	345	33,420
Change in estimate	(113)	–	(113)
Disposals	(105)	(557)	(662)
Impairment *(Note 13)*	(803)	(11)	(814)
Transfers to discontinued operations and assets held for sale, net	–	(1,030)	(1,030)
Transfer to property, plant and equipment *(Note 15)*	(8,881)	–	(8,881)
Transfers and reclassifications	(1,260)	1,260	–
Net book value as at December 31, 2017	**215,653**	**37,673**	**253,326**
Foreign currency translation	1,373	699	2,072
Additions	46,008	180	46,188
Change in estimate	25	–	25
Disposals	(1,314)	(5)	(1,319)
Accumulated impairment on disposals	957	5	962
Impairment *(Note 13)*	(96,180)	(11,565)	(107,745)
Transfer to assets held for sale	(102)	–	(102)
Transfers to inventory	(7)	–	(7)
Transfer to property, plant and equipment *(Note 15)*	(3,600)	–	(3,600)
Net book value as at December 31, 2018	**162,813**	**26,987**	**189,800**
Additions	**51,385**	**3,144**	**54,529**
Change in estimate	**9**	**–**	**9**
Disposals (*Note 13*)	**(35,150)**	**(1,160)**	**(36,310)**
Accumulated impairment on disposals	**33,159**	**507**	**33,666**
Impairment *(Note 13)*	**(51,717)**	**(5,522)**	**(57,239)**
Transfer to intangible assets *(Note 17)*	**–**	**(1,800)**	**(1,800)**
Transfers to inventory	**9**	**–**	**9**
Transfer to property, plant and equipment *(Note 15)*	**(2,767)**	**–**	**(2,767)**
Transfers and reclassifications	**(5,449)**	**5,449**	**–**
Net book value as at December 31, 2019	**152,292**	**27,605**	**179,897**

As at December 31, 2019, 2018 and 2017 the exploration and evaluation assets are represented by the following projects:

In millions of tenge	2019	2018	2017
Zhambyl	**58,293**	50,178	33,396
Embamunaigas	**41,337**	20,022	19,078
Urikhtau	**35,265**	30,469	27,590
KTG projects	**13,206**	11,840	12,051
Pearls	–	36,486	35,069
Project N	–	–	66,258
Satpayev	–	–	33,791
Others	**31,796**	40,805	26,093
	179,897	189,800	253,326

Additions

During 2019, the Group capitalized exploration, evaluation, geological and geophysical exploration expenses mainly attributable to Embamunaigas subsoil use contracts in the amount of 32,154 million tenge and 12,135 million tenge attributable to Zhambyl and other new subsoil use contracts of the Company.

17. INTANGIBLE ASSETS

In millions of tenge	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value as at December 31, 2016	98,722	50,458	14,772	23,596	187,548
Foreign currency translation	(25)	(169)	(72)	114	(152)
Additions	–	–	2,452	2,885	5,337
Disposals	–	–	(1,003)	(2,416)	(3,419)
Amortization charge	–	(1,226)	(5,517)	(2,682)	(9,425)
Accumulated amortization and impairment on disposals	–	–	526	2,401	2,927
Transfer from property, plant and equipment, net *(Note 15)*	–	–	1,304	819	2,123
Transfers (to)/from inventory, net	–	–	–	266	266
Transfers and reclassifications	–	–	1,219	(1,219)	–
Net book value as at December 31, 2017	98,697	49,063	13,681	23,764	185,205
Foreign currency translation	1,357	5,510	586	2,412	9,865
Additions	–	–	2,266	4,096	6,362
Disposals	–	–	(3,290)	(542)	(3,832)
Amortization charge	–	1,659	(6,538)	(2,503)	(7,382)
Accumulated amortization and impairment on disposals	–	–	3,286	540	3,826
Impairment *(Note 13)*	–	(22,506)	(59)	(71)	(22,636)
Transfers to assets held for sale	–	–	(42)	(88)	(130)
Transfer (to)/from property, plant and equipment, net *(Note 15)*	–	–	1,822	(23)	1,799
Transfers and reclassifications	–	(362)	1,717	(1,355)	–
Net book value as at December 31, 2018	100,054	33,364	13,429	26,230	173,077
Foreign currency translation	**(1,493)**	**2,237**	**(62)**	**(461)**	**221**
Additions	**–**	**–**	**5,827**	**4,599**	**10,426**
Disposals	**–**	**–**	**(3,725)**	**(1,678)**	**(5,403)**
Change in estimation	**–**	**–**	**–**	**(174)**	**(174)**
Amortization charge	**–**	**–**	**(5,709)**	**(5,608)**	**(11,317)**
Accumulated amortization and impairment on disposals	**–**	**–**	**3,551**	**527**	**4,078**
(Impairment)/ reversal, net (*Note 13*)	**–**	**(6,641)**	**5**	**396**	**(6,240)**
Transfers from inventory	**–**	**–**	**–**	**5**	**5**
Transfers from exploration and evaluation assets *(Note 16)*	**–**	**–**	**–**	**1,800**	**1,800**
Transfer (to)/from property, plant and equipment, net *(Note 15)*	**–**	**–**	**4,838**	**(139)**	**4,699**
Transfers and reclassifications	**–**	**–**	**1,300**	**(1,300)**	**–**
Net book value as at December 31, 2019	**98,561**	**28,960**	**19,454**	**24,197**	**171,172**
At cost	**209,009**	**57,921**	**70,381**	**93,290**	**430,601**
Accumulated amortization and impairment	**(110,448)**	**(28,961)**	**(50,927)**	**(69,093)**	**(259,429)**
Net book value as at December 31, 2019	**98,561**	**28,960**	**19,454**	**24,197**	**171,172**
At cost	169,139	58,164	62,322	81,195	370,820
Accumulated amortization and impairment	(69,085)	(24,800)	(48,893)	(54,965)	(197,743)
Net book value as at December 31, 2018	100,054	33,364	13,429	26,230	173,077
At cost	167,782	50,312	57,238	71,162	346,494
Accumulated amortization and impairment	(69,085)	(1,249)	(43,557)	(47,398)	(161,289)
Net book value as at December 31, 2017	98,697	49,063	13,681	23,764	185,205

17. INTANGIBLE ASSETS (continued)

Carrying amount of goodwill is allocated to each of the group of cash-generating units as follows:

Cash-generating unit	2019	2018	2017
Downstream Romania	**1,140**	1,145	990
Other	**8,868**	8,905	7,703
Cash-generating units of KMGI	**10,008**	10,050	8,693
Cash-generating units of PNHZ	**88,553**	88,553	88,553
Other	–	1,451	1,451
Total goodwill	**98,561**	100,054	98,697

In 2019, 2018 and 2017, based on the impairment test results, no impairment of PNHZ and other goodwill was recognized. For the detailed discussion of goodwill impairment test refer to *Note 4*.

18. BANK DEPOSITS

In millions of tenge	2019	2018	2017
Denominated in US dollar	**390,598**	414,578	1,656,763
Denominated in tenge	**21,940**	22,031	28,228
Denominated in other currency	–	2,707	2,473
Less: allowance for expected credit losses	**(508)**	(560)	–
	412,030	438,756	1,687,464

As at December 31, 2019, the weighted average interest rate for long-term bank deposits was 1.08% in US dollars and 2.58% in tenge, respectively (2018: 1.05% in US dollars and 3.73% in tenge, respectively and 2017: 1.07% in US dollars and 2.29% in tenge, respectively).

As at December 31, 2019, the weighted average interest rate for short-term bank deposits was 1.57% in US dollars, 8.33% in tenge, respectively (2018: 2.40% in US dollars, 8.20% in tenge and 0.06% in other foreign currencies, respectively and 2017: 1.65% in US dollars, 7.51% in tenge and 0.65% in other foreign currencies, respectively).

In millions of tenge	2019	2018	2017
Maturities under 1 year	**359,504**	386,459	1,638,941
Maturities between 1 and 2 years	**1,029**	155	836
Maturities over 2 years	**51,497**	52,142	47,687
	412,030	438,756	1,687,464

As at December 31, 2019 bank deposits include cash pledged as collateral of 50,046 million tenge (2018: 51,538 million tenge and 2017: 62,731 million tenge), which are represented mainly by 37,916 million tenge (2018: 37,729 million tenge and 2017: 32,100 million tenge) at restricted bank accounts designated as a liquidation fund per requirements of subsoil use contracts.

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In millions of tenge	**Main activity**	**Place of business**	**December 31, 2019** Carrying value	**December 31, 2019** Percentage ownership	December 31, 2018 Carrying value	December 31, 2018 Percentage ownership	December 31, 2017 Carrying value	December 31, 2017 Percentage ownership
Joint ventures								
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**2,377,207**	**20.00%**	1,970,533	20.00%	1,353,084	20.00%
Kashagan B.V.	Oil and gas exploration and production	Kazakhstan	**2,057,795**	**50.00%**	2,053,621	50.00%	1,743,495	50.00%
Asia Gas Pipeline LLP	Construction and operation of the gas pipeline		**168,086**	**50.00%**	–	50.00%	–	50.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	**158,867**	**50.00%**	138,549	50.00%	135,781	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	**101,766**	**50.00%**	34,411	50.00%	17,701	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	**79,849**	**50.00%**	65,116	50.00%	33,761	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**47,662**	**50.00%**	70,874	50.00%	78,031	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	**25,620**	**50.00%**	38,349	50.00%	47,537	50.00%
Kazakhoil-Aktobe LLP	Production of crude oil	Kazakhstan	**21,438**	**50.00%**	25,773	50.00%	22,716	50.00%
Teniz Services LLP	Design, construction and operation of infrastructure facilities, support of offshore oil operations	Kazakhstan	**19,277**	**48.996%**	16,945	48.996%	6,134	48.996%
Valsera Holding BV	Oil refining	Kazakhstan	**12,776**	**50.00%**	23,790	50.00%	36,737	50.00%
Other			**41,014**		28,258		22,649	
Associates								
Caspian Pipeline Consortium (CPC)	Transportation of liquid hydrocarbons	Kazakhstan / Russia	**359,173**	**20.75%**	289,586	20.75%	195,095	20.75%
PetroKazakhstan Inc. (PKI)	Exploration, production and processing of oil and gas	Kazakhstan	**95,320**	**33.00%**	116,577	33.00%	115,920	33.00%
Other			**24,534**		23,062		14,989	
			5,590,384		4,895,444		3,823,630	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

All of the above joint ventures and associates are strategic for the Group's business.

As at December 31, 2019, the Group's share in unrecognized losses of joint ventures and associates was equal to 17,812 million tenge (2018: 77,440 million tenge and 2017: 175,623 million tenge). The Group's change in share of unrecognized losses of joint ventures and associates in 2019 was 59,628 million tenge (2018: 98,182 million tenge and 2017: 182,191 million tenge).

The following table summarizes the movements in the investments in 2019, 2018 and 2017:

In millions of tenge	**2019**	2018	2017
At January 1	4,895,444	3,823,630	3,718,920
Effect of adoption of IFRS 9 as at January 1, 2018	–	(3,237)	–
Share in profits of joint ventures and associates, net *(Note 7)*	**827,979**	697,326	414,950
Other changes in the equity of the joint venture	**(3,803)**	494	10,630
Acquisition, net	–	3,084	3
Guarantees issued	**11,162**	–	–
Dividends received	**(126,461)**	(159,988)	(271,783)
Change in dividends receivable	**7,433**	3,702	(39,889)
Contribution without change in ownership	**5,889**	1,467	–
Refund of contribution without change in ownership	–	(93,072)	(1,715)
Eliminations and adjustments*	**(7,043)**	17,071	(20,722)
Reversal of impairment of investments	–	–	14,845
Transfers to assets classified as held for sale	–	–	(67)
Foreign currency translation	**(20,216)**	604,967	(1,542)
At December 31	**5,590,384**	4,895,444	3,823,630

* *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.*

On October 16, 2015, the Group sold 50% of its shares in KMG Kashagan B.V. to Samruk-Kazyna with a right to buy back all or part of the shares effective from January 1, 2018 to December 31, 2020 (further "Option"). On December 20, 2017, the exercise period for the call option was changed to January 1, 2020 and December 31, 2022. As of December 31, 2019, 2018 and 2017, the price of the option was insignificant.

The Amsterdam Court imposed certain restrictions on 50% of shares in Kashagan B.V. owned by Samruk-Kazyna (further restrictions). During the restriction period, these shares of Kashagan B.V. cannot be sold, transferred or pledged. As of December 31, 2019 the restrictions remained in force and control over the asset was not transferred to the Group.

In 2018, refund of contribution without change in ownership mainly relates to the partial withdrawal of investments in MIBV of 249 million US dollars (equivalent to 92,582 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2019:

In millions of tenge	Tengizchevroil LLP	KMG Kashagan B.V.	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP
Non-current assets	**16,276,182**	**4,087,310**	**1,395,615**	**433,950**	**482,553**	**10,176**
Current assets, including	**975,247**	**273,048**	**578,072**	**114,571**	**171,411**	**195,666**
Cash and cash equivalents	**45,128**	**74,330**	**136,318**	**16,091**	**11,918**	**83,674**
Non-current liabilities, including	**(4,137,239)**	**(499,989)**	**(1,225,064)**	**(148,898)**	**(354,711)**	**(148)**
Non-current financial liabilities	**(2,563,353)**	**(581)**	**(1,050,532)**	**(49,553)**	**(342,836)**	**–**
Current liabilities, including	**(1,228,155)**	**(201,781)**	**(412,451)**	**(80,495)**	**(145,277)**	**(45,996)**
Current financial liabilities	**(44,762)**	**(194)**	**(379,633)**	**(400)**	**(119,557)**	**–**
Equity	**11,886,035**	**3,658,588**	**336,172**	**319,128**	**153,976**	**159,698**
Share of ownership	**20%**	**50%**	**50%**	**50%**	**50%**	**50%**
Goodwill	**–**	**228,501**	**–**	**–**	**–**	**–**
Consolidation adjustments	**–**	**–**	**–**	**(697)**	**24,778**	**–**
Carrying amount of the investments as at December 31, 2019	**2,377,207**	**2,057,795**	**168,086**	**158,867**	**101,766**	**79,849**
Revenue	**6,231,720**	**443,545**	**785,250**	**836,474**	**172,894**	**306,259**
Depreciation, depletion and amortization	**(874,694)**	**(175,119)**	**(74,734)**	**(70,250)**	**(16,028)**	**(280)**
Finance income	**9,428**	**5,377**	**9,674**	**159**	**–**	**2,384**
Finance costs	**(39,896)**	**(41,813)**	**(90,669)**	**(8,772)**	**(26,563)**	**–**
Income tax expense	**(889,194)**	**(57,794)**	**(113,177)**	**(51,818)**	**–**	**(8,625)**
Profit for the year from continuing operations	**2,074,701**	**26,228**	**428,204**	**165,766**	**112,387**	**30,311**
Other comprehensive (loss)/income	**(41,327)**	**(17,880)**	**–**	**485**	**–**	**(846)**
Total comprehensive income	**2,033,374**	**8,348**	**428,204**	**166,251**	**112,387**	**29,465**
Change in unrecognized share of losses	–	–	**46,016**	–	–	–
Dividends received	**–**	**–**	**–**	**61,872**	**–**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2019:

In millions of tenge	Ural Group Limited BVI	KazGerMunay LLP	Kazakhoil-Aktobe LLP	Teniz Service LLP	Valsera Holding BV
Non-current assets	**218,689**	**118,312**	**53,020**	**335,845**	**564,128**
Current assets, including	**729**	**42,245**	**19,326**	**51,621**	**80,995**
Cash and cash equivalents	**714**	**37,401**	**11,947**	**6,953**	**41,660**
Non-current liabilities, including	**(123,902)**	**(40,343)**	**(6,533)**	**(117,580)**	**(513,735)**
Non-current financial liabilities	**(94,532)**	**–**	**–**	**–**	**(507,803)**
Current liabilities, including	**(192)**	**(68,975)**	**(22,937)**	**(230,542)**	**(90,320)**
Current financial liabilities	**–**	**–**	**–**	**(1,360)**	**(27,035)**
Equity	**95,324**	**51,239**	**42,876**	**39,344**	**41,068**
Share of ownership	**50%**	**50%**	**50%**	**48.996%**	**50%**
Consolidation adjustments	–	–	–	–	**(7,758)**
Carrying amount of the investments as at December 31, 2019	**47,662**	**25,620**	**21,438**	**19,277**	**12,776**
Revenue	**–**	**191,297**	**61,597**	**257,944**	**132,246**
Depreciation, depletion and amortization	**(13)**	**(50,605)**	**(11,886)**	**(194,344)**	**(25,790)**
Finance income	**–**	**227**	**185**	**3**	**21**
Finance costs	**(27,471)**	**(1,348)**	**(91)**	**(25,434)**	**(34,425)**
Income tax expense	**(1,688)**	**(73,148)**	**113**	**–**	**(22,964)**
Profit/(loss) for the year from continuing operations	**(37,790)**	**35,121**	**19,445**	**13,760**	**(12,214)**
Other comprehensive (loss)/income	(627)	(216)	–	–	(85)
Total comprehensive income/(loss)	**(38,417)**	**34,905**	**19,445**	**13,760**	**(12,299)**
Change in unrecognized share of losses	**–**	**–**	**–**	**–**	**–**
Dividends received	**–**	**30,183**	**9,057**	**4,410**	**757**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2018:

In millions of tenge	Tengizchevroil LLP	KMG Kashagan B.V.	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP
Non-current assets	12,922,783	4,156,425	1,460,389	407,888	441,704	11,563
Current assets, including	1,057,016	382,203	548,679	72,748	198,892	141,406
Cash and cash equivalents	203,864	111,112	14,907	15,318	139,385	19,910
Non-current liabilities, including	(2,780,571)	(705,486)	(1,710,805)	(125,106)	(496,648)	(133)
Non-current financial liabilities	(1,536,800)	(778)	(1,642,324)	(49,946)	(487,373)	–
Current liabilities, including	(1,346,563)	(184,826)	(390,294)	(77,576)	(104,498)	(22,604)
Current financial liabilities	(36,670)	(194)	(363,250)	(451)	(93,024)	–
Equity	9,852,665	3,648,316	(92,031)	277,954	39,450	130,232
Share of ownership	20%	50%	50%	50%	50%	50%
Accumulated unrecognized share of losses	–	–	46,016	–	–	–
Goodwill	–	229,463	–	–	–	–
Consolidation adjustments	–	–	–	(428)	14,686	–
Carrying amount of the investments as at December 31, 2018	1,970,533	2,053,621	–	138,549	34,411	65,116
Revenue	5,941,474	438,662	766,661	839,356	150,793	244,346
Depreciation, depletion and amortization	(685,434)	(180,246)	(83,523)	(60,373)	(15,540)	(134)
Finance income	19,426	2,954	7,480	857	303	1,255
Finance costs	(136,761)	(42,366)	(100,922)	(8,006)	(28,277)	(377)
Income tax expense	(941,034)	(38,996)	–	(56,904)	–	(13,163)
Profitfor the year from continuing operations	2,195,746	68,067	211,332	193,707	33,420	10,509
Other comprehensive (loss)/income	1,270,679	552,184	–	(319)	–	17,231
Total comprehensive income	3,466,425	620,251	211,332	193,388	33,420	27,740
Change in unrecognized share of losses	–	–	105,666	–	–	–
Dividends received	64,671	–	–	–	–	14,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2018:

In millions of tenge	Ural Group Limited BVI	KazGerMunay LLP	Kazakhoil-Aktobe LLP	TenizService LLP	Valsera Holding BV
Non-current assets	239,908	131,604	58,965	520,242	610,463
Current assets, including	216	75,131	19,332	53,449	56,343
Cash and cash equivalents	183	64,921	5,526	792	25,283
Non-current liabilities, including	(98,145)	(43,798)	(10,744)	(299,007)	(482,303)
Non-current financial liabilities	(73,500)	–	–	(3,836)	(481,398)
Current liabilities, including	(231)	(86,239)	(16,007)	(240,100)	(129,621)
Current financial liabilities	–	–	–	(3,847)	(27,818)
Equity	141,748	76,698	51,546	34,584	54,882
Share of ownership	50%	50%	50%	48.996%	50%
Consolidation adjustments	–	–	–	–	(3,651)
Carrying amount of the investments as at December 31, 2018	70,874	38,349	25,773	16,945	23,790
Revenue	1	234,732	61,838	173,006	93,342
Depreciation, depletion and amortization	(14)	(33,376)	(5,037)	(108,005)	(9,280)
Finance income	–	1,119	180	1	108
Finance costs	(9,031)	(1,062)	(740)	(19,468)	(4,105)
Income tax expense	(1,788)	(95,496)	(21,360)	(1,249)	8,630
Profit/(loss) for the year from continuing operations	(37,645)	55,829	18,114	28,363	(15,978)
Other comprehensive (loss)/income	22,023	4,809	–	–	–
Total comprehensive income/(loss)	(15,622)	60,638	18,114	28,363	(15,978)
Change in unrecognized share of losses	–	–	–	–	–
Dividends received	–	42,706	6,000	2,597	1,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2017:

In millions of tenge	Tengizchevroil LLP	KMG Kashagan B.V.	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP
Non-current assets	8,719,902	3,784,723	1,572,551	393,189	442,257	27,019
Current assets, including	1,527,677	172,993	519,333	66,799	139,272	150,968
Cash and cash equivalents	748,523	49,410	9,070	3,090	71,939	30,877
Non-current liabilities, including	(2,507,496)	(563,263)	(2,058,444)	(66,129)	(464,527)	–
Non-current financial liabilities	(1,329,320)	–	(2,015,735)	–	(457,760)	–
Current liabilities, including	(974,662)	(304,431)	(331,506)	(122,297)	(110,972)	(69,021)
Current financial liabilities	(31,719)	(272,148)	(297,654)	–	(91,095)	–
Equity	6,765,421	3,090,022	(298,066)	271,562	6,030	108,966
Share of ownership	20%	50%	50%	50%	50%	50%
Goodwill	–	198,484	–	–	–	–
Accumulated unrecognized share of losses	–	–	149,033	–	–	–
Consolidation adjustments	–	–	–	–	14,686	(20,722)
Carrying amount of the investments as at December 31, 2017	1,353,084	1,743,495	–	135,781	17,701	33,761
Revenue	4,357,947	183,119	587,429	635,903	79,097	243,527
Depreciation, depletion and amortization	(560,817)	(90,258)	(64,333)	(62,190)	(13,235)	(638)
Finance income	22,007	1,025	3,757	126	21	2,489
Finance costs	(127,134)	(36,557)	(86,077)	(5,788)	(24,649)	(13,362)
Income tax expense	(621,385)	(3,750)	(89,287)	(34,036)	–	(11,907)
Profit/(loss) for the year from continuing operations	1,449,898	(20,417)	269,647	99,210	38,485	17,244
Other comprehensive (loss)/income	7,518	(10,897)	–	(229)	–	(1,939)
Total comprehensive income/(loss)	1,457,416	(31,314)	269,647	98,981	38,485	15,305
Change in unrecognized share of losses	–	–	134,824	–	19,911	–
Dividends received	79,694	–	–	105,523	–	18,647

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2017:

In millions of tenge	Ural Group Limited BVI	KazGerMunay LLP	Kazakhoil-Aktobe LLP	TenizService LLP	Valsera Holding BV
Non-current assets	219,833	131,808	49,854	514,174	417,763
Current assets, including	57	46,381	19,768	72,382	55,449
Cash and cash equivalents	47	37,914	6,004	4,636	17,663
Non-current liabilities, including	(63,640)	(28,691)	(7,431)	(419,764)	(211)
Non-current financial liabilities	(54,733)	–	–	(12,536)	–
Current liabilities, including	(188)	(54,424)	(16,759)	(154,273)	(399,527)
Current financial liabilities	–		(6,847)	(7,290)	(327,332)
Equity	156,062	95,074	45,432	12,519	73,474
Share of ownership	50%	50%	50%	48.996%	50%
Accumulated unrecognized share of losses	–	–	–	–	–
Consolidation adjustments	–	–	–	–	–
Carrying amount of the investments as at December 31, 2017	78,031	47,537	22,716	6,134	36,737
Revenue	8	184,616	56,047	3,467	60,808
Depreciation, depletion and amortization	(20)	(34,072)	(17,062)	(378)	(5,027)
Finance income	17	1,306	212	39	411
Finance costs	(1,891)	(1,014)	(2,473)	(116)	(66)
Income tax expense	(691)	(53,071)	2,416	(645)	(4,373)
Profit/(loss) for the year from continuing operations	(3,754)	35,427	(33,576)	3,375	19,502
Other comprehensive (loss)/income	(219)	(664)	–	–	(118)
Total comprehensive income/(loss)	(3,973)	34,763	(33,576)	3,375	19,384
Change in unrecognized share of losses	–	–	–	–	–
Dividends received	–	40,445	–	–	2,377

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material associates, based on their financial statements for 2019:

	2019	
In millions of tenge	CPC	PKI
Non-current assets	**1,992,524**	**330,021**
Current assets	**99,635**	**55,086**
Non-current liabilities	**(38,825)**	**(69,474)**
Current liabilities	**(499,392)**	**(26,785)**
Equity	**1,553,942**	**288,848**
Share of ownership	**20.75%**	**33%**
Goodwill	**36,730**	**–**
Carrying amount of the investment as at December 31	**359,173**	**95,320**
Revenue	**867,450**	**131,688**
Depreciation, depletion and amortization	**(178,032)**	**(49,236)**
Finance income	**10,720**	**425**
Finance costs	**(52,453)**	**(2,769)**
Income tax expense	**(111,797)**	**(20,904)**
Profit for the year	**341,537**	**(55,286)**
Other comprehensive income	**(6,181)**	**(1,473)**
Total comprehensive income	**335,356**	**(56,759)**
Dividends received	**–**	**15,004**

The following tables illustrate summarized financial information of material associates, based on their financial statements for 2018:

	2018	
In millions of tenge	CPC	PKI
Non-current assets	2,147,362	410,710
Current assets	105,910	91,815
Non-current liabilities	(350,304)	(45,218)
Current liabilities	(685,130)	(104,043)
Equity	1,217,838	353,264
Share of ownership	20.75%	33%
Goodwill	36,885	–
Carrying amount of the investment as at December 31	289,586	116,577
Revenue	757,734	163,263
Depreciation, depletion and amortization	(224,968)	(26,267)
Finance income	32,779	387
Finance costs	(96,267)	(2,564)
Income tax expense	(40,715)	(40,085)
Profit for the year	279,348	44,213
Other comprehensive income	176,033	40,886
Total comprehensive income	455,381	85,099
Dividends received	–	24,914

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information about a material associates, based on its financial statements for 2017:

	2017	
In millions of tenge	CPC	PKI
Non-current assets	2,042,156	356,152
Current assets	95,627	84,904
Non-current liabilities	(756,148)	(59,123)
Current liabilities	(595,179)	(30,659)
Equity	786,456	351,274
Share of ownership	20.75%	33%
Goodwill	31,905	–
Carrying amount of the investment as at December 31	195,095	115,920
Revenue	647,478	137,912
Depreciation, depletion and amortization	(141,191)	(26,442)
Finance income	13,043	246
Finance costs	(78,910)	(3,279)
Income tax expense	(49,237)	(20,965)
Profit for the year	263,450	21,921
Other comprehensive income/(loss)	16,354	(992)
Total comprehensive income	279,804	20,929
Dividends received	–	20,453

The following tables illustrate aggregate financial information of individually immaterial joint ventures (the Group's proportional share):

In millions of tenge	**2019**	2018	2017
Non-current assets	**143,772**	121,289	125,404
Current assets	**52,488**	45,979	37,468
Non-current liabilities	**(110,096)**	(131,980)	(127,415)
Current liabilities	**(62,503)**	(37,995)	(35,006)
Goodwill	**4,050**	4,050	172
Impairment	**(3,635)**	(3,635)	(3,635)
Accumulated unrecognized share of losses	**(16,938)**	(30,550)	(25,661)
Carrying amount of the investments as at December 31	**41,014**	28,258	22,649
Profit for the year from continuing operations	**25,069**	1,999	18,233
Other comprehensive (loss)/income	–	(668)	498
Total comprehensive income	**25,069**	1,331	18,731
Unrecognized share of (loss)/income	**13,612**	(4,807)	13,600

The following tables illustrate aggregate financial information of individually immaterial associates (the Group's proportional share):

In millions of tenge	**2019**	2018	2017
Non-current assets	**30,415**	29,046	24,818
Current assets	**55,185**	50,178	36,648
Non-current liabilities	**(10,566)**	(10,469)	(12,035)
Current liabilities	**(51,374)**	(46,568)	(35,371)
Accumulated unrecognized share of losses	**(875)**	(875)	(929)
Carrying amount of the investments as at December 31	**24,534**	23,062	14,989
Profit/losses for the year from continuing operations	**2,457**	3,254	436
Other comprehensive income/ (loss)	**(398)**	3,357	250
Total comprehensive income	**2,059**	6,611	686
Unrecognized share of income/(loss)	–	4	(199)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. INVENTORIES

In millions of tenge	**2019**	2018	2017
Materials and supplies (*at cost*)	**116,327**	115,103	98,714
Refined products (*at lower of cost and net realizable value*)	**53,974**	99,998	84,841
Gas products (*at cost*)	**52,566**	57,762	15,689
Crude oil (*at cost*)	**58,348**	39,436	51,125
	281,215	312,299	250,369

As at December 31, 2019 inventories of 47,863 million tenge are pledged as collateral (2018: 123,973 million tenge and 2017: 111,844 million tenge).

21. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

In millions of tenge	**2019**	2018	2017
Advances paid and prepaid expenses	**138,822**	96,510	95,623
Taxes receivable, other than VAT	**52,642**	35,556	29,577
Dividends receivable	**7,582**	15,848	29,010
Other receivables	**15,047**	15,321	13,057
Other current assets	**87,357**	70,016	91,613
Less: allowance for expected credit losses	**(39,356)**	(28,528)	(62,770)
Total other current assets	**262,094**	204,723	196,110
Trade accounts receivable	**430,125**	540,669	525,773
Less: allowance for expected credit losses	**(32,368)**	(46,692)	(57,906)
Trade accounts receivable	**397,757**	493,977	467,867

As at December 31, 2019, 2018 and 2017 the above assets were non-interest bearing.

As at December 31, 2019 trade accounts receivable of 71,296 million tenge are pledged as collateral (2018: 72,695 million tenge and 2017: 58,116 million tenge).

In 2017 in connection with revocation of Delta Bank JSC ("Delta Bank") license by National Bank of RK and due to the uncertainty regarding the refund of deposits placement in Delta Bank, the Group accrued 100% provision for impairment of the deposits in the total amount of 36,161 thousand US dollars (equivalent to 13,835 million tenge) and reclassified deposits in other receivables.

21. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)

Movements in the allowance for expected credit losses of trade accounts receivable and other current assets were as follows:

In millions of tenge	**Individually impaired**
As at December 31, 2016	101,519
Charge for the year, net (*Note 12*)	936
Written off	(977)
Transfers and reclassifications	11,856
Foreign currency translation	7,342
As at December 31, 2017	**120,676**
Effect of adoption of IFRS 9 as at January 1, 2018	3,658
Recovery for the year, net (*Note 12*)	(264)
Written off	(59,880)
Transfers and reclassifications	(2)
Foreign currency translation	11,032
As at December 31, 2018	**75,220**
Charge for the year, net (*Note 12*)	14,138
Written off	(16,659)
Transfers and reclassifications	153
Foreign currency translation	(1,128)
As at December 31, 2019	**71,724**

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**	**61-90 days**	**91-120 days**	**>120 days**
2019	397,757	364,443	19,633	5,130	1,808	1,199	5,544
2018	493,977	448,671	23,935	5,018	4,504	4,822	7,027
2017	467,867	365,858	17,506	38,832	16,447	2,292	26,932

22. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES

In millions of tenge	**2019**	2018	2017
Loans due from related parties at amortized cost	**509,003**	495,869	785,593
Loans due from related parties at fair value through profit or loss	**214,395**	263,274	–
Bonds receivable from Samruk-Kazyna	**16,290**	15,364	18,342
Note receivable from a shareholder of a joint venture	**13,627**	16,599	38,016
Lease receivable from a joint venture	**4,458**	–	–
Less: allowance for expected credit losses	**(3,508)**	(3,963)	–
	754,265	787,143	841,951

In accordance with IFRS 9, the Group reclassified certain loans as measured at fair value through profit or loss. The fair value of these loans was determined by discounting future cash flows.

22. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES (continued)

The table below illustrates loans and receivables due from related parties in currencies their denominated in

In millions of tenge	**2019**	2018	2017
Loans due from related parties in tenge	**510,240**	471,541	471,798
Loans due from related parties in US dollars	**206,285**	280,952	311,341
Bonds receivable from Samruk-Kazyna in tenge	**16,241**	15,315	18,342
Note receivable from a shareholder of a joint venture in US dollars	**13,627**	16,599	38,016
Lease receivable from a joint venture in US dollars	**4,448**	–	–
Loans due from related parties in other foreign currencies	**3,424**	2,736	2,454
	754,265	787,143	841,951

In millions of tenge	**2019**	2018	2017
Current portion	**138,719**	148,615	169,502
Non-current portion	**615,546**	638,528	672,449
	754,265	787,143	841,951

Movements in the allowance for expected credit losses of loans and receivables due from related parties were as follows:

In millions of tenge	
As at January 1, 2017	–
As at December 31, 2017	–
Effect of adoption of IFRS 9 as at January 1, 2018	4,611
Recovered, net	(985)
Foreign currency translation	337
As at December 31, 2018	**3,963**
Recovered, net	(447)
Foreign currency translation	(8)
As at December 31, 2019	**3,508**

23. CASH AND CASH EQUIVALENTS

In millions of tenge	**2019**	**2018**	2017
Term deposits with banks – US dollars	**108,298**	**743,646**	792,428
Term deposits with banks – tenge	**210,354**	**195,093**	115,103
Term deposits with banks – other currencies	**6,450**	**3,492**	3,279
Current accounts with banks – US dollars	**633,231**	**538,440**	306,716
Current accounts with banks – tenge	**75,168**	**39,137**	30,398
Current accounts with banks – other currencies	**10,220**	**9,658**	8,847
Cash in transit	**19,991**	**8,914**	5,538
Cash-on-hand and cheques	**1,150**	**1,204**	1,684
Less: allowance for expected credit losses	**(410)**	**(131)**	(6)
	1,064,452	**1,539,453**	1,263,987
Cash and cash equivalents attributable to discontinued operations	–	**6,395**	2,618
	1,064,452	**1,545,848**	1,266,605

Term deposits with banks are made for various periods of between one day and three months, depending on the immediate cash requirements of the Group.

As at December 31, 2019, the weighted average interest rate for time deposits with banks was 2.02% in US dollars, 8.84% in tenge and 0.12% in other currencies, respectively (2018: 2.84% in US dollars, 7.58% in tenge and 0.07% in other currencies, respectively, 2017: 1.04% in US dollars and 7.85% in tenge, respectively).

As at December 31, 2019, 2018 and 2017 cash and cash equivalents were not pledged as collateral.

24. EQUITY

Total number of outstanding, issued and paid shares comprises:

	December 31, 2017	Issued in 2018	December 31, 2018	Issued in 2019	December 31, 2019
Number of shares issued and paid, including	589,399,889	20,719,604	610,119,493	–	**610,119,493**
Par value of 27,726.63 tenge	137,900	–	137,900	–	**137,900**
Par value of 10,000 tenge	–	20,719,604	20,719,604	–	**20,719,604**
Par value of 5,000 tenge	59,707,029	–	59,707,029	–	**59,707,029**
Par value of 2,500 tenge	71,104,187	–	71,104,187	–	**71,104,187**
Par value of 2,451 tenge	1	–	1	–	**1**
Par value of 1,000 tenge	1	–	1	–	**1**
Par value of 921 tenge	1	–	1	–	**1**
Par value of 858 tenge	1	–	1	–	**1**
Par value of 838 tenge	1	–	1	–	**1**
Par value of 704 tenge	1	–	1	–	**1**
Par value of 592 tenge	1	–	1	–	**1**
Par value of 500 tenge	458,450,766	–	458,450,766	–	**458,450,766**
				–	
Share capital (thousands of tenge)	709,344,505	207,196,040	916,540,545	–	**916,540,545**

Share capital and additional paid-in capital

As at December 31, 2019, 2018 and 2017, the Company had only one class of issued shares.

As at December 31, 2019 and 2018, common shares in the number of 239,440,103 were authorized, but not issued (2017: 260,159,707 common shares).

In 2018 the Company issued 20,719,604 common shares (2017: 5,187,152 common shares). As consideration the Company received high, medium and low pressure gas pipelines and associated facilities with the fair value of 207,196 million tenge (2017: 12,968 million tenge) that were previously recognized as additional paid-in capital and cash for 7 thousand tenge (2017: 1 thousand tenge). The gas pipelines were recognized as additional paid-in capital based on trust management agreement, which served as a mechanism until the legal title for pipelines transferred to the Group.

Additionally, in 2018 the Group increased additional paid in capital of 4,114 million tenge (2017: 13,189 million tenge), which represents the fair value of gas pipelines contributed by the Government on trust management terms.

Transactions with Samruk-Kazyna

In 2019 the Company provided to Samruk-Kazyna additional tranches of 54,720 million tenge (2018: 52,293 million tenge and 2017: 47,020 million tenge) under interest-free long-term financial aid agreement signed on December 25, 2015, with a current maturity in 2022. In 2019 the difference between the fair value and nominal value of additional tranches of 14,184 million tenge (2018: 10,188 million tenge and 2017: 5,716 million tenge) was recognized as transactions with Samruk-Kazyna in the consolidated statement of changes in equity.

In 2018 the Company extended the maturity period of the interest-free long-term financial aid agreement and recognized the effect of modification of 78,358 million tenge as transactions with Samruk-Kazyna in the consolidated statement of changes in equity.

In 2017 Samruk-Kazyna changed conditions of the prospectus of the second bond issue, according to which the coupon on the bonds was reduced from 4.00% to 0.50%, and recognized the modification effect of 24,020 million tenge through equity as transactions with Samruk-Kazyna in the consolidated statement of changes in equity.

24. EQUITY (continued)

Distributions to Samruk-Kazyna

In 2019, the Company transferred to Samruk-Kazyna the proceeds from sale of its non-core assets of 3,853 million tenge, that were recognized as distribution to Samruk-Kazyna within the framework of Government decrees on transfer of KMG's non-core assets and in accordance with the decision of the Management Board of Samruk-Kazyna. In addition, in 2019 Group accrued and paid off 568 million tenge, distributed by Ozenmunaigas in accordance with the Government decree on housing of the residents, living in Zhana-ozen town.

In 2019, the Group fully settled its commitments of 20,900 million tenge for social facilities construction in Turkestan city recognized within distributions to Samruk-Kazyna in 2018, including additional distribution of 1,773 million tenge recognised in 2019. In addition, the Group transferred cash payments of 9,203 million tenge to fulfill its commitments of constructing the Palace of martial arts in Astana city recognized within distributions to Samruk-Kazyna in 2016-2017.

Additionally, in 2018 distributions to Samruk-Kazyna also included the results of operations of PSA LLP (subsidiary of the Group) in the total amount of 6,473 million tenge and the adjustment of the fair value of cost of gas pipelines received as a payment for the issued common shares of 10 million tenge.

In 2017 distributions to Samruk-Kazyna includes accrual of provision for construction of the Palace of martial arts in Astana city of 5,544 million tenge and the results of operations of PSA LLP in the total amount of 5,793 million tenge.

In 2017 due to transfer of obligations for reconstruction of the trade and exhibition center in Moscow to Corporate Fund "TVC Kazakhstan", the Company reversed previously recognized provision of 4,459 million tenge.

As at December 31, 2017 the Group recognized the discount on purchased bonds of "Special financial company DSFK" LLP through retained earnings of 16,756 million tenge.

Dividends

In 2019, the Group declared dividends to the non-controlling interests holders in KTO, KMGI and KMG EP (subsidiaries of the Company) in the amount of 4,138 million tenge (December 31, 2018: 6,200 million tenge and as at December 31, 2017: 13,269 million tenge).

In 2019, based on the decision of Samruk-Kazyna and National Bank of RK, the Company declared dividends for 2018 of 60.64 tenge per common share in the total amount of 36,998 million tenge. In 2018, the Company declared and paid dividends for 2017 of 61.54 tenge per common share in the total amount of 36,272 million tenge. In 2017, the Company declared dividends for 2016 of 11.32 tenge per common share in the amount of 6,672 million tenge and dividends for 2013 of 66.52 tenge per common share in the amount of 39,207 million tenge.

Share buyback of subsidiary – KMG EP

On 22 February 2019, KMG EP completed its preferred shares buyback program. On May 14, 2019, preferred shares were delisted from KASE. In accordance with the buyback program in 2019 KMG EP made a total buyback of outstanding preferred and ordinary shares for 2,464 million tenge (2018: 642,524 million tenge, 2017: nil) as a part of the repurchasing program of all outstanding GDR and common shares quoted on KASE.

24. EQUITY (continued)

Book value per share

In accordance with the decision of KASE dated October 4, 2010 financial statements shall disclose book value per share (ordinary and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In millions of tenge	**2019**	2018	2017
Total assets	**14,081,915**	14,015,280	13,549,958
Less: intangible assets	**171,172**	173,077	185,205
Less: total liabilities	**5,885,259**	6,872,211	6,766,353
Net assets	**8,025,484**	6,969,992	6,598,400
Number of ordinary shares	**610,119,493**	610,119,493	589,399,889
Book value per ordinary share	**13.154**	11.424	11.195

Earnings per share

In millions of tenge	**2019**	2018	2017
Weighted average number of common shares for basic and diluted earnings per share	**601,486,325**	601,486,325	588,967,626
Basic and diluted share in net profit for the period	**1.899**	1.137	0.891
Basic and diluted share in net profit for the period from continuing operations	**1.899**	1.147	0.898

Non-controlling interest

The following tables illustrate information of subsidiaries in which the Group has significant non-controlling interests:

		2019		2018		2017	
	Country of incorporation and operation	**Non-controlling shares**	**Carrying value**	Non-controlling shares	Carrying value	Non-controlling shares	Carrying value
KazTransOil JSC	Kazakhstan	**10.00%**	**44,733**	10.00%	43,382	10.00%	42,862
KazMunayGas Exploration Production JSC	Kazakhstan	**0.30%**	**9,733**	0.50%	9,056	36.99%	779,932
Rompetrol Downstream S.R.L.	Romania	**45.37%**	**51,591**	45.37%	49,330	45.37%	46,577
Rompetrol Petrochemicals S.R.L.	Romania	**45.37%**	**5,518**	45.37%	(3,316)	45.37%	8,699
Rompetrol Vega	Romania	**45.37%**	**(16,289)**	45.37%	(21,181)	45.37%	(19,743)
Rompetrol Rafinare S.A.	Romania	**45.37%**	**(74,441)**	45.37%	(9,855)	45.37%	706
Other			**17,410**		13,064		10,985
			38,255		80,480		870,018

24. EQUITY (continued)

Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2019 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KazTransOil JSC	KazMunayGas Exploration Production JSC	Rompetrol Petrochemicals S.R.L.	Rompetrol Rafinare S.A.	Rompetrol Vega
Summarized statement of financial position						
Non-current assets	**114,262**	**490,914**	**893,471**	**3,800**	**102,697**	**27,272**
Current assets	**135,270**	**104,433**	**1,235,457**	**9,024**	**219,194**	**9,511**
Non-current liabilities	**(56,084)**	**(78,008)**	**(75,452)**	**(643)**	**(93,091)**	**(24,905)**
Current liabilities	**(79,741)**	**(74,699)**	**(167,393)**	**(19)**	**(392,868)**	**(47,778)**
Total equity	**113,707**	**442,640**	**1,886,083**	**12,162**	**(164,068)**	**(35,900)**
Attributable to:						
Equity holder of the Parent Company	**62,116**	**397,907**	**1,876,350**	**6,644**	**(89,627)**	**(19,611)**
Non-controlling interest	**51,591**	**44,733**	**9,733**	**5,518**	**(74,441)**	**(16,289)**
Summarized statement of comprehensive income						
Revenue	**610,232**	**239,626**	**1,119,068**	**–**	**1,316,167**	**85,831**
Profit/(loss) for the year from continuing operations	**6,884**	**56,653**	**272,863**	**19,830**	**(143,227)**	**10,657**
Total comprehensive income/(loss) for the year, net of tax	**6,511**	**53,448**	**267,684**	**19,471**	**(141,676)**	**10,792**
Attributable to:						
Equity holder of the Parent Company	**3,557**	**48,045**	**266,518**	**10,637**	**(77,204)**	**5,895**
Non-controlling interest	**2,954**	**5,403**	**1,166**	**8,834**	**(64,472)**	**4,897**
Dividends declared to non-controlling interests	**–**	**(3,999)**	**(16)**	**–**	**–**	**–**
Summarized cash flow information						
Operating activity	**11,581**	**94,060**	**237,576**	**1**	**70,429**	**3,666**
Investing activity	**3,183**	**(57,033)**	**(368,188)**	**–**	**(26,015)**	**(3,541)**
Financing activity	**(14,590)**	**(41,853)**	**(4,457)**	**–**	**(43,941)**	**(46)**
Net increase/(decrease) in cash and cash equivalents	**174**	**(4,630)**	**(139,237)**	**1**	**473**	**79**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. EQUITY (continued)

Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2018 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KazTransOil JSC	KazMunayGas Exploration Production JSC	Rompetrol Petrochemicals S.R.L.	Rompetrol Rafinare S.A.	Rompetrol Vega
Summarized statement of financial position						
Non-current assets	115,878	474,493	855,098	–	226,762	25,547
Current assets	130,109	89,618	1,121,114	14,248	208,058	10,486
Non-current liabilities	(51,580)	(65,939)	(59,533)	(660)	(99,909)	(28,237)
Current liabilities	(85,683)	(68,156)	(192,006)	(20,897)	(356,631)	(54,478)
Total equity	108,724	430,016	1,724,673	(7,309)	(21,720)	(46,682)
Attributable to:						
Equity holder of the Parent Company	59,394	386,634	1,715,617	(3,993)	(11,865)	(25,501)
Non-controlling interest	49,330	43,382	9,056	(3,316)	(9,855)	(21,181)
Summarized statement of comprehensive income						
Revenue	552,546	225,400	1,189,393	74,024	1,198,576	78,746
Profit/(loss) for the year from continuing operations	(10,087)	61,168	299,917	(27,398)	(22,771)	3,208
Total comprehensive income/(loss) for the year, net of tax	6,067	67,673	334,747	(26,480)	(23,276)	(3,168)
Attributable to:						
Equity holder of the Parent Company	3,314	60,994	314,578	(14,466)	(12,716)	(1,731)
Non-controlling interest	2,753	6,679	20,169	(12,014)	(10,560)	(1,437)
Dividends declared to non-controlling interests	–	(6,153)	(48)	–	–	–
Summarized cash flow information						
Operating activity	8,598	97,453	276,070	(1)	42,428	1,653
Investing activity	(4,442)	(44,854)	164,487	–	(15,532)	(1,667)
Financing activity	(4,304)	(61,540)	(642,760)	(1)	(27,347)	38
Net increase/(decrease) in cash and cash equivalents	(148)	(7,592)	(134,732)	(2)	(451)	24

24. EQUITY (continued)

Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2017 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KazTransOil JSC	KazMunayGas Exploration Production JSC	Rompetrol Petrochemicals S.R.L.	Rompetrol Rafinare S.A.	Rompetrol Vega
Summarized statement of financial position						
Non-current assets	119,373	450,726	771,619	3,418	219,853	21,455
Current assets	121,461	99,864	1,562,165	25,181	213,573	9,848
Non-current liabilities	(13,368)	(60,819)	(53,790)	(2,680)	(50,695)	(24,447)
Current liabilities	(124,809)	(65,826)	(171,272)	(6,747)	(381,175)	(50,370)
Total equity	102,657	423,945	2,108,722	19,172	1,556	(43,514)
Attributable to:						
Equity holder of the Parent Company	56,080	381,083	1,328,790	10,473	850	(23,771)
Non-controlling interest	46,577	42,862	779,932	8,699	706	(19,743)
Summarized statement of comprehensive income						
Revenue	402,786	222,450	954,506	65,576	868,443	56,964
Profit/(loss) for the year from continuing operations	10,745	65,890	195,361	(4,905)	(1,696)	2,060
Total comprehensive income/(loss) for the year, net of tax	10,632	66,003	194,983	(5,079)	(2,357)	2,249
Attributable to:						
Equity holder of the Parent Company	5,808	59,403	122,876	(2,775)	(1,288)	1,229
Non-controlling interest	4,824	6,600	72,107	(2,304)	(1,069)	1,020
Dividends declared to non-controlling interests	–	(5,961)	(7,309)	–	–	–
Summarized cash flow information						
Operating activity	20,967	98,946	234,063	(2)	35,474	1,223
Investing activity	(2,622)	(67,271)	44,736	–	(36,389)	(1,217)
Financing activity	(17,790)	(59,617)	(18,906)	–	(661)	8
Net increase/(decrease) in cash and cash equivalents	555	(28,424)	259,552	(2)	(1,576)	14

25. BORROWINGS

In millions of tenge	**2019**	2018	2017
Fixed interest rate borrowings	**3,146,477**	3,029,688	3,137,182
Weighted average interest rates	**5.48%**	5.42%	6.30%
Floating interest rate borrowings	**691,027**	1,123,550	1,164,070
Weighted average interest rates	**5.73%**	5.70%	4.90%
	3,837,504	4,153,238	4,301,252

In millions of tenge	**2019**	2018	2017
US dollar – denominated borrowings	**3,555,347**	3,927,512	4,069,683
Tenge – denominated borrowings	**271,776**	207,276	220,729
Euro-denominated borrowings	**2,881**	1,866	–
Other currencies – denominated borrowings	**7,500**	16,584	10,840
	3,837,504	4,153,238	4,301,252

In millions of tenge	**2019**	2018	2017
Current portion	**253,428**	330,590	884,140
Non-current portion	**3,584,076**	3,822,648	3,417,112
	3,837,504	4,153,238	4,301,252

In 2019, the Company derecognized a loan from partners of the Pearls project 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 (*Note 13*).

In 2018, the Company 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. The derecognition of the loan is related to the planned withdrawal from the project and relinquishment of the contract area to the Government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BORROWINGS (continued)

As at December 31, 2019, 2018 and 2017, the debt securities issued and loans comprised:

				As at December 31		
Bonds	**Issuance amount**	**Redemption date**	**Interest**	**2019**	2018	2017
						–
AIX 2019	56 billion KZT	2024	5.00%	**52,843**	–	–
Bonds LSE 2018	1.5 billion USD	2048	6.375%	**574,230**	576,571	–
Bonds LSE 2018	1.25 billion USD	2030	5.375%	**482,393**	484,362	–
Bonds LSE 2018	0.5 billion USD	2025	4.75%	**192,764**	193,533	–
Bonds LSE 2017	1.25 billion USD	2047	5.75%	**468,940**	477,347	412,644
Bonds LSE 2017	1 billion USD	2027	4.75%	**380,413**	384,384	332,128
Bonds ISE 2017	750 million USD	2027	4.375%	**289,487**	290,607	251,245
Bonds LSE 2017	0.5 billion USD	2022	3.88%	**191,694**	193,026	166,819
Bonds LSE 2014	1 billion USD	2044	6.00%	–	11,211	9,682
Bonds LSE 2014	0.5 billion USD	2025	4.875%	–	–	40,465
Bonds LSE 2013	1 billion USD	2023	4.40%	**154,442**	155,214	133,839
Bonds LSE 2013	2 billion USD	2043	5.75%	–	–	166,367
Bonds LSE 2010	1.5 billion USD	2020	7.00%	–	–	454,158
Bonds LSE 2010	1.25 billion USD	2021	6.375%	–	–	374,885
Bonds KASE 2009	120 billion KZT	2019	6M Libor+8.50%	–	42,721	73,637
Bonds LSE 2008	1.6 billion USD	2018	9.125%	–	–	530,055
Others				**4,518**	4,440	13,276
Total				**2,791,724**	2,813,416	2,959,200

25. BORROWINGS (continued)

Loans	Issuance amount	Redemption date	Interest	As at December 31 2019	2018	2017
The Export-Import Bank of China (Eximbank)	1.13 billion USD	2027	6M Libor + 4.10%	**350,042**	398,978	340,200
Development bank of Kazakhstan JSC (DBK)	185 billion KZT	2022-2028	7.00%-10.20%	**138,313**	120,225	115,480
DBK	1.1 billion USD	2023-2025	6M Libor + 4.00%, 5.00%, 10.99%	**131,022**	292,594	294,632
The Syndicate of banks *(Unicredit, ING Bank, BCR, Raiffeisen Bank)*	360 million USD	2022	1M Libor+2.75%, 1M Libor+2.5%, 1M Robor+2.00%,1W Libor +2.5%, ON Libor +2.5%, ON Euribor+2.5%	**99,554**	98,831	82,747
The Syndicate of banks (*Citibank, N.A., London Branch, Mizuho Bank, Ltd., MUFG Bank Ltd., Société Générale, ING Bank, and ING Bank N.V.*)	200 million USD	2021	3M Libor+1.35%	**76,442**	76,625	–
Japan Bank for International Cooperation (JBIC)	297.5 million USD	2025	2.19%+CIRR, 6 M Libor+1.10%	**65,254**	76,452	62,387
Halyk bank JSC (Halyk bank)	150 million USD	2024	5.00%	**52,771**	–	–
European Bank for Reconstruction and Development (EBRD)	68 billion KZT	2023	3M CPI + 50 basis points + 3.15%	**42,940**	54,408	65,373
Halyk bank	100 million USD[1]	2020	5.00%	**38,323**	26,939	23,316
EBRD	39 billion KZT	2026	6M CPI + 100 basis points + 3.15%	**24,573**	20,359	15,620
Sperbank Russia	50 million USD	2020	COF (2.25%) + 1.50%	**13,773**	–	–
Loan from partners (Pearls project)	Financing for share of costs in execution of subsoil use contract	From beginning of commercial exploration	6M Libor + 1.00%	–	106,246	87,371
Loan from partners (Satpayev project)	Financing for share of costs in execution of subsoil use contract	From beginning of commercial exploration	12M Libor + 1.50%	–	–	51,214
BNP Paribas	368 million USD[1]	2020	COF (3.18%) + 2.00%	–	25,199	14,118
Club loan (Raiffeisen/BCR/ING/Unicredit)	200 million USD	2019	3M Libor + 2.50%	–	17,684	35,697
Sberbank Russia	400 million USD	2024	12M Libor + 3.5%	–	–	134,039
Other	–	–	–	**12,773**	25,282	19,858
Total				**1,045,780**	1,339,822	1,342,052

[1] revolving credit facility

25. BORROWINGS (continued)

On January 10, 2019, Atyrau Refinery LLP (ANPZ) placed indexed tenge to US dollars bonds at the Astana International Exchange (AIX) for the total amount of 56,223 million tenge (equivalent to 150 million US dollars) with interest rate of 5% and maturity of 5 years. On January 10, 2019, Samruk-Kazyna purchased these bonds for 56,223 million tenge. On January 11, 2019, ANPZ received long-term loan from Halyk bank of 150 million US dollars (equivalent to 56,195 million tenge), with 5% interest rate for the first year (since the second year the interest year is 5.25%) and maturity of 5 years.

Proceeds from the borrowings above in the total amount of 300 million US dollars (equivalent to 113,016 million tenge) were used to make an early repayment of loan principal of ANPZ borrowings from DBK, raised to fund a strategic investment project – construction of the aromatic hydrocarbons production unit. In December 2019, ANPZ received long-term loan from DBK of 32,938 million tenge with 7.99% nominal interest rate and maturity of 7 years to finance the oil processing plant modernisation.

In 2019, the Group made an additional redemption of borrowings from DBK for 77,182 million tenge and the bonds held by DBK (Bonds KASE 2009 with a number of 16 million bonds) for 43,868 million tenge, including accrued interest.

In 2019, ANPZ has made partial repayment of the loan from Eximbank for 197 million US dollars (equivalent to 74,968 million tenge), including accrued interest.

In 2019, KMG International N.V. made the repayments to BNP Paribas and partly redempt Syndicated loan a number of other banks amounted to 65 million US dollars (equivalent to 24,821 million tenge), including accrued interest, of its short-term loans used to finance working capital and for trading facilities.

In May 2019, KMG International N.V. made a full early repayment of its Club loan for 47 million US dollars (equivalent to 17,739 million tenge), including accrued interest.

In April, 2019, the Company 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.

On April 24, 2018, the Company completed the placement of the Eurobonds under the 10.5 billion US dollars Global Medium Term Notes Programme established by the Company and KazMunaiGaz Finance Sub B.V. (subsidiary of the Company), in an aggregate principal amount of 3.25 billion US dollars. The Eurobonds were issued in three series, comprising (i) 500 million US dollars 4.750% Notes due 2025 (equivalent to 163,260 million tenge); (ii) 1,250 million US dollars 5.375% Notes due 2030 (equivalent to 408,150 million tenge); and (iii) US 1,500 million US dollars 6.375% Notes due 2048 (equivalent to 489,780 million tenge).

On May 4 and 11, 2018, the Company made early redemption of Eurobonds for total consideration in the total amount of 3,463 million US dollars (equivalent to 1,143,982 million tenge at the date of payment), including interest. On July 2, 2018 the Company made full redemption of debt on issued bonds on the LSE in 2008 in the total amount of 1,673 million US dollars (equivalent 570,627 million tenge), including interest.

On May 17, 2018 in accordance with the loan agreement KTG received a loan from the Syndicate of banks of 65,832 million tenge (equivalent to: 200 million US dollars) for partial financing of the project "Construction of three compressor stations at MG "Beineu-Bozoy-Shymkent" at the rate of 3 months LIBOR + 1.35%.

In 2018, ANPZ received borrowings from Halyk bank JSC of 44,883 million tenge and fully redeemed borrowings from Halyk bank JSC of 43,665 million tenge, including accrued interest. Additionally, in 2018, ANPZ partially redeemed a loan from Eximbank of 42,448 million tenge.

In 2018, ICA, the subsidiary of KTG, received a short-term loan from Citibank N.A. Jersey Branch of 27,173 million tenge (equivalent to 85 million US dollars) at the rate of 1 month LIBOR + 2% per annum for the purpose of restructuring existing obligations. In 2018, ICA fully repaid principal under the loan agreement of 27,804 million tenge (equivalent to 85 million US dollars). In 2019 ICA partially repaid its borrowing from EBRD for 17,365 million tenge.

In 2018, the Company fully redeemed a loan from Sberbank Russia of 420 million US Dollars (equivalent to 152,989 million tenge), including accrued interest.

In 2018, KMGI made partial repayment of borrowings from Syndicated loan of 20,017 million tenge, including accrued interest.

In 2018 the Group received borrowings from DBK in the total amount of 15,933 million tenge and redeemed borrowings in the total amount of 80,419 million tenge, including interest. Additionally, the Group made a partial scheduled repayment of issued bonds held by DBK of 41,793 million tenge, including interest.

25. BORROWINGS (continued)

Changes in liabilities arising from financing activities

In millions of tenge	**2019**	2018	2017
On January 1	**4,153,238**	4,301,252	3,274,415
Received by cash	**271,772**	1,248,834	1,506,706
Repayment of debt for purchased property plant and equipment	–	33,216	135,393
Interest paid	**(238,354)**	(248,341)	(216,528)
Repayment of principal	**(444,656)**	(2,069,977)	(680,202)
Interest accrued *(Note 14)*	**225,093**	250,055	217,246
Interest capitalized (*Note 15*)	**2,525**	21,715	26,532
Discount	**(7,781)**	(6,528)	(15,552)
Derecognition of liabilities *(Note 14)*	**(111,476)**	(53,263)	–
Interest accrued for bond redemption *(Note 14)*	–	89,612	–
Foreign currency translation	**(10,953)**	385,144	70,415
Foreign exchange loss/gain	**(7,366)**	189,251	(13,492)
Other	**5,462**	12,268	(3,681)
On December 31	**3,837,504**	4,153,238	4,301,252
Current portion	**253,428**	330,590	884,140
Non-current portion	**3,584,076**	3,822,648	3,417,112

Covenants

The Group is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As of December 31, 2019, 2018 and 2017, the Group complied with all financial and non-financial covenants.

In 2018 and 2017, the Group had limitations in terms of the acceptance of debt obligations according to the terms and conditions of the Eurobond documentation of international bonds issues. Thus, the debt increase was limited to the need to comply with a financial ratio, which was defined as the ratio of consolidated net debt to the total amount of the consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) with a threshold value of 3.5. As of December 31, 2019, December 31, 2018 and December 31, 2017, the Group complied with this restrictive condition. In 2019 the Company received a consent from the Eurobond holders resulting in revision of the covenant package. Accordingly, the limitation was excluded from the terms of the public debt of KMG.

Hedge of net investment in the foreign operations

As at December 31, 2019 certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. These borrowings are being used to hedge the Group's exposure to the US Dollar foreign exchange risk on these investments. In 2019 gain of 10,332 million tenge (2018: losses of 364,168 million tenge; 2017: income of 67,151 million tenge) on the translation of these borrowings were transferred to other comprehensive income and offset translation gains and losses of the net investments in the subsidiaries (foreign operations).

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the US Dollars borrowings. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowings.

26. PROVISIONS

In millions of tenge	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
As at December 31, 2016	91,544	47,402	48,047	24,361	32,378	34,253	277,985
Foreign currency translation	10	(52)	15	–	3,807	(1)	3,779
Change in estimate	(1,248)	(458)	–	(70)	–	62	(1,714)
Unwinding of discount	8,333	1,609	–	–	3,040	68	13,050
Provision for the year	3,488	10,902	7,305	–	4,214	12,946	38,855
Transfer to assets held for sale	–	(33)	–	–	–	(58)	(91)
Recovered	(678)	–	(16,528)	–	–	(5,457)	(22,663)
Use of provision	(903)	(1,164)	(11,162)	–	(3,091)	(10,294)	(26,614)
As at December 31, 2017	100,546	58,206	27,677	24,291	40,348	31,519	282,587
Foreign currency translation	1,930	5,491	10	1	41	2,097	9,570
Change in estimate	4,657	344	–	3,791	–	(85)	8,707
Unwinding of discount	9,232	2,291	–	–	3,204	133	14,860
Provision for the year	654	–	18,445	–	7,374	45,173	71,646
Recovered	(133)	(43)	(24,903)	–	–	(6,410)	(31,489)
Use of provision	(650)	(3,319)	(895)	–	(3,488)	(19,219)	(27,571)
Transfers and reclassifications	–	8	–	–	–	(50)	(42)
As at December 31, 2018	116,236	62,978	20,334	28,083	47,479	53,158	328,268
Foreign currency translation	**(83)**	**(167)**	**(13)**	**(118)**	**–**	**69**	**(312)**
Change in estimate	**25,990**	**(7)**	**–**	**–**	**–**	**50**	**26,033**
Unwinding of discount	**10,005**	**3,670**	**–**	**–**	**3,559**	**144**	**17,378**
Provision for the year	**4,618**	**2,888**	**4,393**	**–**	**11,568**	**40,473**	**63,940**
Recovered	**(208)**	**(4,490)**	**(5,865)**	**–**	**–**	**(18,116)**	**(28,679)**
Use of provision	**(2,164)**	**(4,526)**	**(1,147)**	**–**	**(3,547)**	**(16,677)**	**(28,061)**
Transfers and reclassifications	**–**	**–**	**482**	**–**	**–**	**(1,922)**	**(1,440)**
As at December 31, 2019	**154,394**	**60,346**	**18,184**	**27,965**	**59,059**	**57,179**	**377,127**

Provision for gas transportation relates to the Group's commitment on reimbursement of losses incurred by PetroChina International Co.Ltd (PetroChina). Under the agreement on gas borrowing the Group has commitments to PetroChina to reimburse the supported costs and losses incurred by PetroChina due to gas borrowing and its return. Detailed description of significant provisions, including critical estimates and judgments used, is included in *Note 4*.

Current portion and long-term portion are segregated as follows:

In millions of tenge	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
As at December 31, 2019							
Current portion	**805**	**7,728**	**18,184**	**27,965**	**6,425**	**42,431**	**103,538**
Long-term portion	**153,589**	**52,618**	**–**	**–**	**52,634**	**14,748**	**273,589**
As at December 31, 2019	**154,394**	**60,346**	**18,184**	**27,965**	**59,059**	**57,179**	**377,127**
As at December 31, 2018							
Current portion	1,994	6,103	20,334	28,083	2,830	39,127	98,471
Long-term portion	114,242	56,875	–	–	44,649	14,031	229,797
As at December 31, 2018	116,236	62,978	20,334	28,083	47,479	53,158	328,268
As at December 31, 2017							
Current portion	1,543	5,922	27,677	24,291	2,689	16,690	78,812
Long-term portion	99,003	52,284	–	–	37,659	14,829	203,775
As at December 31, 2017	100,546	58,206	27,677	24,291	40,348	31,519	282,587

27. OIL SUPPLY AGREEMENT

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, 2017: 26,473 million tenge) with interest rate of Libor + 1.85% *(Note 14)*.

The Group fully settled the prepayment through oil and LPG delivery on November 29, 2019.

28. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

In millions of tenge	**2019**	2018* (Reclassed)	2017* (Reclassed)
Contract liabilities	**184,362**	106,385	87,917
Due to employees	**51,613**	51,362	60,546
Financial guarantees	**5,866**	1,831	1,171
Dividends payable	**354**	1,750	1,852
Other	**60,821**	74,835	50,454
Total other current liabilities	**303,016**	236,163	201,940
Trade accounts payable	**667,861**	632,739	513,851

Trade accounts payable is denominated in the following currencies as of December 31:

In millions of tenge	**2019**	2018	2017
Tenge	**328,538**	260,094	218,849
US dollars	**280,742**	301,784	240,165
Romanian Leu	**42,740**	45,125	42,582
Euro	**3,196**	7,188	2,789
Other currency	**12,645**	18,548	9,466
Total	**667,861**	632,739	513,851

As at December 31, 2019, 2018 and 2017, trade accounts payable and other current liabilities were not interest bearing.

29. OTHER TAXES PAYABLE

In millions of tenge	**2019**	2018	2017
Rent tax on crude oil export	**29,586**	33,184	27,365
Mineral extraction tax	**19,037**	28,039	26,161
VAT	**19,376**	19,117	19,448
Individual income tax	**6,135**	6,603	6,581
Social tax	**4,639**	4,197	5,620
Excise tax	**2,163**	2,885	2,888
Withholding tax from non-residents	**1,873**	2,868	4,545
Other	**3,857**	8,133	8,590
	86,666	105,026	101,198

30. INCOME TAX EXPENSES

As at December 31, 2019 income taxes prepaid of 54,517 million tenge (2018: 53,143 million tenge, 2017: 36,135 million tenge) are represented by corporate income tax. As at December 31, 2019 income taxes payable of 13,011 million tenge (2018: 13,272 million tenge, 2017: 10,081 million tenge) are represented mainly by excess profit tax and corporate income tax.

Income tax expense comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018	2017
Current income tax			
Corporate income tax	**146,658**	160,011	112,227
Excess profit tax	**11,291**	(1,128)	5,137
Withholding tax on dividends and interest income	**12,893**	25,517	21,967
Deferred income tax			
Corporate income tax	**(1,999)**	10,093	22,394
Excess profit tax	**(4,904)**	(7,850)	(1,275)
Withholding tax on dividends	**62,241**	92,617	29,835
Income tax expenses	**226,180**	279,260	190,285

According to the 2006 amendments to the tax legislation, which were effective starting from the fiscal years beginning on January 1, 2007, dividends received from Kazakhstan taxpayers were exempt from income tax withheld at the source of payment. Therefore, in 2006 the Group reversed the deferred tax liability on undistributed profits of subsidiaries, joint ventures and associates registered in the Republic of Kazakhstan, which was recognized in prior years. However, during 2007-2019 the Group was receiving dividends from Tengizchevroil LLP (20% joint venture of the Group, a Kazakhstan taxpayer) net of withholding tax since there is uncertainty whether the withholding tax exemption is applicable for the stable tax regime of Tengizchevroil LLP. The Group was challenging withholding of the tax on those dividends, but has not managed to convince Tengizchevroil LLP and the tax authorities that withholding tax should not be applied. Therefore, Management of the Group recognizes the deferred income tax withholding on its interest in undistributed retained earnings of Tengizchevroil LLP as its current best estimate is that the Group will continue to receive dividends net of withholding tax in future years.

30. INCOME TAX EXPENSES (continued)

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2019-2017) to income tax expenses was as follows for the years ended December 31:

In millions of tenge	**2019**	2018	2017
Profit before income tax from continuing operations	**1,384,631**	969,318	719,399
Profit/(loss) before income tax from discontinued operations	**6**	3,493	(3,405)
Statutory tax rate	**20%**	20%	20%
Income tax expense on accounting profit	**276,927**	194,562	143,199
Share in profit of joint ventures and associates	**(103,138)**	(73,593)	(39,493)
Other non-deductible expenses and non-taxable income	**36,913**	61,618	41,106
Excess profit tax	**6,387**	(8,978)	3,861
Effect of different corporate income tax rates	**13,047**	13,149	3,234
Change in unrecognized deferred tax assets	**(3,956)**	92,542	38,640
	226,180	279,300	190,547
Income tax expense attributable to continued operations	**226,180**	279,260	190,285
Income tax expense attributable to discontinued operations	**–**	40	262
	226,180	279,300	190,547

30. 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 the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, are comprised of the following at December 31:

In millions of tenge	**2019 Corporate income tax**	**2019 Excess profit tax**	**2019 Withholding tax**	**2019 Total**	2018 Corporate income tax	2018 Excess profit tax	2018 Withholding tax	2018 Total	2017 Corporate income tax	2017 Excess profit tax	2017 Withholding tax	2017 Total
Deferred tax assets												
Property, plant and equipment	**34,880**	**–**	**–**	**34,880**	36,803	(1,916)	–	34,887	53,100	(2,214)	–	50,886
Tax loss carryforward	**556,446**	**–**	**–**	**556,446**	574,356	–	–	574,356	462,368	–	–	462,368
Employee related accruals	**5,182**	**82**	**–**	**5,264**	6,732	–	–	6,732	7,017	233	–	7,250
Impairment of financial assets	**11**	**–**	**–**	**11**	8	–	–	8	4	–	–	4
Environmental liability	**4,572**	**256**	**–**	**4,828**	4,445	–	–	4,445	4,249	217	–	4,466
Other	**51,985**	**3,893**	**–**	**55,878**	51,583	–	–	51,583	40,470	1,345	–	41,815
Less: unrecognized deferred tax assets	**(532,114)**	**–**	**–**	**(532,114)**	(536,070)	–	–	(536,070)	(443,528)	–	–	(443,528)
Less: deferred tax assets offset with deferred tax liabilities	**(50,721)**	**(758)**	**–**	**(51,479)**	(38,060)	–	–	(38,060)	(24,580)	–	–	(24,580)
Deferred tax assets	**70,241**	**3,473**	**–**	**73,714**	99,797	(1,916)	–	97,881	99,100	(419)	–	98,681
Deferred tax liabilities												
Property, plant and equipment	**191,989**	**7,608**	**–**	**199,597**	208,108	6,365	–	214,473	153,438	15,712	–	169,150
Undistributed earnings of joint venture	**–**	**–**	**356,581**	**356,581**	–	–	295,580	295,580	–	–	202,963	202,963
Other	**4,763**	**–**	**–**	**4,763**	7,605	–	–	7,605	33,205	–	–	33,205
Less: deferred tax assets offset with deferred tax liabilities	**(50,721)**	**(758)**	**–**	**(51,479)**	(38,060)	–	–	(38,060)	(24,580)	–	–	(24,580)
Deferred tax liabilities	**146,031**	**6,850**	**356,581**	**509,462**	177,653	6,365	295,580	479,598	162,063	15,712	202,963	380,738
Net deferred tax liability	**75,790**	**3,377**	**356,581**	**435,748**	77,856	8,281	295,580	381,717	62,963	16,131	202,963	282,057

30. INCOME TAX EXPENSES (continued)

Deferred corporate income tax and excess profit tax are determined with reference to individual subsoil use contracts. Deferred corporate income tax is also determined for activities outside of the scope of subsoil use contracts. 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 amounted to 532,114 million tenge as at December 31, 2019 (2018: 536,070 million tenge, 2017: 443,528 million tenge).

Tax losses carry forward as at December 31, 2019, 2018 and 2017 in the Republic of Kazakhstan expire for tax purposes after ten years from the date they are incurred.

The movements in the deferred tax liability/ (asset) were as follows:

In millions of tenge	**2019 Corporate income tax**	**2019 Excess profit tax**	**2019 Withhol-ding tax**	**2019 total**	2018 Corporate income tax	2018 Excess profit tax	2018 Withhol-ding tax	2018 total	2017 Corporate income tax	2017 Excess profit tax	2017 Withhol-ding tax	2017 total
Net deferred tax liability as at January 1	**77,856**	**8,281**	**295,580**	**381,717**	62,963	16,131	202,963	282,057	40,547	17,407	173,127	231,081
Foreign currency translation	**1,112**	**–**	**(1,240)**	**(128)**	4,714	–	–	4,714	(120)	(1)	1	(120)
Tax expense/(income) during the year recognized in profit and loss	**(1,999)**	**(4,904)**	**62,241**	**55,338**	10,093	(7,850)	92,617	94,860	22,394	(1,275)	29,835	50,954
Tax (income)/expense during the year recognized in OCI	**(1,179)**	**–**	**–**	**(1,179)**	86	–	–	86	142	–	–	142
Net deferred tax liability as at December 31	**75,790**	**3,377**	**356,581**	**435,748**	77,856	8,281	295,580	381,717	62,963	16,131	202,963	282,057

31. RELATED PARTY DISCLOSURES

Terms and conditions of transactions with related parties

Related party transactions were made on terms agreed 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. Outstanding balances at the year-end are mainly unsecured and interest free and settlement occurs in cash, except as indicated below. The Group recognizes allowances for expected credit losses on amounts owed by related parties.

Transactions balances

The following table provides the balances of transactions with related parties as at December 31, 2019, 2018 and 2017:

In millions of tenge		Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	**2019**	**327,597**	**6,168**	**–**	**52,843**
	2018	268,396	3,656	52	–
	2017	289,084	1,703	54	–
Associates	**2019**	**56,331**	**3,814**	**–**	**–**
	2018	116,670	2,089	–	–
	2017	154,954	3,748	–	–
Other state-controlled parties	**2019**	**6,381**	**712**	**192,548**	**269,335**
	2018	157	8,813	–	455,540
	2017	–	8,753	2,676	489,949
Joint ventures	**2019**	**519,351**	**217,027**	**–**	**–**
	2018	508,260	174,042	–	–
	2017	556,564	194,182	–	–

Due from related parties

Samruk-Kazyna entities

As at December 31, 2019 due from Samruk-Kazyna entities is mainly represented by the financial aid provided to Samruk-Kazyna for 307,568 million tenge and bonds of 16,241 million tenge (2018: 244,878 million tenge and 15,315 million tenge, 2017: 259,835 million tenge and 18,342 million tenge) *(Note 24)*.

Associates

As at December 31, 2019 due from associates was mainly represented by the loan to CPC provided by KPV of 8,691 million tenge (2018: 20,682 million tenge, 2017: 27,402 million tenge) and "Kazakhstan Note" of 38,670 million tenge (2018: 89,018 million tenge, 2017: 121,510 million tenge). The "Kazakhstan Note" is the subordinated debt issued by CPC to the Government in exchange for Kazakstani pipeline assets transferred to CPC on May 16, 1997. In 2015, the Government contributed the right to claim payments under "Kazakhstan Note" to the share capital of the Company.

Joint ventures

As at December 31, 2019 due from joint ventures were mainly represented by the loan given to BeineuShymkent Pipelines of 202,669 million tenge (2018: 226,319 million tenge, 2017: 207,557 million tenge), PKOP of 110,172 million tenge (2018: 133,531 million tenge, 2017: 133,676 million tenge), UGL of 48,752 million tenge (2018: 37,669 million tenge, 2017: 28,049 million tenge) and advances paid to TCO for 92,435 million tenge (2018: 56,753 million tenge, 2017: 52,539 million tenge) under crude oil and LPG purchase contract (*Note 27*).

31. RELATED PARTY DISCLOSURES (continued)

Transactions balances (continued)

Due to related parties (continued)

Joint ventures

As at December 31, 2019 due to joint ventures were mainly represented by accounts payable to BeineuShymkent Pipelines of 95,908 million tenge (2018: 39,429 million tenge, 2017: 55,131 million tenge) and Asia Gas Pipeline for gas transportation of 39,323 million tenge (2018: 23,596 million tenge, 2017: 27,143 million tenge), and accounts payable for gas purchases from KazRosGas for 30,477 million tenge (2018: 50,845 million tenge, 2017: 25,395 million tenge).

Cash and deposits placed with related parties

Other state-controlled parties

As at December 31, 2019 the cash and deposits placed with related parties are mainly attributable placed deposit by the Company for 500 million US dollars (equivalent to 192,547 million tenge) at market rate.

Borrowings payable to related parties

Other state-controlled parties

As at December 31, 2019 the borrowings payable to related parties are represented by loans received from DBK by ANPZ, PNHZ and KTG of 269,335 million tenge (loans and bonds payable to DBK 2018: 455,540 million tenge, 2017: 483,749 million tenge) (*Note 25*).

Proceeds from loans given to related parties

In 2019 the Group received proceeds from principal and interest redemption of the loan issued to PKOP for 29,949 million tenge (2018: 28,110 million tenge, in 2017: 7,392 million tenge), CPC for 12,656 million tenge (2018: 11,609 million tenge, 2017: 9,077 million tenge), BeineuShymkent Pipelines for 31,988 million tenge (2018: 12,775 million tenge, 2017: nil), and proceeds from interest on the "Kazakhstan Note" for 47,663 million tenge (2018: 44,822 million tenge, 2017: 35,143 million tenge).

Transactions turnover

The following table provides the total amount of transactions, which have been entered into with related parties during 2019, 2018 and 2017:

In millions of tenge		Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	**2019**	**42,250**	**20,030**	**24,054**	**2,841**
	2018	63,951	25,372	23,370	–
	2017	66,161	29,897	28,365	–
Associates	**2019**	**19,565**	**40,930**	**8,892**	**–**
	2018	23,150	22,529	9,800	–
	2017	9,598	38,648	10,414	–
Other state-controlled parties	**2019**	**7,149**	**3,540**	**1,300**	**20,728**
	2018	157	48,882	–	29,748
	2017	–	2,942	–	25,694
Joint ventures	**2019**	**307,075**	**1,511,600**	**43,324**	**11,183**
	2018	321,806	1,487,044	27,264	3,258
	2017	318,155	1,000,164	25,869	10,769

31. RELATED PARTY DISCLOSURES (continued)

Transactions turnover (continued)

Sales to related parties

Joint ventures

In 2019 sales to joint ventures were mainly represented by transportation and cargo servicing provided to TCO for 64,246 million tenge (2018: 43,896 million tenge, 2017: 44,225 million tenge), transportation charges and oil servicing provided to Mangistaumunaigas for 59,235 million tenge (2018: 56,927 million tenge, 2017: 55,615 million tenge) for 79,281 million tenge (2018: 70,255 million tenge, 2017: 66,949 million tenge, respectively), respectively.

Purchases from related parties

Joint ventures

In 2019 purchases from joint ventures were mainly attributable to purchases of crude oil and LPG from TCO to perform the oil delivery customer contract *(Note 27)* for 1,131,890 million tenge (2018: 1,132,908 million tenge, 2017: 819,258 million tenge).

Key management employee compensation

Total compensation to key management personnel (members of the Boards of directors and the Management boards) included in general and administrative expenses in the accompanying consolidated statement of comprehensive income was equal to 11,399 million tenge, 8,999 million tenge and 9,022 million tenge for the years ended December 31, 2019, 2018 and 2017, respectively. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly consist of borrowings, loans given, financial guarantees, cash and cash equivalents, bank deposits as well as accounts receivable and accounts payable. The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency, and securities, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate margin and collateral requirements. The sensitivity analyses in the following sections relate to the position as of December 31, 2019, 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Foreign currency risk

As a result of significant borrowings and accounts payable denominated in the US dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / tenge exchange rates. The Group also has transactional currency exposures. Such exposure arises from revenues in the US dollars. The Group has a policy on managing its foreign currency risk in US dollar by matching US dollar denominated financial assets with US dollar denominated financial liabilities. The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the cash flows of monetary assets and liabilities). The sensitivity of possible the changes in exchange rates for other currencies are not considered due to its insignificance to the consolidated financial results of Group's operations.

In millions of tenge	**Increase/ (decrease) in tenge to US dollar exchange rate**	**Effect on profit before tax**
2019	**+12%**	**(291,448)**
	(9%)	**218,586**
2018	+14%	(260,693)
	(10%)	186,209
2017	+10%	(96,953)
	(10%)	96,953

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's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term borrowings with floating interest rates. The Group's policy is to manage its interest rate cost using a mix of fixed and variable rate borrowings. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings) and equity. There is no significant impact on the Group's equity.

In millions of tenge	**Increase/ decrease in basis points**	**Effect on profit before tax**
2019		
LIBOR	**+0.35**	**(2,419)**
	(0.35)	**2,419**
2018		
LIBOR	+0.50	(5,618)
	(0.15)	1,685
2017		
LIBOR	+0.70	(6,776)
	(0.08)	763

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognized, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in *Note 14*. There are no significant concentrations of credit risk within the Group.

With respect to credit risks arising on other financial assets of the Group, which comprise cash and cash equivalents, bank deposits, trade accounts receivable, bonds receivable, loans and notes receivable and other financial assets, the Group's exposure to credit risks arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the balances of major subsidiaries' cash and cash equivalents, short-term and long-term deposits *(Notes 23 and 18)* held in banks at the reporting date using the Standard and Poor's credit ratings.

In millions of tenge		Rating[2]					
Banks	**Location**	**2019**	**2018**	**2017**	**2019**	2018	2017
Halyk Bank	Kazakhstan	**BB (stable)**	BB (stable)	BB (stable)	**566,642**	666,844	622,931
Rabobank	the Netherlands	**A+ (stable)**	A+ (positive)	A+ (positive)	**210,252**	70,462	81,923
National Bank RK	Kazakhstan	**BBB- (stable)**	-	-	**192,548**	–	–
Credit Agricole Corporate	the United Kingdom	**A+ (stable)**	A+(stable)	A+ (positive)	**86,993**	123,199	–
Mizuho Bank Ltd	the United Kingdom	**A (positive)**	A (stable)	A (stable)	**61,014**	149,381	373,030
Deutsche Bank	the Netherlands	**BBB+ (stable)**	BBB+ (stable)	A- (negative)	**55,880**	124,145	88,991
Citibank	Kazakhstan	**A+(stable)**	A+(stable)	A+(stable)	**44,080**	7,031	2,032
MUFG Bank (Bank of Tokyo-Mitsubishi UFJ)	the United Kingdom	**A (positive)**	A (positive)	A (stable)	**33,998**	218,600	464,530
ING Bank	the Netherlands	**A+(stable)**	A+ (stable)	A+ (stable)	**10,331**	23,690	170,385
HSBC	United Kingdom	**AA- (negative)**	AA- (stable)	AA- (stable)	**2,991**	2,450	113,090
Societe Generale	Switzerland	**A (positive)**	A (positive)	A (stable)	**52**	189	164,779
Societe Generale	the United Kingdom	–	A (positive)	A (stable)	**–**	149,326	314,734
Citibank	the United Arab Emirates	–	A+(stable)	A+(stable)	**–**	149,293	50,034
Sumitomo Mitsui Banking Corporation	the United Kingdom	–	A (positive)	A (positive)	**–**	149,290	–
BNP Paribas	the United Kingdom	–	A (positive)	BB+ (stable)	**–**	22	162,829
Kazkommertsbank	Kazakhstan	–	–	B+ (negative)	**–**	2	78,657
Other banks					**190,560**	134,167	256,284
					1,455,341	1,968,091	2,944,229

Continued support by the state bodies of the Republic of Kazakhstan is a key assumption in management's conclusions that no additional recognition of expected credit losses are required, and is based on management's review of all available information at the date of approval of the consolidated financial statements.

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.

2 Source: Interfax – Kazakhstan, Factivia, official sites of the banks as at December 31 of the respective year.

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2019, 2018 and 2017 based on contractual undiscounted payments.

In millions of tenge	On demand	Due later than one month but not later than three months	Due later than three month but not later than one year	Due later than one year but not later than five years	Due after 5 years*	Total
As at December 31, 2019						
Borrowings*	**68,135**	**15,905**	**325,822**	**1,750,799**	**4,358,675**	**6,519,336**
Trade accounts payable	**255,550**	**368,492**	**43,819**	**–**	**–**	**667,861**
Financial guarantees	**–**	**22,082**	**65,337**	**318,978**	**626**	**407,023**
Lease liabilities	**4,922**	**204**	**5,795**	**26,026**	**10,419**	**47,366**
Other financial liabilities	**13,249**	**8,391**	**8,570**	**8,207**	**1,901**	**40,318**
	341,856	**415,074**	**449,343**	**2,104,010**	**4,371,621**	**7,681,904**
As at December 31, 2018						
Borrowings*	121,164	49,988	335,828	1,837,612	4,624,005	6,968,597
Trade accounts payable	269,538	352,008	11,193	–	–	632,739
Financial guarantees**	–	4,205	11,655	168,548	183,076	367,484
Lease liabilities	1,157	194	1,530	6,866	35	9,782
Other financial liabilities	11,012	14,530	17,772	–	–	43,314
	402,871	420,925	377,978	2,013,026	4,807,116	8,021,916
As at December 31, 2017						
Borrowings*	78,839	51,491	942,639	2,218,917	2,649,616	5,941,502
Trade accounts payable	249,845	177,151	86,855	–	–	513,851
Financial guarantees**	–	4,488	13,465	105,156	190,656	313,765
Lease liabilities	176	101	1,641	5,597	142	7,657
Other financial liabilities	5,260	20,201	4,183	–	–	29,644
	334,120	253,432	1,048,783	2,329,670	2,840,414	6,806,419

*The Group excludes from the maturity profile table the loans payable to project partners under the carry-in financing agreements (*Note 25*), due to the uncertainty of maturity of these loans.

** The Group includes financial guarantees to the maturity profile table, however, the cash outflow in relation to financial guarantees is subject to certain conditions. Financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because of specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. In 2017, 2018 and 2019 there was no instances of financial guarantees execution.

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to maximise the shareholder value. The Group manages its capital to ensure that Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company seeks to maintain a prudent capital structure to support its capital investment plans and maintain investment grade credit rating through the cycle. Maintaining sufficient financial flexibility is considered strategically important to mitigate industry cyclicality while also enabling the pursuit of organic and inorganic investment opportunities.

The Company has a comprehensive and disciplined internal approval process for capital expenditures, new projects and debt incurrence.

For the purpose of the Group's capital management, the capital structure of the Group consists of borrowings disclosed in *Note 25* less cash and short-term deposits and equity, comprising share capital, additional paid-in capital, other reserves and retained earnings as disclosed in *Note 24*.

The Group's management regularly reviews the capital structure. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Also to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any borrowing in the years ended December 31, 2017, 2018 and 2019 (*Note 25*).

In millions of tenge	**2019**	2018	2017
Borrowings	**3,837,504**	4,153,238	4,301,252
less: cash and short term bank deposits	**1,423,956**	1,925,912	2,902,928
Net debt	**2,413,548**	2,227,326	1,398,324
Equity	**8,196,656**	7,143,069	6,783,605
Capital and net debt	**10,610,204**	9,370,395	8,181,929

No changes were made in the overall strategy, objectives, policies or processes for managing capital during the years ended December 31, 2017, 2018 and 2019.

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments and investment property

The carrying amount of the Group financial instruments as at December 31, 2019, 2018 and 2017 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

	2019					2018					2017				
	Carrying amount	Fair value	Fair value by level of assessment			Carrying amount	Fair value	Fair value by level of assessment			Carrying amount	Fair value	Fair value by level of assessment		
In millions of tenge			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Bonds receivable from Samruk-Kazyna	**16,241**	**18,835**	**–**	**18,835**	**–**	15,315	20,444	–	20,444	–	18,342	21,807	–	21,807	–
Debts issued to related parties at amortised cost and lease receivable from a joint venture	**510,002**	**506,868**	**–**	**304,422**	**202,446**	491,955	484,657	–	245,278	239,379	785,593	791,667	–	264,078	527,589
Fixed interest rate borrowings	**3,146,477**	**3,576,082**	**3,172,400**	**403,682**	**–**	3,029,688	2,972,627	2,726,332	246,295	–	3,137,182	3,230,352	2,996,478	233,874	–
Floating interest rate borrowings	**691,027**	**714,271**	**–**	**714,271**	**–**	1,123,550	1,153,454	–	1,153,454	–	1,164,070	1,186,192	–	1,186,192	–

The fair value of bonds receivable from the Samruk-Kazyna and other debt instruments have been calculated by discounting the expected future cash flows at market interest rates.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

There were no transfers between Level 1 and Level 2 during the reporting period, and no transfers into or out of Level 3 the fair value measurement.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. CONSOLIDATION

The following direct significant subsidiaries have been included in these consolidated financial statements:

Significant entities	Main activity	Country of incorporation	Percentage ownership 2019	2018	2017
KazMunayGas Exploration Production JSC	Exploration and production	Kazakhstan	**99.70%**	**99.50%**	63.01%
KazMunayTeniz LLP	Exploration and production	Kazakhstan	**100.00%**	**100.00%**	100.00%
KMG Karachaganak LLP	Exploration and production	Kazakhstan	**100.00%**	**100.00%**	100.00%
KazTransOil JSC	Oil transportation	Kazakhstan	**90.00%**	**90.00%**	90.00%
KazMorTransFlot LLP	Oil transportation and construction	Kazakhstan	**100.00%**	**100.00%**	100.00%
KazTransGas JSC	Gas transportation	Kazakhstan	**100.00%**	**100.00%**	100.00%
Cooperative KazMunayGas PKI U.A.	Refinery and marketing of oil products	Netherlands	**100.00%**	**100.00%**	100.00%
Atyrau Refinery LLP	Refinery	Kazakhstan	**99.53%**	**99.53%**	99.53%
Pavlodar oil chemistry refinery LLP	Refinery	Kazakhstan	**100.00%**	**100.00%**	100.00%
KMG International N.V.	Refinery and marketing of oil products	Romania	**100.00%**	**100.00%**	100.00%
KazMunayGas Onimdery LLP	Marketing of oil products	Kazakhstan	**100.00%**	**100.00%**	100.00%
KazMunayGas-Service LLP	Service projects	Kazakhstan	**100.00%**	**100.00%**	100.00%
KMG Drilling&Services LLP	Drilling services	Kazakhstan	**100.00%**	**100.00%**	100.00%

34. CONTINGENT LIABILITIES AND COMMITMENTS

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.

34. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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.

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 law on transfer pricing came into force in Kazakhstan from January 1, 2009. The 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.

Environmental audit at JSC "Embamunaigas" (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 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.

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 issues and claims

KMG Drilling & Services LLP (KMG DS) 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.

34. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Legal issues and claims (continued)

KMG Drilling & Services LLP (KMG DS) litigations with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP (continued)

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 and 2017 the Group did not recognize any provision on this case. During 2019, KMG DS has filed a counter claim against the Consortium.

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 for December 31, 2019) in the general and administrative expenses (*Note 12*) in the statement of comprehensive income. 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 KMGI).

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 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 US Dollars 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.

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 KMGI 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 KMGI as a shareholder of Rompetrol Rafinare S.A. at that time, in the amount of 55 million US dollars in criminal and civil cases; 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 for the year ended 31 December 2019, the Group did not receive any communication from the court.

34. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Disputes regarding the calculation of the proportion of profit oil sharing with the Republic of Kazakhstan (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 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"). On June 17, 2019 the MinEnergy sent a letter to the Contracting Companies that the regulations based on AOP is not acceptable to the MinEnergy. Also MinEnergy promulgated that it is open for new discussions that are to be based on revised mechanisms of the objectivity Index.

In September 2019 in Arbitrage (Paris) the hearings took place, and the final decision is expected in 2020.

Currently, the Republic of Kazakhstan and the Contracting Companies are negotiating the conclusion of a legally binding Settlement Agreement.

KMG Karachaganak, together with the 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

Under the base principles of the production sharing agreements, the Government transferred to contractors the exclusive rights to conduct activities in the subsurface use area, but did not transfer rights to this subsurface use area either to ownership or lease. Thus, all extracted and processed oil (i.e. the hydrocarbons produced) are the property of the Government. Works are carried out on the basis of compensation and the Government pays to the contractors not in cash but in the form of the portion of oil production, thereby allowing the contractors to recover their costs and earn profit.

In accordance with the production sharing agreements not all costs incurred by the contractors could be reimbursed. Certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct the cost recovery audits. In accordance with the costs recovery audits completed prior to December 31, 2019 certain amounts of the 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 402,474 million tenge (2018: 382,594 million tenge, 2017: 242,915 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.

34. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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, 2017: 5,407,526 tons), including joint ventures, to the Kazakhstan market.

Commitments under subsoil use contracts

As at December 31, 2019 the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government:

Year	Capital expenditures	Operational expenditures
2020	**212,288**	**42,733**
2021	**10,829**	**3,693**
2022	**9,389**	**3,410**
2023-2048	**8,697**	**25,762**
Total	**241,203**	**75,598**

Oil supply commitments

As of December 31, 2019 the Group had commitments under the oil supply agreements in the total amount of 12.8 million ton (as at December 31, 2018: 22.6 million ton and December 31, 2017: 28.7 million ton), including commitments of joint venture.

Other contractual commitments

As at December 31, 2019, the Group, including joint ventures, had other capital commitments of approximately 335,609 million tenge (as at December 31, 2018: 620,057 million tenge and 2017: 501,752 million tenge), related to acquisition and construction of property, plant and equipment.

As at December 31, 2019, the Group had commitments in the total amount of 78,677 million tenge (as at December 31, 2018: 114,380 million tenge and 2017: 142,406 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 and aimed at capital construction/reconstruction/overhaul/diagnostic of production facilities.

Non-financial guarantees

As of December 31, 2019, 2018 and 2017, the Group has outstanding performance guarantees issued in favour of third parties whereas it provides guarantee should its subsidiary, joint venture or associate fail to perform their obligations under the natural gas purchase-sale, transportation and other agreements.

As of the reporting date the management of the Group believes that there were no cases of non-performance from the guaranteed parties and, accordingly, no obligations related to the above stated non-financial contingencies were recognized.

35. SEGMENT REPORTING

The Group's operating segments have their own structure and management according to the type of the produced goods and services provided. Moreover, all segments are strategic directions of the business which offer different types of the goods and services in different markets. The functions have been defined as the operating segments of the Group because they are segments a) that engages in business activities from which revenues are generated and expenses incurred; b) whose operating results are regularly reviewed by the Group's chief operating decision makers to make decisions. The Group's activity consists of four main operating segments: exploration and production of oil and gas, oil transportation, gas trading and transportation, refining and trading of crude oil and refined products. The Group presents KMG's activities separately, since KMG performs not only the functions of the parent company, but also carries out operational activities. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

Disaggregation of revenue by types of goods and services is presented in *Note 6* to the financial statements.

Disaggregated revenue type *Sales of crude oil and gas* mainly represents sales made by the following operating segments: *Gas trading and transportation of* 874,505 million tenge (2018: 769,549 million tenge, 2017: 360,510 million tenge) and *Refining and trading of crude oil and refined products of* 3,092,437 million tenge (2018: 3,324,462 million tenge, 2017: 2,316,592 million tenge).

Disaggregated revenue type *Sales of refined products* mainly includes revenue of operating segments such as *Refining and trading of crude oil and refined products* of 1,665,356 million tenge (2018: 2,023,166 million tenge, 2017: 1,305,148 million tenge), *Sales of crude oil and gas* of 4,166 million tenge (2018: 87,344 million tenge, 2017: 116,392 million tenge) and *Corporate of* 352,056 million tenge (2018: 64,516 million tenge, 2017: nil).

Segment performance is evaluated based on revenues, net profit and EBITDA, which are measure on the same basis as in the consolidated financial statements.

EBITDA is a supplemental non-IFRS financial measure used by management to evaluate segments performance, and is defined as earnings before depreciation, depletion and amortization, finance income and expense, income tax expense.

EBITDA, % is calculated as EBITDA of each reporting segment divided by the total EBITDA.

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.

Geographic information

The Group's property, plant and equipment are located in the following countries:

In millions of tenge	**2019**	2018	2017
Kazakhstan	**3,751,128**	3,644,969	3,276,567
Other countries	**733,143**	870,201	803,598
	4,484,271	4,515,170	4,080,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. SEGMENT REPORTING (continued)

The following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2019:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	7,592	236,485	1,102,110	5,035,188	352,056	125,425	–	6,858,856
Revenues from sales to other segments	1,302,744	100,253	965	540,947	78,121	87,505	(2,110,535)	–
Total revenue	1,310,336	336,738	1,103,075	5,576,135	430,177	212,930	(2,110,535)	6,858,856
Cost of purchased oil, gas, petroleum products and other materials	(33,719)	(13,666)	(490,142)	(4,972,915)	(212,655)	(33,252)	1,842,605	(3,913,744)
Production expenses	(295,687)	(149,033)	(71,978)	(203,864)	(110,379)	(145,595)	254,843	(721,693)
Taxes other than income tax	(379,725)	(13,287)	(17,388)	(13,584)	(22,417)	(7,894)	–	(454,295)
Transportation and selling expenses	(123,725)	(1,145)	(272,174)	(69,264)	(7,137)	(3)	53,046	(420,402)
General and administrative expenses	(15,439)	(15,877)	(35,900)	(45,247)	(35,244)	(71,175)	4,915	(213,967)
Share in profit of joint ventures and associates, net	500,737	75,474	242,336	(3,248)	–	12,680	–	827,979
EBITDA	962,778	219,204	457,829	268,013	42,345	(32,309)	44,874	1,962,734
EBITDA, %	49%	11%	23%	14%	2%	-2%	2%	
Depreciation, depletion and amortization	(94,432)	(39,257)	(41,567)	(143,875)	(4,177)	(14,116)	–	(337,424)
Finance income	202,592	7,298	29,589	43,975	130,878	10,729	(184,181)	240,880
Finance costs	(21,460)	(7,095)	(43,443)	(127,391)	(264,841)	(8,333)	155,130	(317,433)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(63,618)	(24,783)	816	(93,161)	(11)	(27,062)	–	(207,819)
Income tax expenses	(138,762)	(20,825)	(39,917)	(12,241)	(12,923)	(1,512)	–	(226,180)
Net profit for the year	842,496	136,906	362,344	(36,553)	(119,657)	(68,083)	41,004	1,158,457
Other segment information								
Investments in joint ventures and associates	4,788,314	384,173	350,732	40,304	–	26,861	–	5,590,384
Capital expenditures	256,725	44,926	91,744	79,492	14,323	18,098	–	505,308
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(3,146)	(5,173)	(9,991)	(46,020)	(22,297)	(9,903)	–	(96,530)
Assets of the segment	7,504,518	1,080,046	2,195,386	2,854,018	1,480,009	454,084	(1,486,146)	14,081,915
Liabilities of the segment	748,226	204,540	956,917	1,771,290	3,453,634	117,899	(1,367,247)	5,885,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. SEGMENT REPORTING (continued)

The following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2018:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	172,462	213,175	920,096	5,599,857	64,516	18,858	–	6,988,964
Revenues from sales to other segments	1,293,946	55,229	1,083	1,295,002	117,561	14,642	(2,777,463)	–
Total revenue	1,466,408	268,404	921,179	6,894,859	182,077	33,500	(2,777,463)	6,988,964
Cost of purchased oil, gas, petroleum products and other materials	(44,174)	(13,989)	(323,205)	(6,357,110)	(88,546)	(969)	2,515,035	(4,312,958)
Production expenses	(400,495)	(100,404)	(67,197)	(142,099)	(46,179)	(14,999)	166,898	(604,475)
Taxes other than income tax	(427,838)	(12,592)	(16,069)	(6,922)	(12,772)	(1,539)	–	(477,732)
Transportation and selling expenses	(112,798)	(194)	(220,792)	(80,500)	(3,491)	(4)	47,002	(370,777)
General and administrative expenses	(97,234)	(17,300)	(17,296)	(50,465)	(24,051)	(5,111)	(2,028)	(213,485)
Share in profit of joint ventures and associates, net	616,607	60,099	22,003	(3,113)	–	1,730	–	697,326
EBITDA	**1,000,476**	**184,024**	**298,623**	**254,650**	**7,038**	**12,608**	**(50,556)**	**1,706,863**
EBITDA, %	**59%**	**11%**	**17%**	**15%**	**0%**	**1%**	**-3%**	
Depreciation, depletion and amortization	(82,193)	(36,844)	(35,290)	(121,863)	(2,314)	(6,682)	–	(285,186)
Finance income	40,896	4,712	15,351	49,318	222,092	787	(172,129)	161,027
Finance costs	(53,296)	(5,366)	(41,938)	(115,805)	(345,705)	(7,356)	141,811	(427,655)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(41,371)	(6,754)	(4,091)	(45,183)	(67,120)	(1,003)	–	(165,522)
Income tax expenses	(200,787)	(22,361)	(47,039)	8,652	(17,239)	(486)	–	(279,260)
Net profit for the year	721,376	122,986	183,548	(91,735)	(175,820)	(1,161)	(65,683)	693,511
Other segment information								
Investments in joint ventures and associates	4,421,783	304,880	100,631	65,341	2	2,807	–	4,895,444
Capital expenditures	180,033	65,106	156,897	203,702	18,337	4,000	–	628,075
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(5,465)	(4,240)	(8,805)	(64,773)	(20,330)	162	–	(103,451)
Assets of the segment	7,295,234	1,021,946	1,820,133	3,995,798	1,913,427	157,461	(2,188,719)	14,015,280
Liabilities of the segment	804,279	210,930	950,954	2,761,676	4,121,330	73,125	(2,050,083)	6,872,211

35. SEGMENT REPORTING (continued)

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. The following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2017:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	195,262	194,815	522,205	3,860,502	–	20,979	–	4,793,763
Revenues from sales to other segments	1,007,989	50,140	30,383	767,364	–	18,051	(1,873,927)	–
Total revenue	1,203,251	244,955	552,588	4,627,866	–	39,030	(1,873,927)	4,793,763
Cost of purchased oil, gas, petroleum products and other materials	(40,632)	(12,746)	(237,794)	(4,161,621)	–	(3,179)	1,726,458	(2,729,514)
Production expenses	(394,524)	(91,671)	(57,113)	(143,663)	–	(18,341)	80,966	(624,346)
Taxes other than income tax	(320,646)	(11,993)	(12,763)	(6,174)	(981)	(1,890)	–	(354,447)
Transportation and selling expenses	(115,636)	(40)	(91,632)	(73,385)	–	(8)	42,638	(238,063)
General and administrative expenses	(50,236)	(15,900)	(17,996)	(55,681)	(56,471)	(6,226)	38,730	(163,780)
Share in profit of joint ventures and associates, net	338,262	56,664	7,989	10,724	–	1,311	–	414,950
EBITDA	**619,839**	**169,269**	**143,279**	**198,066**	**(57,452)**	**10,697**	**14,865**	**1,098,563**
EBITDA, %	**56%**	**15%**	**13%**	**18%**	**-5%**	**1%**	**1%**	
Depreciation, depletion and amortization	(71,871)	(31,047)	(30,457)	(94,116)	(1,926)	(8,604)	–	(238,021)
Finance income	31,641	6,892	15,710	53,196	115,879	953	(101,697)	122,574
Finance costs	(17,035)	(5,242)	(35,846)	(99,973)	(216,856)	(6,770)	75,367	(306,355)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(8,679)	(52)	(327)	(14,357)	41	(1,286)	–	(24,660)
Income tax expenses	(108,415)	(18,928)	(24,678)	(16,182)	(22,001)	(81)	–	(190,285)
Net profit for the year	441,202	121,923	79,625	26,066	(125,952)	(8,474)	(8,942)	525,448
Other segment information								
Investments in joint ventures and associates	3,503,951	208,107	52,562	54,660	1	4,349	–	3,823,630
Capital expenditures	145,761	74,817	140,487	291,487	12,638	3,451	–	668,641
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(5,919)	(3,557)	(9,232)	(106,994)	(15,765)	3,360	–	(138,107)
Assets of the segment	6,654,733	890,320	1,444,620	3,845,701	2,146,055	167,501	(1,598,972)	13,549,958
Liabilities of the segment	661,481	184,961	760,480	2,751,116	3,828,741	83,827	(1,504,253)	6,766,353

36. SUBSEQUENT EVENTS

Receipt of residual of proceeds from sale of the subsidiary

On January 14, 2020, the Public Foundation "Nursultan Nazarbayev Education Fund", the purchaser, paid the second tranche of 4,659 million tenge for 35% out of remaining 70% stake in KBTU (*Note 5*).

Dividends received from joint ventures

On January 8, 2020, the Company received dividends from Kazakhoil-Aktobe LLP, the JV, of 5,000 million tenge.

Non-adjusting event after the reporting period

The outbreak of novel coronavirus continues to spread throughout China and to countries across the world. The Group will closely monitor the evolving coronavirus situation, yet an estimate of its financial effect cannot be made at this stage.

Proceeds and repayment of borrowings:

ANPZ, the subsidiary of the Group:

On January 15, 2020, received a borrowing from DBK for the total amount of 46,062 million tenge with the interest rate of 7.99% p.a. to finance the project on construction of the Deep oil refining complex. The borrowing repayment starts in June 2020 on semi-annual basis.

On January 16, 2020, performed planned and early redemption of principal, interest and early redemption commission of the borrowings obtained from Eximbank for the total of 205 million US Dollars (equivalent 77,911 million tenge at repayment dates).

On January 21, 2020, redeemed principal and interest of the borrowings obtained from DBK for 17,998 million tenge.

In January and February 2020 partly redeemed principal and interest of the borrowings obtained from Halyk Bank for 57 million US Dollars (equivalent 21,650 million tenge at repayment dates).

PRINCIPAL OFFICE OF THE COMPANY

JSC NC "KazMunayGas"
8, D. Kunayev Street
Nur Sultan 010000
Kazakhstan

PRINCIPAL OFFICE OF KMG FINANCE

KazMunaiGaz Finance Sub B.V.
Strawinskylaan 723
(WTC Tower A, 7th Floor)
1077 XX Amsterdam
The Netherlands

JOINT ARRANGERS AND DEALERS

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

MUFG Securities EMEA plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

JSC Halyk Finance
109B Abay Avenue
Almaty, A05A1B9
Republic of Kazakhstan

SkyBridge Invest
Esentai Tower 12 Floor
77/7, Al Farabi Avenue
Almatyб 050040
Republic of Kazakhstan

PRINCIPAL PAYING AGENT, TRANSFER AGENT AND CALCULATION AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

TRUSTEE

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt
Germany

PAYING AGENT AND TRANSFER AGENT

Citibank Europe plc
1 North Wall Quay
Dublin 1
Ireland

LEGAL ADVISERS

To the Company as to English and U.S. law:

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

To the Company as to Kazakhstan law:

Kinstellar
Kurmangazy Business Center,
5th Floor
61a Kurmangazy Street
050000, Almaty
Kazakhstan

To the Dealers as to English and U.S. law:

Latham & Watkins LLP
Ul. Gasheka 6, Ducat III, Office 510
Moscow 125047
Russia

To the Dealers as to Kazakhstan law:

Zan Hub LLP
55/21 Mangilik El Ave. (Block C4.2),
office 250
Z05T3F5,
Nur-Sultan
Kazakhstan

To KMG Finance as to Dutch law:

DLA Piper Nederland N.V.
Amstelveenseweg 638
1081 JJ Amsterdam
The Netherlands

Keijzer Drijer Priester & van der Stoel
PO Box 23542
3001 KM Rotterdam
Westerkade 5
3016 CL Rotterdam

AUDITORS

To the Company:

Ernst & Young LLP
Esentai Tower, 77/7, Al-Farabi Ave.
Almaty 050060
Kazakhstan