

# CONNECTING REGIONS



ANNUAL REPORT

2019

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## CONNECTING REGIONS

KazTransOil JSC is the national main oil pipeline operator in the Republic of Kazakhstan. It is a member of NC KazMunayGas JSC Group. It owns a diversified main oil pipeline network with the total length of 5.4 thousand km. KazTransOil JSC production facilities are located in Shymkent and in the Karaganda, Pavlodar, Turkestan, North Kazakhstan, Atyrau, Mangistau, West Kazakhstan, Kyzylorda, Almaty and Aktobe Regions of Kazakhstan. The company transports oil to Kazakhstan refineries and for export along 5 routes: Atyrau – Samara and Kazakhstan – China oil pipelines, Aktau Port (oil loading into tankers), rail transportation (loading into tank cars), transshipment to the CPC system.

# MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



## DEAR SHAREHOLDERS, PARTNERS AND COLLEAGUES,

KazTransOil JSC is a national main oil pipeline operator in the Republic of Kazakhstan and represents the national interests in the field of oil transportation, both to the domestic market and for the export purposes.

KazTransOil JSC implements strategic projects that are crucial for ensuring the social and economic development in the Company's operating areas and the national energy security. KazTransOil JSC plays a significant and essential role as a taxpayer, employer and consumer of goods, works and services, including those from local vendors.

KazTransOil JSC currently provides for transportation of approximately 40% of the overall national oil production and 99% of supplies to the domestic refineries. The Company operates in 11 regions of the country and employs approximately 6800 persons.

By reviewing KazTransOil JSC performance on an annual basis, we note that the Company still adheres to its high standards and achieves the established goals and objectives.

The Company's revenues in 2019 amounted to KZT 239.6 billion and increased by 6% as compared to the previous year. The total profit for the reporting period was KZT 45.1 billion and grew by 17%. The total dividend payments in the reporting period based on 2018 amounted to KZT 40 billion, or KZT 104 per Company's ordinary share.

In 2019, we specifically focused on one of our top priorities, namely the actions to develop the corporate management system, in particular, to improve the efficiency of the Company's management bodies. In this regard, the new members of KazTransOil JSC Board of Directors were elected at the extraordinary General Meeting of Shareholders in January 2019. Moreover, the Internal Audit Service performed an assessment of the Company's corporate management system. The assessment revealed the strengths and improvement areas in the Company's corporate management.

KazTransOil JSC adheres to high business transparency standards. In 2019 Kazakhstan Stock Exchange JSC (KASE) awarded KazTransOil JSC with the diploma For Striving for Transparency, due to the Company's continuous efforts to improve disclosure of its performance data.

I am certain that the well-balanced development strategy, high corporate standards, professional management and personnel engagement allow KazTransOil JSC to face the future with confidence and continue its consistent efforts to achieve the established goals and objectives.

As I sum up the year, I would like to express my sincere gratitude to our shareholders for our long-term cooperation, to the members of the Board of Directors for their support and professional advice, to our partners for our fair and mutually beneficial collaboration and to the members of the Management Board and every employee for their commitment to the Company's strategic goals and their contribution to its successful development. **GRI 102-14**



**DANIYAR BERLIBAYEV**  
Chairman of KazTransOil JSC Board of Directors



# MESSAGE FROM THE GENERAL DIRECTOR



## DEAR READERS,

We would like to present to you the KazTransOil JSC Integrated Annual Report that reflects our performance for 2019 and estimates the Company's short-term and medium-term business prospects.

Despite decreasing oil production by the Company's traditional shippers and Caspian Pipeline Consortium oil pipeline throughput capacity expansion, the Company reached the positive financial results in the reporting period.

Meanwhile, KazTransOil JSC oil transportation volume for 2019 was 44.5 million tonnes and reduced by 2% as compared to 2018, while the consolidated oil turnover reduced by 1% as compared to the previous year and amounted to 45.6 billion tonnes-km.

KazTransOil JSC consolidated revenues grew by KZT 14.2 billion as compared to 2018, while the Company's consolidated net profit increased by KZT 6.6 billion and amounted to KZT 45.1 billion. This increase is predominantly due to KazTransOil JSC operating income growth and the increasing share of profits in jointly-controlled entities.

The income from the operating services, which represent another core activity performed by the Company, also increased in the reporting year.

The respective income in 2019 was KZT 16.1 billion and increased by KZT 2.8 billion as compared to 2018 due to commencement of services to Caspian Pipeline Consortium starting from July 2018.

KazTransOil JSC is a reliable and responsible partner in the field of oil transportation. In the reporting year, the Company succeeded yet again in confirming this status.

The Company promptly settled the issue related to high content of chlororganic compounds in the oil inventory, which resulted in off-spec oil shipments from Kazakhstan shippers to tankers in Ust-Luga port. In order to settle the above incident, KazTransOil JSC acting on behalf of 38 Kazakhstan oil companies signed an agreement with PJSC Transneft on compensation payments for off-spec oil in favour of the affected Kazakhstan oil companies. All 38 shippers received the compensation.

An important result achieved by the Company in 2019 was completion of the return activities as related to 141,728 tonnes of process oil owned by KazTransOil JSC and located in the Russian Federation in Omsk – Pavlodar main oil pipeline.

Along with production achievements, ensuring occupational safety of KazTransOil JSC personnel remains our crucial priority. We specifically focus on compliance with the occupational safety standards. Regular actions are taken at the Company's production facilities to reduce the injury rate and the number of emergencies.

Despite the actions taken, three occupational accidents occurred in the reporting year. To prevent their future re-occurrence, the Company additionally enhanced control over compliance with the safety rules and requirements at all production levels.

In particular, in order to promote the safety culture, to demonstrate commitment to health and safety and to reduce the occupational injury rate, KazTransOil JSC declared 2020 the Year of Safety.

We acknowledge that long-term sustainable business growth is based on human capital development. The personnel development programmes, advanced training, competitive remuneration and social securities granted to the personnel contribute to creating a consolidated and professional team committed to the common cause and established goals.

The year 2019 was crucial for the Company in terms of experience gained in many areas of the Company's activities. I genuinely believe that in 2020, we will succeed in applying the obtained knowledge and experience to ensure the Company's qualitative growth and better performance.

In conclusion, I would like to thank all our shareholders and partners for our meaningful cooperation and their vote of confidence, and to express gratitude to everyone employed at KazTransOil JSC for their contribution to the Company's development. **GRI 102-14**

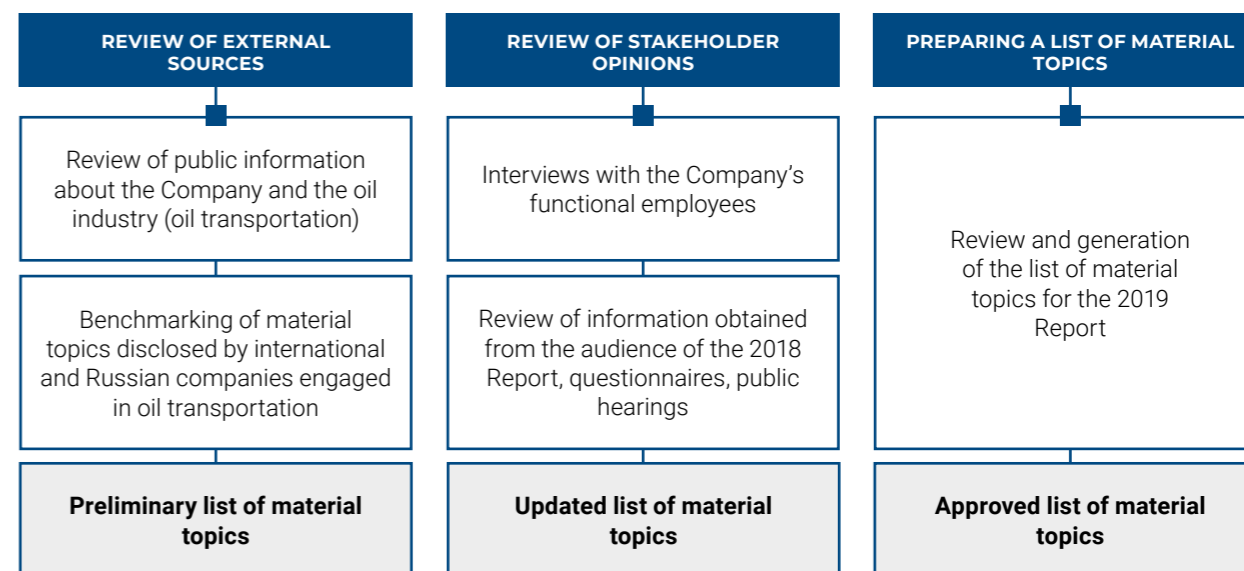


**DIMASH DOSSANOV**  
General Director  
(Chairman of the Management Board)  
KazTransOil JSC



# REPORT OVERVIEW

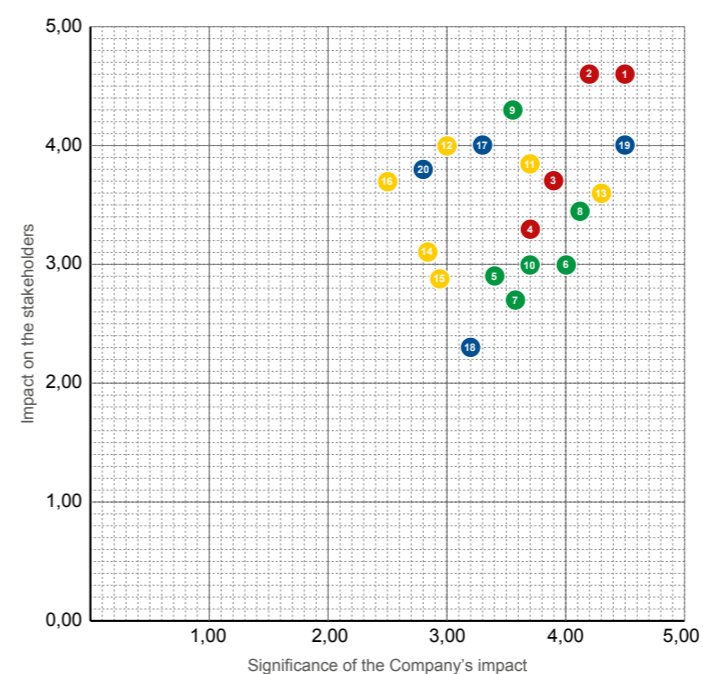
## Material Topic Determination Approach



Based on the discussions and the strategic vision of the Company's development, the most critical topics for stakeholders have been determined. All topics were assessed in terms of their materiality

for the stakeholders and significance of the Company's impact. The final assessment was reflected in the Materiality Matrix.

## Materiality Matrix



Based on the review of the stakeholder opinions and the Materiality Matrix, 20 material topics were determined, including those from the economic, environmental and social categories.

The Company also determined additional material topics to be disclosed in the Report, which reflect the operating priorities and development areas of KazTransOil JSC.

## REPORT DEVELOPMENT APPROACH

KazTransOil JSC is committed to high transparency standards and regularly publishes its performance data to keep its stakeholders informed on a wide range of issues.

KazTransOil JSC Integrated Annual Report for 2019 (hereinafter, the Report) is the seventh Report to comprehensively disclose the Company's operational and financial indicators.

The objective of the Report is to inform the stakeholders on the Company's strategy, mission and values, its corporate management system, operational, financial, business and sustainable development performance.

The Company has adopted an annual reporting cycle. This Report reflects the Company's performance from January 1 to December 31, 2019, and describes the Company's plans for 2020. The previous Report was published in May 2019.

The Report has been developed according to the Core Option as related to compliance with the GRI Standards on Sustainability Reporting (hereinafter, GRI Standards).

## REPORT PREPARATION AND DETERMINATION OF MATERIAL TOPICS

This Report was prepared by the Company according to the reporting concepts stipulated in GRI Standards. This Report was also written in accordance with the concepts of the International Integrated Reporting Standard developed by the International Integrated Reporting Council (IIRC), the requirements of the Kazakhstan Stock Exchange (KASE), and the provisions of the Corporate Management Code as well as other internal documents issued by the Company.

The Report specifically covers the information on the Company's compliance with the United Nations (UN) Global Compact and the Company's contribution to the UN Sustainable Development Goals.

The description of the Company's financial and business performance was prepared in accordance with the recommendations of the Practical Guide on Management Commentary of the International Financial Reporting Standards (IFRS).

In order to comply with GRI Standards, the Company has determined the most critical material topics. The selection of the potential topics included the topics proposed by GRI Standards and the additional topics independently determined by the Company.

**Full list of material topics**

Category	Nº	Material topics	Internal	External
<b>Economic</b>	1	<b>201</b> Economic performance	✓	✓
	2	<b>202</b> Labour market presence	✓	✓
	3	<b>204</b> Procurement practices	✓	✓
	4	<b>205</b> Anti-corruption	✓	✓
<b>Environmental</b>	5	<b>302</b> Energy	✓	✓
	6	<b>303</b> Water	✓	✓
	7	<b>304</b> Biodiversity	✓	✓
	8	<b>305</b> Emissions	✓	✓
	9	<b>306</b> Discharges and waste	✓	✓
	10	<b>307</b> Environmental regulatory compliance	✓	✓
<b>Social</b>	11	<b>401</b> Employment	✓	✓
	12	<b>402</b> Employee/management relations	✓	-
	13	<b>403</b> Occupational health and safety	✓	✓
	14	<b>404</b> Training and education	✓	✓
	15	<b>405</b> Diversity and equal opportunities	✓	-
	16	<b>406</b> Non-discrimination	✓	-
<b>Additional material topics</b>	17	Production capacity efficiency	✓	✓
	18	Production integrity and safety, emergency preparedness	✓	✓
	19	Corporate management	✓	✓
	20	Digitalisation and automation	✓	✓

The table containing the full list of standard reporting elements and references to disclosures in the Report is provided in [Appendix 1](#) to the Report.

**REPORT SCOPE**

GRI 102-45 102-46 102-48 102-49

The Report includes performance data of KazTransOil JSC and its subsidiaries and jointly-controlled entities (SJCE).

The operating and financial indicators presented in Key Indicators for 2019 and Financial and Business Performance: Management Report are shown on a consolidated basis and include the financial and business performance data on SJCE. Other sections of the Report cover the data on KazTransOil JSC only, unless otherwise indicated.

The Republic of Kazakhstan was determined as the material operating area in the Report.

In the reporting year, the Company continued its practice of disclosing information in the form of three-year

trends. In addition, in order to present the data in a more comprehensive manner, the Report refers to the events that occurred before or after the reporting period.

The Report also reflects the forward-looking plans for 2020. Since their implementation is exposed to a number of external factors beyond the Company's control, the performance achieved in future reporting periods does not necessarily coincide with the benchmarks indicated in the Report.

Compared to the Company's 2018 Integrated Annual Report, changes have been introduced in respect of certain indicators and/or scopes, as well as in respect of the disclosure of additional indicators. Detailed explanations are provided in the Report.

Specifically, the water supply data were excluded from the calculation of specific indicators, since this function was removed from the Company's core activities

and transferred to Main Waterline LLP. No other significant changes were made to the coverage or scope of the Report as compared to the previous year.

In 2019, the Company disclosed the biodiversity impact data for the first time. The practice of disclosing this information is to be continued in subsequent reporting periods.

The review of the feedback obtained from the audience of the 2018 Integrated Annual Report was also used to prepare this Report.

**INDEPENDENT VERIFICATION**

GRI 102-56

The external audit of the Company's financial statements was performed by Ernst and Young LLP. The audit opinion is provided in [Appendix 7](#) to the Report.

No external verification of sustainable development data has been performed for the 2019 Report. However, the Company acknowledges that independent verification of non-financial information is critical for KazTransOil JSC stakeholders and plans to consider introduction of this practice.

**FEEDBACK**

A feedback form is provided at the end of each main section of the Report. The Company would be grateful for any feedback to enable improvement of future reports and meeting the needs of its stakeholders as related to information openness and transparency.

**CONTACT DETAILS**

GRI 102-53

The interactive version of the Report is available, along with electronic versions of the Company's previous reports, on the Company's corporate website [www.kaztransoil.kz](http://www.kaztransoil.kz) in [For Shareholders and Investors / Information Disclosure / Annual Reports](#).

To request additional information on the Report and its contents, please use the following contact details: Corporate Management Department +7 (7172) 555-346, [keldibekova@kaztransoil.kz](mailto:keldibekova@kaztransoil.kz)



# KEY INDICATORS FOR 2019

OIL TRANSPORTATION AND PETROLEUM PRODUCT TRANSHIPMENT

**45,320**  
thousand tonnes

TOTAL PROFIT

**45.1**  
KZT billion

MANNING LEVEL

**6,773**  
persons

## OIL TRANSPORTATION

OIL TRANSPORTATION AND PETROLEUM PRODUCT TRANSHIPMENT (CONSOLIDATED)<sup>1</sup>

**45,320**  
thousand tonnes

2019  $\downarrow 2.2\%$ <sup>2</sup>

OIL TRANSPORTATION, SEPARATELY FOR KAZTRANSOIL JSC

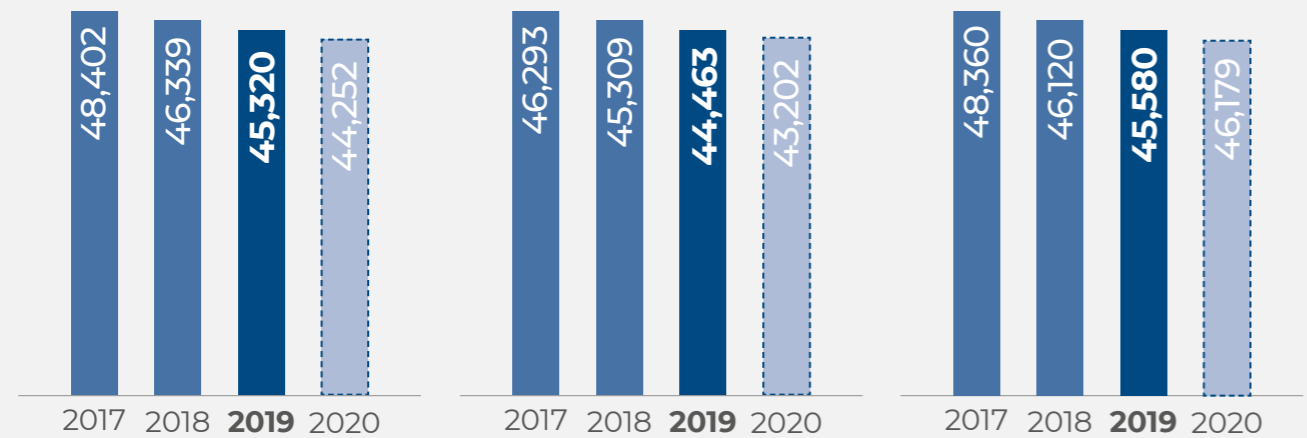
**44,463**  
thousand tonnes

2019  $\downarrow 1.9\%$

OIL TURNOVER (CONSOLIDATED)<sup>3</sup>

**45,580**  
million tonnes-km

2019  $\downarrow 1.2\%$



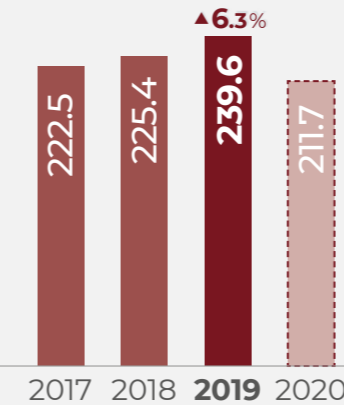
<sup>1</sup> Hereinafter in the Report, the presented variation in quantitative indicators is calculated as a ratio of the actual value for the reporting period to the actual value for the previous year.

<sup>2</sup> This indicator is calculated on a consolidated basis, taking into account the volume of the Company and Batumi Oil Terminal LLC.

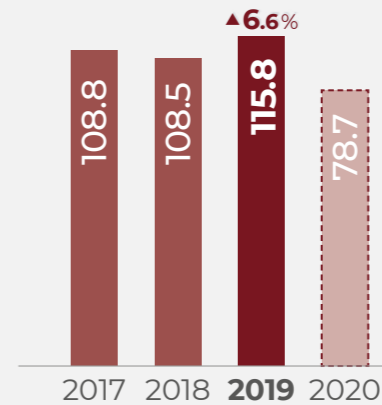
<sup>3</sup> This indicator is calculated on a consolidated basis, taking into account the Company's interest in SJCE.

## FINANCIAL INDICATORS

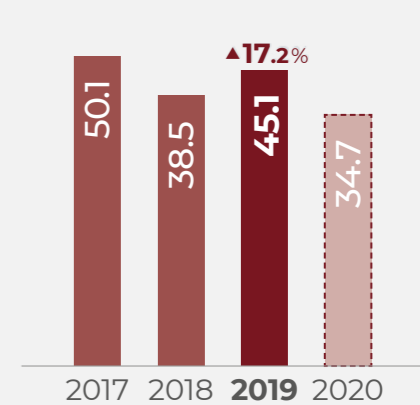
REVENUES  
KZT BILLION



EBITDA<sup>4</sup>  
KZT BILLION



TOTAL PROFIT  
KZT BILLION



<sup>4</sup> This indicator is calculated in accordance with the Rules for Preparation, Agreement, Approval, Adjustment, Execution and Monitoring of Development Plans for Sovereign Wealth Fund Samruk-Kazyna JSC Subsidiaries.

## SUSTAINABLE DEVELOPMENT INDICATORS

MANNING LEVEL

**6,773**  
persons

2019  $\downarrow 2.2\%$

POLLUTANT EMISSIONS

**26,665**  
tonnes

2019  $\downarrow 11\%$

POWER CONSUMPTION FOR OIL TRANSPORTATION

**4.44**  
TOE/million tonnes

2019  $\downarrow 5.3\%$











# MAP OF KAZTRANSOIL JSC MAIN PIPELINES

**5,378.5 km**  
OF MAIN OIL PIPELINES

GRI 102-4



-  Administrative Centers
-  POPS (Principal Oil Pumping Stations)
-  OPS (oil pumping station)
-  Loading/unloading racks
-  Other (OHS, ADP Etc.)

-  Acting main water pipelines
-  Acting main oil pipelines
-  Acting main oil pipelines, consisting of two or more threads



# DEVELOPMENT BACKGROUND

GRI 102-5

## 1997

In order to serve the interests of the Republic of Kazakhstan in the field of oil transportation, export and import of oil and petroleum products, National Oil Transportation Company KazTransOil Closed Joint-Stock Company was established as a 100% state-owned company under RoK Governmental Resolution No. 461 dated April 2, 1997.

## 1998

In December, the Company was included in the Republican Section of the State Register of Natural Monopolies in respect of a number of its services classified as natural monopolies, including oil transportation via main pipelines and water supply via main water pipelines.

## 2001

In 2001, the state interest in NOTC KazTransOil CJSC (renamed as KazTransOil CJSC) was transferred to the authorised capital of the Oil and Gas Transport National Company Closed Joint-Stock Company established in accordance with RoK Governmental Resolution No. 591 dated May 2, 2001.

## 2002

Under RoK Presidential Decree No. 811 dated February 20, 2002, based on reorganisation through a merger of National Oil and Gas Company Kazakhoil Closed Joint-Stock Company and Oil and Gas Transport National Company Closed Joint-Stock Company, National Company KazMunayGas Closed Joint-Stock Company was established and became the sole shareholder of KazTransOil CJSC.

## 2003

The Kenkiyak – Atyrau main pipeline was commissioned in June.

## 2009–2011

The Kenkiyak – Kumkol main oil pipeline was commissioned in September 2009 by KCP LLP.

In June 2011, the Company received the Kazakhstan section of TON-2 oil pipeline from NC KazMunayGas JSC as a payment for the shares placed by the Company for a total amount of KZT 1,700 million.

## 2007–2008

In January, the Company acquired a 50% interest in Batumi Capital Partners Limited. As a result, the Company acquired the assets of Batumi Oil Terminal LLC and the exclusive right to manage Batumi Sea Port LLC for 49 years.

In February 2008, the Company acquired a 100% interest in Batumi Industrial Holdings Limited.

## 2006

The Atasu – Alashankou main pipeline was commissioned in July by KCP LLP.

Also, in July, the Company put into operation the 25 km long Northern Buzachi – Karazhanbas oil pipeline with the design throughput capacity of 3.5 million tonnes of oil per year.

## 2004

KazTransOil CJSC was renamed as KazTransOil JSC in May.

In July, NC KazMunayGas JSC transferred its 51% interest in MunaiTas NWPC JSC joint venture to the Company.

The Company and China National Oil and Gas Exploration and Development Corporation established Kazakhstan – China Pipeline LLP (KCP LLP) as equal partners.

## 2012

In September, the Company sold its 100% interest in KazTransOil-Service JSC to KazMunayGas-Service LLP under a sales and purchase agreement.

RoK Governmental Resolution No. 1273 dated October 8, 2012 appointed the Company as a national main oil pipeline operator.

In December 2012, trading of the Company's ordinary shares on the secondary market began on the KASE; the Company thus became the first enterprise in the Republic of Kazakhstan to list its shares as part of the People's IPO Programme.

## 2013

In December, as a result of the reorganisation of Batumi Industrial Holdings Limited, Batumi Capital Partners Limited and Batumi Services Limited, the Company became the owner of a 100% interest in Batumi Terminals Limited (Cyprus), via which the assets in Georgia were managed (Batumi Oil Terminal that held an exclusive right to manage Batumi Sea Port LLC).

## 2014

Starting from January, the Company commenced transportation of Russian oil to the People's Republic of China (PRC) via the Republic of Kazakhstan, in the volume up to 7 million tonnes per year.

In August, the Company sold 0.88% of its shares in the Accumulative Pension Fund of Halyk Bank of Kazakhstan JSC.

## 2015

In May, the amendments were introduced to the Law of the Republic of Kazakhstan **On Natural Monopolies** to exclude services related to oil transportation in transit through the Republic of Kazakhstan and export outside the Republic of Kazakhstan from the scope of natural monopolies.

## 2018

In April, registration of KazTransOil JSC West and East Branches was cancelled.

In May, a contract was signed for maintenance, repair and emergency response at CPC-K JSC oil pipeline system facilities for 2018–2023.

In August, refurbishment was completed at Kenkiyak Head Oil Pumping Station.

In September, a KazTransOil JSC Representative Office was established in Moscow (Russian Federation).

## 2017

Due to liquidation of the subsidiary, Batumi Terminals Limited (Cyprus), KazTransOil JSC became the holder of a 100% interest in Petrotrans Limited in March and a 100% interest in Batumi Oil Terminal LLC in August; the latter had the exclusive right to manage 100% of the authorised capital of Batumi Sea Port LLC owned by Georgia.

In December, Main Waterline LLP was registered, with the Company holding a 100% interest in its authorised capital.

## 2016

In August, the overhaul was completed at the Kazakhstan section of the TON-2 main oil pipeline, which enabled a throughput capacity boost from 7 to 11 million tonnes per year.

In October 2016, the Company began to receive oil from the Kashagan field into its main oil pipeline system.

In December, 663 km OPS (later renamed to Shmanov OPS) was commissioned.

# KEY EVENTS IN 2019

## January

### STAFF CHANGES

According to the decision taken at the extraordinary General Meeting of KazTransOil JSC Shareholders dated January 28, 2019, the new members of the Board of Directors were elected.

## April

### MEMORANDUM OF UNDERSTANDING



The RoK Ministry of Education and Science and KazTransOil JSC signed a Memorandum of Understanding and Cooperation to train engineering personnel for the oil pipeline sector.

## May

### ANNUAL MEETING OF SHAREHOLDERS

The annual General Meeting of KazTransOil JSC Shareholders was held in the city of Nur-Sultan to review the performance results for 2018.

## July

### INTERNATIONAL COOPERATION

The return activities were completed as related to 141,728 tonnes of process oil owned by KazTransOil JSC and located in the Russian Federation in Omsk – Pavlodar main oil pipeline.

## August

### CREDIT RATING

The international rating agency Moody's Investors Service changed its forecast rating for KazTransOil JSC from Stable to Positive and confirmed its Baa3 rating level.

### INTERNATIONAL CONTEST



The Best In Profession International Contest among oil pipeline specialists was held in Atyrau. 44 specialists engaged in the largest oil transportation companies holding a membership in International Association of Oil Transporters (IAOT) participated in the contest.

## September

### INTERNATIONAL COOPERATION



XII IAOT Meeting chaired by KazTransOil JSC was held in Almaty. The meeting participants addressed admission of a new observer, JANAF (Croatia), agreed the 2020 budget and listened to the reports presented by expert groups.

## November

### CREDIT RATING

The international rating agency Fitch Ratings confirmed its long-term default rating of the issuer KazTransOil JSC in a foreign currency at BBB- level, with a Stable forecast rate.

## December

### INTERNATIONAL COOPERATION

Agreements were signed between Transneft PJSC and KazTransOil JSC acting on behalf of 38 kazakhstani oil companies on compensation payments for off-spec oil on behalf of Transneft PJSC.

### OIL FISCAL METERING



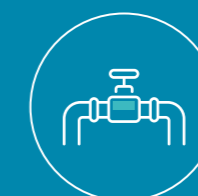
Starting from December 1, 2019, fiscal metering of Kazakhstan oil was commenced during export transportation via Uzen – Atyrau – Samara main oil pipeline of KazTransOil JSC using the Lease Automatic Custody Transfer System at 1,235 km Custody Transfer Point of Uzen – Atyrau – Samara oil pipeline located in Kazakhstan.



# MANGISTAU REGION

The Mangistau Region is home to Kazakhstan's principal "sea gate", namely the Aktau Port built in 1963 to transport the products generated at uranium industry enterprises and Mangyshlak regional oil fields. The Aktau Port is intended for international transportation of dry cargoes, crude oil and petroleum products, and the Alyat – Aktau Port ferry line across the Caspian Sea forms part of the Silk Road International Project.

## KAZTRANSOIL JSC REGIONAL INDICATORS



Length of oil  
pipelines

**1,156**  
km



Length  
of OPL

**926**  
km



Air emission  
volume

**4,184**  
tonnes



# BUSINESS-MODEL

## RESOURCES



FINANCIAL CAPITAL

**703 KZT million**  
total equity

**61,938 KZT million**  
share capital



NATURAL CAPITAL

**167,146 TOE**  
total energy consumption

**8 "Water" concepts**



PRODUCTION CAPITAL

**5,378.5 km**  
total length of main oil pipelines

**3,322 km**  
total length of oil pipelines covered by the services



HUMAN CAPITAL

**6,773 persons**  
the headcount

**43 years**  
the average age of personnel



INTELLECTUAL CAPITAL

**IT systems**  
(SAP, EDCS, EAS, SCADA, SQUID and others)

**Unmanned Communication Hubs**

**Trunking Radio Network**



SOCIAL AND REPUTATIONAL CAPITAL

**Ombudsman Institution**

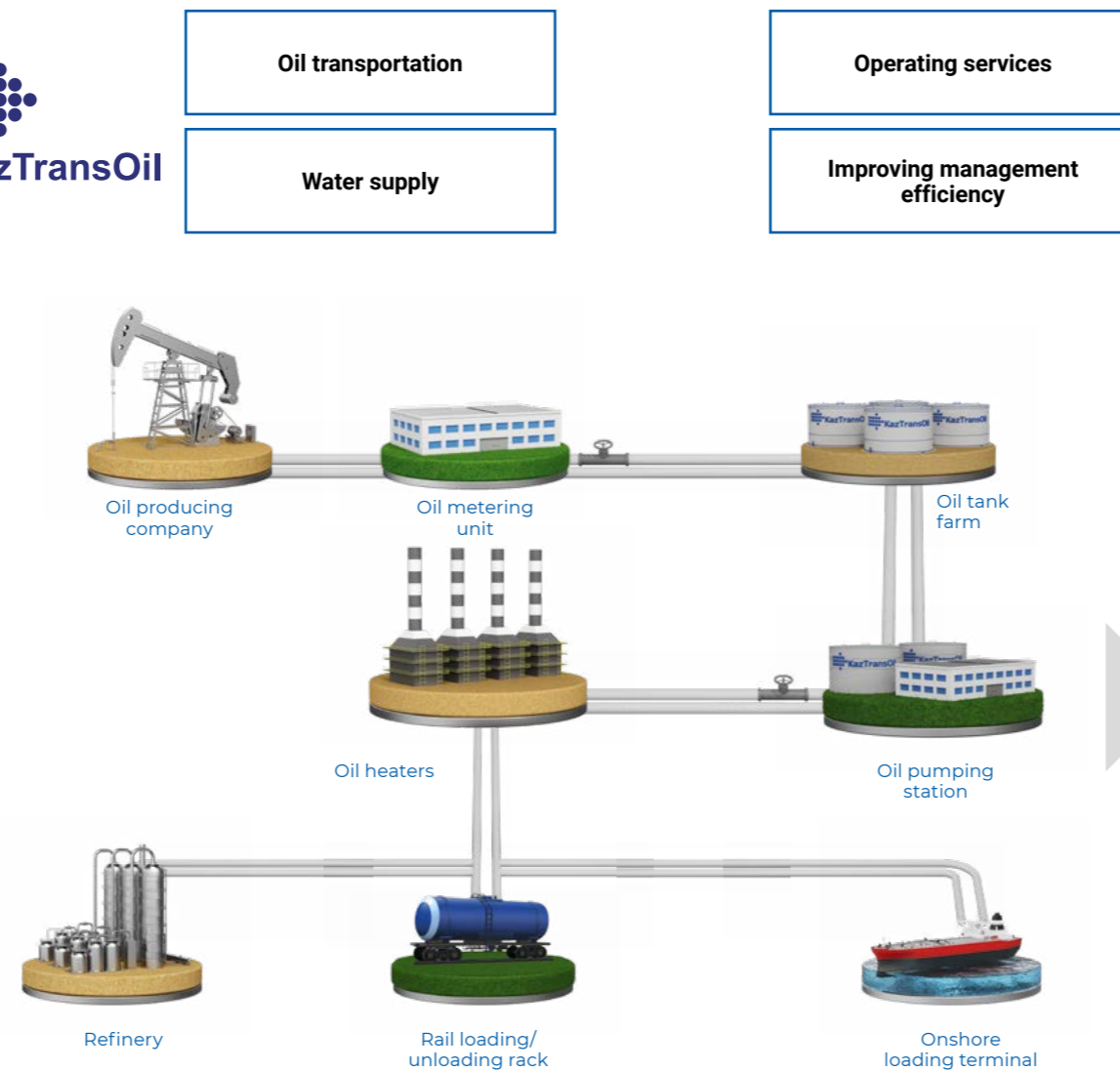
**Hotline**

**Corporate Ethics Code**

## SUPPLY CHAIN PROCESS



KazTransOil



### KEY RISKS

- Decrease of oil and water supplies
- Emergency
- Intentional theft or destruction of assets
- Risk of exchange losses
- Strategic partner risk
- Accidents
- Environmental risk

### CORPORATE VALUES

- Occupational health and safety
- Efficiency
- Sustainable development
- Professionalism
- Mutual assistance and teamwork

## 2019 PERFORMANCE RESULTS

**45.1 KZT billion**  
total profit

**40.0 KZT billion**  
total dividend payments based on 2018

**6.3%**  
reduction in total energy consumption

**3,286 tonnes**  
reduction in volume of air emissions

**44,463 thousand tonnes**  
oil transportation (separately for Company)

**1,644 pipe defects**  
in main oil pipelines were eliminated

**2.3%**  
personnel turnover ratio

**0 number of fatalities**  
due to occupational injuries

**608 KZT million**  
investments into staff training

**KazTransOil JSC Digital Technology Development Programme**

**94%**  
radio coverage zone at the facilities of the main oil pipeline

**75%**  
social stability rating

**2.1 KZT billion**  
social assistance costs for the employees

**39.4 KZT billion**  
taxes and other budget payments paid

## STAKEHOLDERS

Shareholders and influential organisations

Financial institutions

State authorities

Personnel

Service customers and partners

SJCE

Suppliers and contractors

General public and mass media

Competitors

# COMPANY OVERVIEW

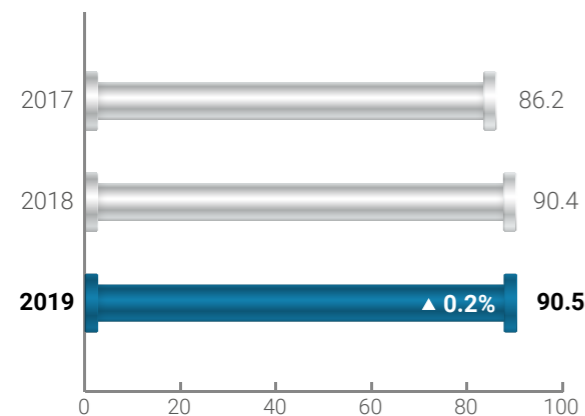
## DESCRIPTION OF INDUSTRY AND COMPANY'S MARKET POSITION

GRI 102-1 102-4 102-6

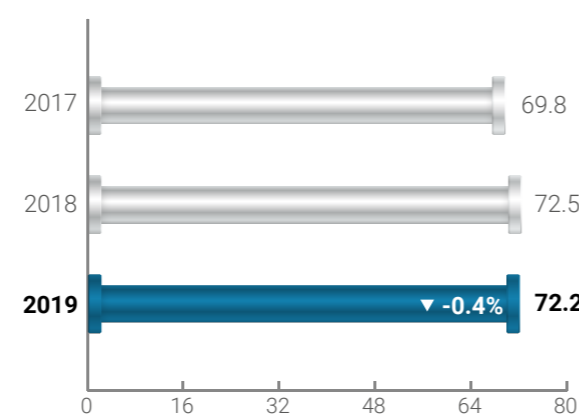
Over the last three years, oil and gas condensate production and export volumes have been steadily growing. In 2019, 90.5 million tonnes of oil and gas condensate were produced in Kazakhstan, which was 0.2% higher than in 2018 (the growth in 2018 was 4.6% as compared to 2017). The main reason behind the increase in oil and gas condensate production is production ramp-up at the Kashagan field.

In 2017 to 2019, Kazakhstan oil export volumes also showed an upward trend, and the export profile is expected to repeat the national production growth rate. In 2019, Kazakhstan oil export volume remained approximately similar to 2018 and amounted to 72.2 million tonnes.

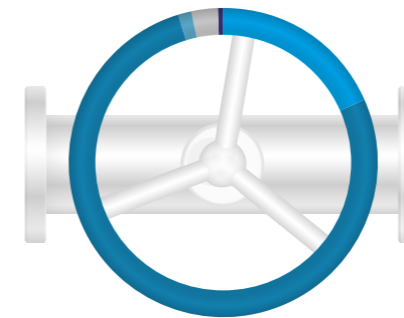
Oil and gas condensate production in Kazakhstan, million tonnes



Kazakhstan oil export, million tonnes



Kazakhstan oil and gas condensate export, million tonnes



72.2 million tonnes

- 13.3 Atyrau – Samara oil pipeline\*
- 55.6 CPC oil pipeline
- 0.9 Atasu – Alashankou oil pipeline\*\*
- 2.0 Aktau Port
- 0.4 Railway

\*In addition, approximately 1 million tonnes were delivered to Pavlodar Oil Chemistry Refinery LLP (POCR) in transit through the Russian Federation via Samara – TON-2 – Priirtyshsk – POCR route.

\*\* The transportation volume was 10.9 million tonnes, which included 10 million tonnes in transit deliveries to the PRC.

Source: Oil and Gas Information and Analytical Centre JSC

Traditionally, almost all oil produced in Kazakhstan has been exported via the Russian Federation. In 2019, over 98% of Kazakhstan oil exports were transported in transit through the Russian Federation via Caspian Pipeline Consortium (CPC) and Atyrau – Samara oil pipelines, Aktau Port and by rail.

Due to completion of the CPC oil pipeline throughput capacity expansion project in 2017 and the highest economic attractiveness, almost all oil produced at the Tengiz, Kashagan and Karachaganak fields, which are the only contributors to the oil production increase in Kazakhstan at present and in future, will be exported via the CPC pipeline. Therefore, in 2019 the Kazakhstan oil export volumes via the CPC route increased by 2.4% to 55.6 million tonnes, which is over 75% of the overall Kazakhstan oil export volume for the reporting year.

On May 21, 2019, CPC shareholders decided to implement the CPC Oil Pipeline Debottlenecking Project to enable oil pipeline throughput capacity increase at its Kazakhstan section up to 72.5 million tonnes per year.

Atyrau – Samara oil pipeline is the second top pipeline in terms of Kazakhstan oil export to the world market. Oil is supplied via Atyrau – Samara oil pipeline and further via Transneft PJSC system up to Ust-Luga Baltic terminal and Novorossiysk Black Sea port. In 2019, 13.3 million tonnes of Kazakhstan oil were transported via Atyrau – Samara oil pipeline.

Kazakhstan oil transportation volume via Atasu – Alashankou oil pipeline reduced by 38% in 2019 and amounted to 0.9 million tonnes, excluding the Russian crude oil transit in the volume of 10 million tonnes. The main drivers behind reduction in export volumes to the PRC are decreasing oil production volumes at the Kumkol Field Group, large workload of Kumkol and Aktobe producing companies to ensure supply to PetroKazakhstan Oil Products LLP (PKOP) and the Pavlodar Oil Chemistry Refinery LLP (POCR), low attractiveness of this route for producing companies in the Aktobe Region and the current impossibility to transport West Kazakhstan oil to Alashankou due to technical reasons.

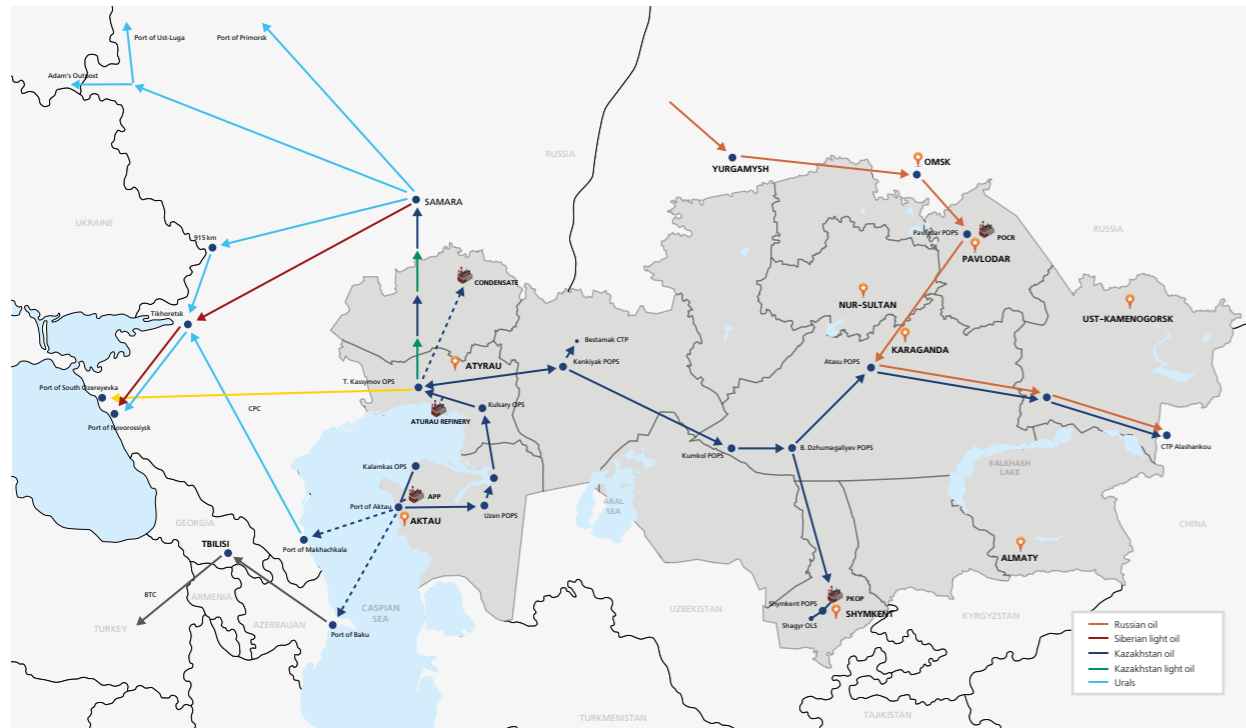
Taking into account that the main contributors to further production growth will be the Tengiz and Kashagan fields that rely on the CPC oil pipeline and in view of CPC's highest economic attractiveness, Kazakhstan producing companies that have access to the capacities of this oil pipeline will strive to use the same.

# 90.5 million tonnes

OIL AND GAS CONDENSATE PRODUCTION IN 2019



Directions of export and transit oil supplies



For this reason, and due to production decline of the KazTransOil JSC traditional shippers, the Company's share in Kazakhstan oil export volumes is expected to reduce.

Therefore, the Company is working intensively to boost the competitiveness of its services and to develop its transit potential, such as:

- Separate pumping of low-sulfur Kazakhstan oil via Atyrau – Samara oil pipeline for further transportation via Transneft PJSC system blended with low-sulfur light Siberian oil to be shipped via Novorossiysk Port. This route was used to transport 1 million tonnes of oil in 2019.
- Implementation of Phase I of Kenkiyak – Atyrau Oil Pipeline Section Reversal with a throughput capacity up to 6 million tonnes per year that will enable West Kazakhstan oil supply to Kazakhstan refineries (PKOP and POCR) and its export to the PRC.

In terms of further development of RoK transit potential, the Company is ready to take actions in order to increase the Russian oil transit to the PRC and Uzbekistan should any parties express their interest. In 2019, the transit volume to the PRC amounted to 10 million tonnes, while the transit volume to Uzbekistan was 94 thousand tonnes.

In view of the above factors, the Company acts to boost the competitiveness of its services and to continue securing additional oil volumes.

COMPANY'S DEVELOPMENT STRATEGY UP TO 2025

MISSION

To ensure maximum benefits for KazTransOil JSC shareholders by providing high-quality, timely, efficient,

safe and competitive services to transport oil via a main oil pipeline system, while ensuring equal access of consumers to the Company's services.

VISION

KazTransOil JSC is a competitive and fast-growing company that provides a wide range of oil transportation services via a state-of-the-art and diversified pipeline system that complies with the best practices in terms of sustainable development, production safety,

environmental protection and production asset management. As a national main oil pipeline operator, the Company strives to maintain its leadership in the industry by participating in the largest oil transportation projects in the Republic of Kazakhstan and abroad.

CORPORATE VALUES

GRI 102-16

The Company's activities are guided by the following values:



Occupational health and safety

The Company strives to achieve zero accidents at its production facilities, creates and maintains safe working conditions and cares about the health of its employees.



Mutual assistance and teamwork

The Company acknowledges that achieving high performance is possible by ensuring well-coordinated work across the Company. The Company's activities are based on trust, mutual assistance, accountability and joint efforts to develop and implement the goals and objectives.



Sustainable development

The Company is committed to ensuring the proper and high-quality implementation of the sustainable development concepts set forth in the Corporate Management Code. The Company's activities are focused on preventing environmental pollution and ensuring economical and sustainable use of energy and natural resources.



Efficiency

The Company acknowledges its commitments to the state, shareholders, employees and community, therefore profitability, efficiency and high performance are the Company's indisputable values. The Company's sustainable and stable operation is achieved by business process improvement, cost optimisation, focus on equipment upgrades and production development investments.



Professionalism

The Company values the expertise of its employees regarding its specific activities, as well as timely and high-quality completion of the assigned tasks, and ensures continuous improvement of professional competencies and skills.

The corporate values are reflected in every area of the Company's activities and play a significant role in employee relations management, business process development, strategic planning and decision-making processes.

**KAZTRANSOIL JSC STRATEGIC DEVELOPMENT AREAS UP TO 2025**

GRI 102-2

In December 2016, the Board of Directors approved KazTransOil JSC Development Strategy up to 2025 (the Development Strategy) focused on boosting the Company's market value (capitalisation) and ensuring respect for the state strategic interests in the area of oil transportation via main oil pipelines. The Development Strategy was prepared in accordance with the recommendations given by NC KazMunayGas JSC, as well as internal and external changes in 2015–2016 that had a significant impact on the Company's operations.

In 2019, the Company continued to successfully implement the goals and objectives under the Development Strategy.

In 2020, the Company plans to prepare the new KazTransOil JSC Development Strategy up to 2028. In this regard, the Company has developed a number of actions, such as stakeholder questionnaires, meetings and interviews with the Company's business unit heads and young specialists, a strategic session with the participation of the members of the Management Board, Board of Directors, etc.



**OIL TRANSPORTATION**

**Strategic goals and initiatives up to 2025**

- To ensure high-quality, reliable, uninterrupted and efficient oil transportation.
- To increase oil transportation and turnover volumes by engaging new shippers.
  - To increase oil turnover (>50 billion tonnes-km by 2025).
  - To attract additional volumes from the Tengiz, Kashagan and Karachaganak fields for oil transportation via the Atyrau – Samara oil pipeline.
  - To reverse and expand the Kenkiyak – Atyrau oil pipeline and boost the throughput capacity of the Kazakhstan – China oil pipeline.
  - To ensure a flexible and effective tariff policy in view of the industry development trends and the Company's investment needs.

**Implementation of key actions for 2019**

- ✓ The oil transportation calculated separately for the Company amounted to 44,463 thousand tonnes, while the consolidated oil turnover was 45,580 million tonnes-km (the volume calculated separately for the Company was 37,657 million tonnes-km).
- ✓ The separate pumping volume of low-sulfur Kazakhstan oil via the Atyrau – Samara pipeline for further shipment blended with low-sulfur light Siberian oil via Novorossiysk amounted to 1 million tonnes.
- ✓ The actions scheduled for 2019 under Phase I of Kenkiyak – Atyrau Oil Pipeline Section Reversal with a throughput capacity up to 6 million tonnes per year and Increase of LACT Throughput Capacity at Kenkiyak POPS and Kumkol POPS were completed.

**Key actions for 2020**

- To ensure oil transportation (separately for KazTransOil JSC the Company) at 43,202 thousand tonnes and consolidated oil turnover at 46,179 million tonnes-km (36,469 million tonnes-km separately for the Company).
- To ensure NC Rosneft PJSC oil transit to China at up to 10 million tonnes per year.
- To complete the actions scheduled for 2020 under Tranche Two at Phase Two of Kazakhstan – China oil pipeline: throughput capacity increase up to 20 million tonnes of oil per year.
- To file applications to NMRC to obtain approval of the investment programme and tariffs for oil transportation to the RoK domestic market for 2020–2025.

✓ Completed    ✓ Pending



**WATER SUPPLY**

**Strategic goals and initiatives up to 2025**

- To improve the water supply efficiency and develop the existing system of main water pipelines subject to economic efficiency.

**Implementation of key actions for 2019**

- ✓ The water supply volume amounted to 28,900 thousand cubic metres (against the planned volume of 30,628 thousand cubic metres).
- ✓ The project was completed on renovation of WPS-5 to increase water supply volumes via the Astrakhan – Mangyshlak main water pipeline.

**Key actions for 2020**

- To develop and approve a feasibility study (FS) to upgrade and expand the Astrakhan – Mangyshlak main water pipeline.
- To elaborate on the funding of the project to upgrade and expand the Astrakhan – Mangyshlak main water pipeline.



**OPERATING SERVICES**

**Strategic goals and initiatives up to 2025**

- To increase the revenues from operation and maintenance of main pipelines owned by third parties.

**Implementation of key actions for 2019**

- ✓ The contract was concluded to operate the Turgai Petroleum JSC oil pipeline for 2020.
- ✓ The contract was concluded to maintain and repair the equipment owned by Main Waterline LLP for 2020.

**Key actions for 2020**

- To perform a survey in order to assess consumer satisfaction with operating services in 2020 with the minimum score of 95%.
- To commission Aman OPS upon completion of construction under Phase I of Kenkiyak – Atyrau Oil Pipeline Section Reversal with a throughput capacity up to 6 million tonnes per year.



## IMPROVING MANAGEMENT EFFICIENCY



### CORPORATE MANAGEMENT

#### Strategic goals and initiatives up to 2025

- To improve the corporate management system and compliance with best international practices in corporate management:
  - To maintain a stable level of dividend payments.
  - To improve anti-corruption practices and ways to resolve conflicts of interest.

#### Implementation of key actions for 2019

- ✓ The Company's corporate management system was assessed.
- ✓ The Company's HSMS was subjected to diagnostics audit to assess compliance with ISO 45001:2018.
- ✓ A dedicated line called Say No to Corruption was established.

#### Key actions for 2020

- To approve KazTransOil JSC Development Strategy up to 2028.
- To approve KazTransOil JSC Corporate Ethics Code.
- To ensure transition to HSMS compliant with ISO 45001:2018.



### COST OPTIMISATION AND BUSINESS PROCESS TRANSFORMATION

#### Strategic goals and initiatives up to 2025

- To optimise, improve and increase efficiency of business processes and optimise costs.
  - To take action under KazTransOil JSC Cost Management Programme for 2017–2021.
  - To implement KazTransOil JSC Business Process Transformation and Optimisation Programme.

#### Implementation of key actions for 2019

- ✓ Planned, actions were taken under the Company's Business Process Transformation and Optimisation Programme.
- ✓ Project on KazTransOil JSC Inventory and Storage Facility Logistics Optimisation was closed.
- ✓ KazTransOil JSC Digital Technology Development Programme was approved.

#### Key actions for 2020

- To implement the Company's Business Process Transformation and Optimisation Programme.
- To implement the projects under KazTransOil JSC Digital Technology Development Programme Roadmap.



### ASSET MANAGEMENT

#### Strategic goals and initiatives up to 2025

- To ensure efficiency and improvement of the Company's asset management system.
  - To improve the asset management system, including the Company's and SJCE's assets.

#### Implementation of key actions for 2019

- ✓ To implement ISO 55000:2014 Asset Management and carry out the corresponding certification.

#### Key actions for 2020

- To improve the asset management system, including the Company's and SJCE's assets.
- To select the option for KCP LLP and MunaiTas LLP merger.



### SUSTAINABLE DEVELOPMENT

#### Strategic goals and initiatives up to 2025

- To ensure business development while preserving and protecting the environment, creating favourable working conditions, ensuring workplace safety and contributing to development of local communities in the Company's operating areas.
  - To develop the energy conservation system and to boost energy efficiency.
  - To reduce the occupational injury rate.
  - To reduce adverse environmental impact
  - To improve the personnel performance assessment system by developing the KPI system.

#### Implementation of key actions for 2019

- ✓ Reduction in fuel and energy consumption was achieved amounting to 458 TOE in physical terms or KZT 39 million in monetary terms.
- ✓ XII IAOT Meeting was held in Almaty.
- ✓ The Best in Profession International Contest was held.
- ✓ The local content was achieved at 52% in procurement of goods and 75% in procurement of works and services.
- ✓ The Company's 1,459 engineers and technicians passed qualification.

#### Key actions for 2020

- To update KazTransOil JSC Stakeholder Map.
- To approve KazTransOil JSC HR Policy for 2020–2024.
- To perform an energy sector analysis for 2015–2019 and approve the energy sector goals for 2020.
- To implement the Roadmap for Integrated Development of Safety and Environmental Protection Culture as part of the Safety Year initiatives.

## COMPANY'S KEY PERFORMANCE INDICATORS

Since 2012 the Company's performance has been appraised based on key performance indicators (KPIs). KPIs are a set of indicators that determine achievement of the Company's strategic goals and objectives and reflect its performance efficiency.

The Company's KPI system focuses on:

- Implementation of the Company's Development Strategy and Business Plan
- Ensuring the safe and accident-free operations of the Company
- Continuous improvement of the Company's financial and production performance
- Cascading and breaking down KPIs on a top-down basis.

The Company's existing KPI system includes:

- KPIs of the Company as a whole (corporate KPIs)
- KPIs of executives (members of the Management Board)
- KPIs of managers

- KPIs of heads of departments and services in the headquarters and heads of Separate Business Units (SBU), branches and representative offices
- KPIs of employees engaged in the headquarters.

Corporate KPIs and KPIs of executives are approved by the Company's Board of Directors. KPIs of managers, heads of departments and services in the headquarters and heads of SBUs, branches and representative offices are approved by the Management Board of the Company. KPIs of employees engaged in the headquarters are approved by general director deputies and managing directors in charge.

Corporate and executive KPIs are monitored based on the performance during six and nine months of the reporting year. Actual KPI values at all levels are calculated at the end of the reporting year.

On February 29, 2019 KazTransOil JSC Board of Directors approved the corporate KPIs and the corresponding targets for 2019, which establish the Company's financial, economic and production performance indicators as well as occupational health and safety indicators. All corporate KPIs were met based on the performance for 2019.

### Corporate KPIs for 2019

Item No.	KPI Name	Unit of Measurement	Actual for 2019	Target for 2019
1	Payment of dividends	KZT million	40,001	35,739
2	EBITDA*	KZT million	115,766	105,811
3	Oil turnover (consolidated)**	million tonnes-km	46,857	45,216
4	Health and safety index (separately for KazTransOil JSC)	ratio	0.08	0.07
5	Implementation of the actions scheduled for 2019 under Phase I of Kenkiyak – Atyrau Oil Pipeline Section Reversal with a throughput capacity up to six million tonnes per year as part of Tranche Two at Phase Two of Kazakhstan – China oil pipeline construction.	date	December 31, 2019	December 31, 2019

\* According to the financial statements prepared in accordance with the Accounting Policy of KazTransOil JSC Group.

\*\* Taking into account the undeclared and/or undelivered mandatory minimum volume.

In order to promote the Company's sustainable development principles, the indicators related to sustainable development have been included in KPIs for executives and managers.

### Main KPIs for 2019 Related to Sustainable Development

Item No.	KPI Name	Unit of Measurement	Actual for 2019	Target for 2019
1	Local content share in procurement of goods, works and services	%	75	74
2	Social stability rating	%	75	76
3	Number of accidents that entailed production shutdown or environmental damage during oil transportation	ea.	0	0
4	Compliance with the target unit energy consumption for oil turnover via the Company's main pipelines	TOE/million tonnes-km	4.43	4.85
5	Lost time injury rate per million man-hours (LTIR) (separately for KazTransOil JSC)	quantity/million man-hours	0.26	0.23

On January 31, 2020, in accordance with the indicators specified in the Company's Business Plan for 2020–2024, the approved corporate KPIs of NC KazMunayGas JSC for 2020, and also pursuant

to the recommendations from NC KazMunayGas JSC on the introduction of new KPIs, KazTransOil JSC Board of Directors approved the corporate KPIs and the corresponding targets for 2020.

### Corporate KPIs for 2020

Item No.	KPI Name	Unit of Measurement	Target for 2020
1	Payment of dividends	KZT million	28,990
2	EBITDA*	KZT million	86,605
3	Oil turnover (consolidated)**	million tonnes-km	46,640
4	Reduction of occupational injury rate (LTIR)	%	30
5	Implementation of the actions scheduled for 2020 under the investment project entitled Tranche Two at Phase Two of Kazakhstan – China oil pipeline construction: throughput capacity increase to 20 million tonnes of oil per year.	ratio	1

\* According to the financial statements prepared in accordance with the Accounting Policy of KazTransOil JSC Group.

\*\* Taking into account the undeclared and/or undelivered mandatory minimum volume.

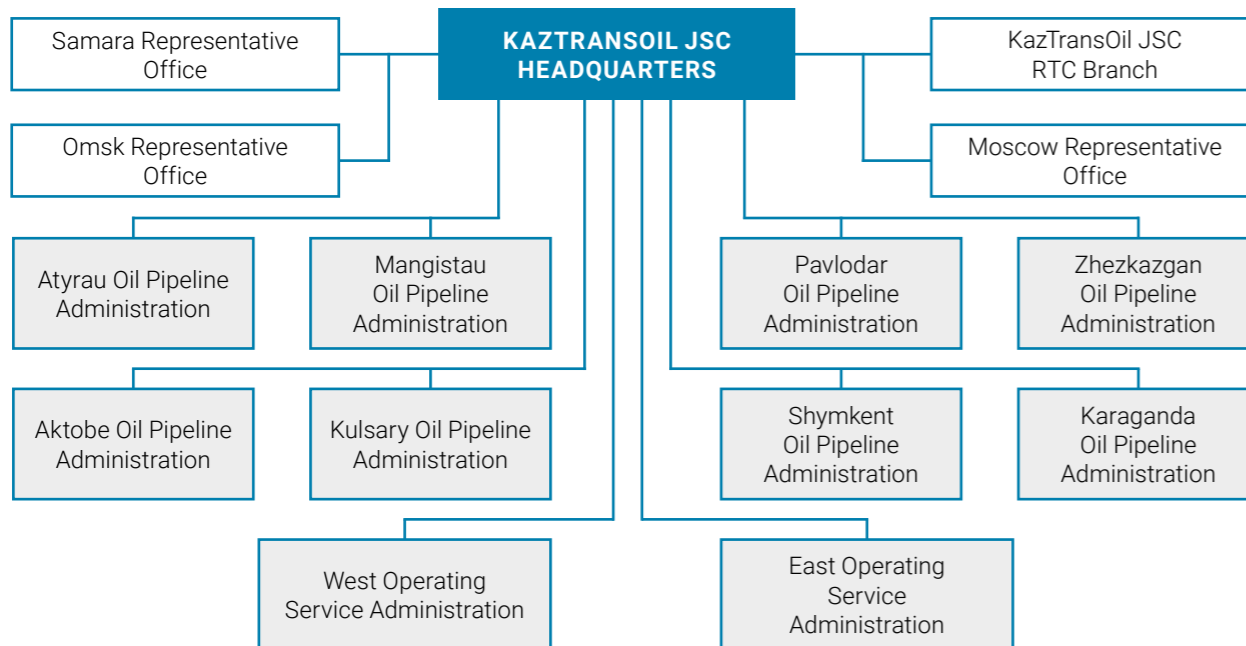


# BUSINESS STRUCTURE

GRI 102-4 102-7 102-10

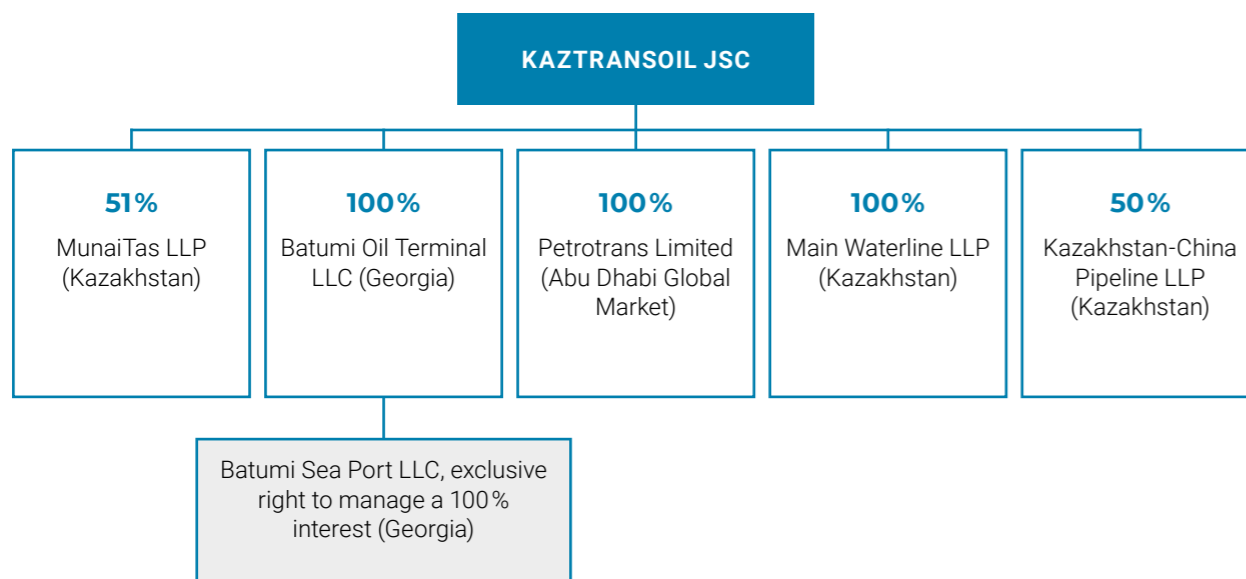
## ORGANISATION

KazTransOil JSC Organisation as of December 31, 2019



## COMPANY'S SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITIES

Structure of KazTransOil JSC SJCEs



## MUNAITAS LLP

MunaiTas North-Western Pipeline Company Limited Liability Company (MunaiTas LLP) is a joint venture between KazTransOil JSC (51%) and CNPC Exploration and Development Company Ltd (49%) established to implement a project to design, finance, construct and operate the Kenkiyak – Atyrau oil pipeline.

MunaiTas LLP core activity is to provide oil transportation services via the main pipeline. The Kenkiyak – Atyrau oil pipeline is 448.85 km long and has the tank farm facilities of 40,000 m<sup>3</sup>.

## MunaiTas LLP Key Performance Results

Indicator	2017	2018	2019
<b>Financial results</b>			
Net income, KZT million	3,358	3,235	1,848
<b>Operating results</b>			
Oil transportation, thousand tonnes	3,660	3,878	3,232
Oil turnover, million tonnes-km	1,437	1,522	1,232
Unauthorised tie-ins, ea.	2	0	0
<b>Sustainable development indicators</b>			
Manning level, persons	85	102	114
Emissions, tonnes	70	39	10.5
Waste recycling, tonnes	3	2	12
Accidents, ea.	0	0	0
Power consumption, thousand kWh	385	358	343

In 2019, MunaiTas LLP oil transportation volume reduced by 16.7% as compared to 2018 due to reduction in oil handover volumes to shippers.

Reduction of net income in 2019 by 42.9% as compared to the actual value for 2018 is related to reduction in oil transportation and the temporary compensation tariff applicable to domestic market (effective from July 1, 2018 to June 30, 2019).

MunaiTas LLP main goals for 2020 are as follows:

- To ensure safe and uninterrupted oil transportation via Kenkiyak – Atyrau oil pipeline.

- To timely complete the project on Kazakhstan – China Oil Pipeline Throughput Capacity Increase. Phase I of Kenkiyak – Atyrau Oil Pipeline Section Reversal with a throughput capacity up to 6 million tonnes per year.
- To obtain approval with respect to the tariff and tariff estimate for 2020–2024 for regulated oil pumping services via Kenkiyak – Atyrau oil pipeline to the RoK domestic market.



**KAZAKHSTAN – CHINA PIPELINE LLP**

KCP LLP is a joint venture between KazTransOil JSC (50%) and China National Oil and Gas Exploration and Development Company Ltd. (50%) established to design, construct and operate the Atasu – Alashankou oil pipeline.

KCP LLP core activity is to provide oil transportation services via main pipelines. KCP LLP is the owner

of the Atasu – Alashankou and Kenkiyak – Kumkol main oil pipelines, which form part of the Kazakhstan – China oil pipeline system.

The Atasu – Alashankou main oil pipeline is 965.1 km long, while the Kenkiyak – Kumkol main oil pipeline is 794.26 km long.

**KCP LLP Key Performance Results**

Indicator	2017	2018	2019
<b>Financial results</b>			
Net income/losses, KZT million	12,451	-7,452	25,392
<b>Operating results</b>			
Oil transportation, thousand tonnes	16,538	15,997	16,200
Oil turnover, million tonnes-km	15,609	14,607	14,590
Unauthorised tie-ins, ea.	0	0	0
<b>Sustainable development indicators</b>			
Manning level, persons	183	187	184
Emissions, tonnes	200	183	183
Waste recycling, tonnes	14	40	54
Accidents, ea.	0	0	0
Power consumption, million kWh	54	42	40

Oil transportation via KCP LLP main oil pipelines in 2019 increased by 1.3% as compared to 2018 due to increase in domestic market supplies.

The net income increase in 2019 as compared to the actual value for 2018 is related to the occurrence of the foreign exchange loss in 2018 and increase in oil transportation income by 25%.

The KCP LLP has established the following goals for 2020:

- To complete implementation of the investment project entitled Increase of LACT Throughput Capacity at Kenkiyak POPS and Kumkol POPS as part of the project entitled Tranche Two at Phase Two of Kazakhstan – China oil pipeline: throughput capacity increase to 20 million tonnes of oil per year.
- To ensure financial stability of the company.
- To attract additional oil volumes for transportation.

**BATUMI OIL TERMINAL LLC**

Batumi Oil Terminal LLC (BOT) is a 100% subsidiary of KazTransOil JSC. The direct ownership and management of production assets in Georgia is exercised through BOT.

BOT's core activity consists in providing services related to transshipment, pumping and storage of oil, petroleum products and gas, as well as the corresponding refining

products, using its own wharfs, process pipelines and tanks.

BOT's advantage over its competitors is its flexibility in terms of storage and transshipment of various types of oil and petroleum products, including liquefied petroleum gas (up to 22 types). BOT's facilities consist of 123 tanks, process pipeline systems, six loading racks, three wharfs and a single-buoy mooring point.

**BOT Key Performance Results**

Indicator	2017	2018	2019
<b>Financial results</b>			
Net income/losses, KZT million	-4,248	-4,804	-14,414
<b>Operating results</b>			
Oil and petroleum product transshipment, thousand tonnes	2,109	1,030	857
Unauthorised tie-ins, ea.	0	0	0
<b>Sustainable development indicators</b>			
Manning level, persons	1,415	1,255	1,246
Emissions, tonnes	383	150	487
Waste water discharges, tonnes	-	49	53
Waste recycling, tonnes	6,660	2,455	1,339
Accidents, ea.	3	5	2
Power consumption, million kWh	14	9	9.3

BOT's performance in terms of transshipment of oil and petroleum products reduced by 16.8% as compared to 2018 due to lack of nominations (orders) from shippers.

BOT's three-fold net loss increase in 2019 is related to loss accrual due to the company's fixed asset depreciation.

BOT's main goals for 2020 are as follows:

- To achieve the production and financial indicators according to the business plan while ensuring production safety and environmental protection.
- To develop additional activities and to diversify its operations.





<http://www.msq.kz/ru>

**MAIN WATERLINE LLP**

KazTransOil JSC owns a 100% interest in Main Waterline LLP authorised capital.

The company's core activity is to supply water via main pipelines to the public, agricultural producers, oil producers, industrial and utility enterprises, and to provide services related to heat energy

production, transfer and distribution, as well as power transmission services.

Main Waterline LLP is the owner of the Astrakhan – Mangyshlak main waterline. The Astrakhan – Mangyshlak main waterline is 1.945.1 km long and has an average annual throughput capacity of 125.000 m<sup>3</sup>/day (estimated).

**Main Waterline LLP Key Performance Results**

Indicator	2017	2018	2019
<b>Financial results</b>			
Net income/losses, KZT million	-	825	-6,815
<b>Operating results</b>			
Water supply, thousand m <sup>3</sup>	-	14,805	28,900
Unauthorised tie-ins, ea.	-	0	0
<b>Sustainable development indicators</b>			
Manning level, persons	-	391	381
Emissions, tonnes	-	6.9	16.5
Waste water discharges, tonnes	-	5	6.7
Waste recycling, tonnes	-	219	134
Accidents, ea.	-	0	0
Power consumption, million kWh	-	55	106

The water supply volume for 2019 is 28,900 thousand m<sup>3</sup> with the main share supplied to utility enterprises (48%) and oil and gas producers (44.5%). Water supply to industrial enterprises was 6.5%, while the shares supplied to agricultural producers and to the public and budgetary enterprises was 0.6% and 0.4%, respectively.

The net loss in 2019 was due to re-assessment of Main Waterline LLP fixed assets that had an adverse impact on the final financial and economic performance.

The company has established the following goals for 2020:

- To develop and approve a feasibility study to refurbish and expand the Astrakhan – Mangyshlak main waterline.
- To elaborate on the funding for the project to refurbish and expand the Astrakhan – Mangyshlak main waterline.



<http://petrotrans.kz/>

**PETROTRANS LIMITED COMPANY**

Petrotrans Limited Company (PTL) is a 100% subsidiary of KazTransOil JSC.

PTL is engaged in freight forwarding via the Transcaucasian route.

PTL provides transportation services from the Caspian region via Georgia. Its business and operating activities are related to oil and petroleum product forwarding services.

The integrated services rendered to the customers include rail transportation of oil and petroleum products from the Georgia and Azerbaijan border to Batumi Oil Terminal, supply monitoring and remote control, petroleum product unloading from rail tank cars, product unloading from tanks and storage at the premises of Batumi Oil Terminal LLC.

**PTL Key Performance Results**

Indicator	2017	2018	2019
<b>Financial results</b>			
Net income, KZT million	928	54	744
<b>Operating results</b>			
Oil and petroleum product transshipment, thousand tonnes	999	401	301
Tie-ins, units	-	-	-
<b>Sustainable development indicators</b>			
Manning level, persons	3	8	12

PTL's performance in terms of transshipment of oil and petroleum products reduced by 25% in 2019 as compared to 2018 due to lack of nominations (orders) from shippers.

PTL's main goal for 2020 is to achieve the production and financial indicators according to the business plan while ensuring production safety and environmental protection.

## Business Process Transformation and Optimisation

Business transformation and cost optimisation are the critical tasks for KazTransOil JSC. These priorities are documented in KazTransOil JSC Development Strategy up to 2025 as key priorities.

In 2019, KazTransOil JSC continued to implement the actions stipulated by KazTransOil JSC Business Process Transformation and Optimisation Programme, as well as the Action Plan on KazTransOil JSC Performance Improvement.

KazTransOil JSC main activities in the reporting year were business process simulation and implementation of certain performance improvement projects that enabled cost reduction as related to KazTransOil JSC operating activities.

### PROJECT ON OUTSOURCING OF PRINTING SERVICES AT KAZTRANSOIL JSC HEADQUARTERS

*(to be implemented in June 2019 to May 2020)*

The project is focused on transfer of non-specialised functions out of the Company's headquarters scope of activities and envisages optimisation of business processes and costs as related to printing services and office printing equipment maintenance at KazTransOil JSC headquarters. The economic effect within 5 years is expected to be approximately KZT 230 million.

### PROJECT ON KAZTRANSOIL JSC INVENTORY LOGISTICS AND STORAGE FACILITY OPTIMISATION

*(to be implemented in July 2017 to April 2019)*

The project is focused on exclusion of rarely used logistics support and equipment supply bases (LSESB) from the Company's assets with subsequent renting of the required premises. The project envisaged sale of LSESB in Atyrau and Pavlodar.

In 2018, the Company decided to close the LSESB in Atyrau.

In January 2019, due to absence of any tender proposals, the Company decided to abandon its plans to sell LSESB assets in Pavlodar, followed by the decision to close the corresponding base starting from April 1, 2019.

In April 2019, according to the Order of KazTransOil JSC General Director (Chairman of the Management Board), this project was closed, and the corresponding close-out report was approved.

In its turn, in order to reduce the operating costs, KazTransOil JSC Management Board decided to close the LSESB in Atyrau (starting from December 4, 2018) and in Pavlodar (starting from April 1, 2019) and optimise the manning level amounting to 66 staff positions.

### PROJECT ON INTRODUCTION OF COMPETENCE-BASED HR MANAGEMENT AT KAZTRANSOIL JSC

*(to be implemented in June 2019 to December 2020)*

The project is aimed at introduction of competence-based HR management concept at the Company. The expected outcomes of the project include such qualitative advantages as integration of all HR management processes into a unified system, enhancement of the management roles and responsibilities in such processes and determination of a target competence set for each position.

The following documents have been developed for implementation of this project:

- Competence-Based HR Management Concept at KazTransOil JSC
- Corporate Standard on Job Competence Requirements for KazTransOil JSC Recommended Development and Documentation Methods.

### PROJECT ON KAZTRANSOIL JSC BUSINESS PROCESS SIMULATION

*(to be implemented in August 2018 to June 2020)*

In 2019, activities under the Project on KazTransOil JSC Business Process Simulation were continued.

The project is implemented by generating the Company's value-added chain in the ARIS Architect & Designer system based on a procedural approach and includes the following goals:

- To generate the maps for the Company's business processes at Level 1, 2 and 3.
- To generate the Company's business process architecture.
- To set the functional features to enable downloading of the Company's regulatory documents from the ARIS system.
- To generate the business process management methodology.
- To generate the methodology to manage business process optimisation projects.
- To compile the list of business process optimisation projects.

Implementation of the project will generate the following qualitative advantages:

- To determine the business processes that add value for the Company's end consumer.
- To determine the business processes to be optimised and/or re-engineered in order to boost the Company's performance efficiency.

In 2019, KazTransOil JSC Level 1, 2 and 3 Business Process Maps for 27 business processes and KazTransOil JSC Business Process Architecture were approved "as is".

### PLANS FOR 2020 AND MEDIUM-TERM PLANS

In 2020, the Company plans to continue intensive implementation of the transformation projects, including:

- Actions to optimise and simulate the Company's business processes and to develop the competence-based HR management concept.
- Close-out of the printing services outsourcing project.

Further actions are also planned to compile the list of projects to be included in KazTransOil JSC Performance Improvement Action Plan.

Moreover, the Company will continue post-project monitoring for its completed performance improvement projects to make sure that the intended advantages are obtained.

**KAZTRANSOIL JSC BUSINESS PROCESS MAPS APPROVED FOR**

**27** BUSINESS PROCESSES



## State Regulation and Service Tariffs

Pursuant to the laws of the Republic of Kazakhstan on natural monopolies, KazTransOil JSC is a natural monopoly in the following areas:

- Services to transport oil and/or petroleum products via main pipelines, other than transportation for the purpose of transit through the Republic of Kazakhstan and export outside the Republic of Kazakhstan
- Power transmission services
- Services related to heat energy generation, transmission and distribution
- Water supply and/or water removal services.

### TARIFFS FOR OIL TRANSPORTATION SERVICES VIA THE COMPANY'S MAIN PIPELINE SYSTEM

Pursuant to the laws of the Republic of Kazakhstan on natural monopolies, tariffs for regulated services shall not be lower than the costs necessary to provide the services, and shall take into account the opportunities for profit generation to support effective operation of the natural monopoly.

Tariffs for oil transportation services on the RoK domestic market are approved by the competent authority in the field of natural monopolies.

Calculation of tariffs for oil transportation services on the RoK domestic market uses the methodology approved by the competent authority for calculating tariffs (prices, fee rates) for the regulated services of natural monopolies for main pipeline oil transportation.

The tariff for regulated oil transportation services on the RoK domestic market via KazTransOil JSC main pipeline system for 2019 is approved by Order of the Chairman of the Natural Monopoly Regulation and Competition Protection Committee under RoK Ministry of National Economy dated August 21, 2015 No. 347-OD at 4,721.72 KZT per tonne per 1,000 km (excluding VAT).

For the period from September 1, 2019 to August 31, 2020, pursuant to Order of the Acting Chairman of the Natural Monopoly Regulation, Competition and Consumer Rights Protection Committee under RoK Ministry of National Economy dated July 31, 2019

No. 204-OD, a temporary compensation tariff for regulated oil transportation services on the RoK domestic market via KazTransOil JSC main pipeline system is applicable that is equal to 4,716.62 KZT per tonne per 1,000 km (excluding VAT).

Amendments were also introduced into KazTransOil JSC investment programme for 2015 to 2019 approved by Joint Order of the RoK Minister of Energy dated August 21, 2015 No. 546 and the Chairman of the Natural Monopoly Regulation and Competition Protection Committee under RoK Ministry of National Economy dated August 18, 2015 No. 333-OD as related to adjustment of 2019 performance. Implementation of the approved investment programme for 2019 was 102% against the plan.

Tariffs for oil transportation services for export from the Republic of Kazakhstan and transit through the Republic of Kazakhstan are approved independently by the Company.

In order to calculate oil transportation tariffs for export and transit purposes, the Company has developed and applies a tariff calculation methodology for KazTransOil JSC oil transportation services via main pipelines for export from the Republic of Kazakhstan and for transit via the Republic of Kazakhstan.

The cost for transportation of Russian oil for transit through the Republic of Kazakhstan to the PRC is approved by the RoK Ministry of Energy.

For 2019 to 2023, Order of the RoK Minister of Energy dated December 28, 2018 No. 545 approved the cost for transportation of Russian oil through the Republic of Kazakhstan to the PRC at the Russian border – RoK border (Priirtyshsk) – Atasu (Republic of Kazakhstan) section equal to 4.23 USD per 1 tonne excluding VAT.



Tariffs for KazTransOil JSC Oil Pumping Services via the Main Oil Pipeline System in 2019

Direction	Unit of Measurement	01/01/2019 – 31/08/2019	01/09/2019 – 31/12/2019
To the RoK domestic market	KZT/1000 tonnes-km	4,721.72	4,716.62
For export outside the Republic of Kazakhstan	KZT/1000 tonnes-km	6,398.92	6,398.92
Transit via the Kazakhstan section of the TON-2 main pipeline	KZT/1000 tonnes-km	4,292.4	4,292.4
Transit to the PRC	USD/tonne	4.23	4.23
Transit to the Republic Uzbekistan	USD/tonne	25.12	25.12
Transit to the Republic of Kyrgyzstan	USD/tonne	25.12	25.12

### PLANS FOR 2020 AND MEDIUM-TERM PLANS

In 2020, the Company intends to file an application for approval of KazTransOil JSC investment programme for 2020–2025 and an application for approval

of the tariffs for oil pumping to the RoK domestic market for 2020–2025 to the Natural Monopoly Regulation Committee under RoK Ministry of National Economy.



# ATYRAU REGION

The only pedestrian suspension bridge over the Ural River is located in Atyrau. This bridge is included in the Guinness World Records Book as the Longest Pedestrian Bridge in the World. It was built in 2001 and is 551 metres long. The bridge connects the European and Asian parts of the city.

## KAZTRANSOIL JSC REGIONAL INDICATORS



Number  
of OPS

**11**  
ea.



Number  
of shippers

**23**  
ea.



Energy  
reduction

**4.9%**



# OPERATING PERFORMANCE

## Oil Transportation

Oil transportation is the main strategic development area for KazTransOil JSC and the Company's key source of profits, which ensures its stable operations.

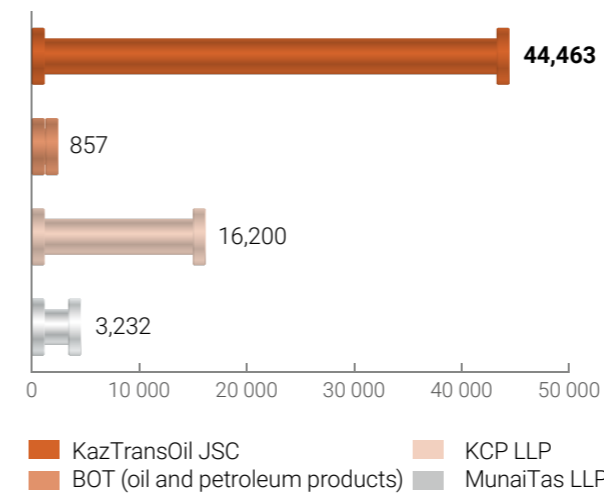
Oil is transported via the Company's main oil pipeline system in accordance with oil supply schedules to be approved by the RoK Ministry of Energy according to the contracts concluded with consumers in the following areas:

- Oil supply for export via the Atyrau – Samara oil pipeline (through the Russian Federation)
- Oil supply to the domestic market: Atyrau Refinery LLP, PKOP, Pavlodar Oil Chemistry Refinery LLP and CASPI BITUM LLP
- Oil loading to tankers in the port of Aktau
- Oil transshipment to CPC-K JSC, MunaiTas LLP, and KCP LLP systems
- Oil loading into rail tank cars from Shagyr OLS and Kassymov OPS rail loading racks.

### Oil transportation volume broken down by SJCEs, thousand tonnes

Parameter	2017	2018	2019	2020 (plan)	Variation (%)
KazTransOil JSC	46,293	45,309	44,463	43,202	▼ -1.9
BOT (oil and petroleum products)	2,109	1,030	857	1,050	▼ -16.8
KCP LLP	16,538	16,301	16,200	19,486	▼ -0.6
MunaiTas LLP	3,660	3,878	3,232	3,397	▼ -16.7

### Oil transportation volume broken down by SJCEs, thousand tonnes



The oil volume transported by KazTransOil JSC in 2019 was 44,463 thousand tonnes, which is 1.9% less as compared to 2018. Such reduction in oil transportation volume was mainly due to overall decrease in oil delivery into KazTransOil JSC main oil pipeline system from the Kumkol Field Group.

The reduction in oil transportation volume via KCP LLP main oil pipelines by 0.6% as compared to 2018 was due to decrease in oil supply to the domestic market.

In 2019, MunaiTas LLP oil transportation volume reduced by 16.7% as compared to 2018 due to decrease in oil delivery by shippers.

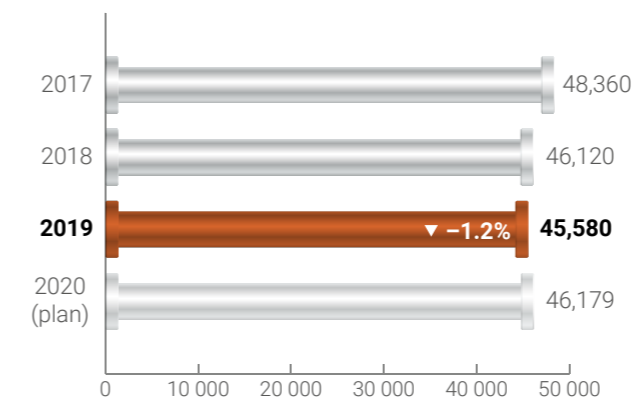
BOT's performance in terms of transshipment of oil and petroleum products reduced by 16.8% as compared to 2018 due to lack of nominations (orders) from shippers.

### Consolidated oil turnover broken down by SJCEs\*, million tonnes-km

Parameter	2017	2018	2019	2020 (plan)	Variation (%)
Oil turnover, out of which:	48,360	46,120	45,580	46,179	▼ -1.2
KazTransOil JSC	39,823	38,040	37,657	36,469	▼ -1.0
KCP LLP	15,609	14,607	14,590	18,055	▼ -0.1
MunaiTas LLP	1,437	1,522	1,232	1,338	▼ -19.1

\* Oil turnover is calculated taking into account the interest held by KazTransOil JSC in the SJCE

### KazTransOil JSC consolidated oil turnover, million tonnes-km



Consolidated oil turnover in 2019 reduced by 1.2% as compared to the previous year and amounted to 45,580 million tonnes-km. Such reduction is associated with the overall decrease in oil delivery to the main oil pipeline system by oil companies.

### Oil transportation broken down by directions and consumers in KazTransOil JSC main oil pipeline system, thousand tonnes

Direction	2017	2018	2019	2020 (plan)	Variation (%)
<b>To oil refineries</b>					
Atyrau Refinery	4,629	5,237	5,296	5,400	▲ 1.1
PKOP	4,686	4,759	5,391	5,400	▲ 13.3
Pavlodar Refinery	4,732	5,334	5,298	5,400	▼ -0.7
CASPI BITUM LLP	718	819	897	850	▲ 9.5
<b>Transit through the Russian Federation</b>					
Atyrau – Samara oil pipeline	15,913	14,757	14,328	10,645	▼ -2.9
<b>Shipment via the port of Aktau</b>					
Loading into tankers at Aktau POPS	1,192	2,002	2,020	2,204	▲ 0.9
<b>Oil transshipment to pipeline companies</b>					
KCP LLP (Atasu – Alashankou oil pipeline)	12,289 (incl. transit of 9,989)	11,373 (incl. transit of 9,989)	10,846 (incl. transit of 9,989)	12,151 (incl. transit of 10,000)	▼ -4.6
CPC-K JSC (CPC oil pipeline)	2,884	2,143	1,770	2,504	▼ -17.4
MunaiTas LLP	3,306	3,485	2,880	3,079	▼ -17.4
KCP LLP (Kenkiyak – Kumkol oil pipeline)	4,683	4,559	5,156	7,927	▲ 13.1
<b>Rail loading racks</b>					
Kassymov OPS rail loading rack	0	26	32	0	▲ 23.1
Shagyr OLS rail loading rack	261	308	94	150	▼ -69.5

In 2019, the oil volumes supplied to RoK refineries increased by 4.5% and amounted to 16,883 thousand tonnes due to an increase in supplies in accordance with the approved monthly schedules of the RoK Ministry of Energy.

Reduction in oil supplies via the Atyrau – Samara oil pipeline by 2.9% as compared to 2018 was due to decrease in oil delivery into KazTransOil JSC main oil pipeline system and redistribution of oil from the Aktobe Region to the Kenkiyak – Kumkol oil pipeline. The main recipients of oil supplied by Kazakhstan shippers through the Russian Federation were the Ust-Luga and Novorossiysk ports.

In 2019, oil shipments via the port of Aktau amounted to 2020 thousand tonnes, which is 0.9% more than in 2018. Oil was loaded into tankers in the port of Aktau for further shipment to the ports of Makhachkala and Baku.

In 2019, oil shipments continued from the Shagyr OLS rack to the Republic of Uzbekistan and amounted

to 94 thousand tonnes. Oil was also shipped from the Kassymov OPS loading rack for supply to the domestic market in the amount of 32 thousand tonnes.

Reduction in oil transshipments to CPC-K JSC system as compared to 2018 was due to oil delivery reduction and redistribution of supplies via the Atyrau – Samara oil pipeline.

In order to continuously improve the quality of its services, the Company performed a survey in 2019 in order to assess satisfaction of oil transportation service consumers, which covered 100% of KazTransOil JSC customers. According to the survey results, the overall satisfaction coefficient was 100%.

## Operation and Reliability

The key asset of KazTransOil JSC that brings in the major part of the Company's income is a network of main oil pipelines which covers the whole country. The most important success driver in oil transportation activities is to ensure reliable and safe operation of main pipelines and production facilities, both core and auxiliary.

To this end, the Company plans and implements all actions necessary for pipeline maintenance, repair and diagnostics, including:

- Development of KazTransOil JSC Production Programme
- Management actions to ensure control over preparation and implementation of administrative and technical action plans to ensure reliable operation of main pipeline production facilities and to prepare for operation during the flood season and in the autumn and winter seasons
- Control over effective anti-corrosion protection of main pipeline facilities
- Timely diagnostic works at production facilities and main pipeline process equipment
- Management and control actions related to air surveys around main pipelines
- Control over compliance with the optimal operating thermohydraulic conditions for main pipelines and consumption of boiler and furnace fuel
- Control over administrative and technical actions implemented to boost productivity, reduce costs

and improve other technical and economic operating indicators

- Actions to prevent and respond to emergencies and incidents.

The Operations Department is in charge of the corresponding activities.

### PIPELINE STOCK AND PRODUCTION FACILITIES

The total length of KazTransOil JSC main oil pipelines is 5,378.5 km. In terms of age, the largest portion of the network, namely 2,538.04 km (47.2%), consists of pipes more than 30 years old. The Company takes action to refurbish and replace the pipelines in accordance with KazTransOil JSC Production Programme for 2015–2019 (the Production Programme).



### Execution of the Agreements on Compensation Payments for Offspec Oil

In April to May 2019, an emergency occurred in PJSC Transneft main oil pipeline system due to high content of chlororganic compounds in transported oil, which resulted in offspec oil loading from Kazakhstan shippers into oil tankers in the port of Ust-Luga in the approximate volume of 699 thousand tonnes. This incident was acknowledged by the Russian party and promptly resolved in the course of working negotiations.

In order to settle the above incident, KazTransOil JSC acting on behalf of 38 Kazakhstan oil companies in Druzhba main oil pipeline system signed the agreements with PJSC Transneft on compensation payments for offspec oil in favour of the affected Kazakhstan oil companies. All 38 shippers received the compensation.



Oil transportation via the main oil pipelines is supported by 36 oil pumping stations, 67 oil heaters and the oil tank farm intended to store the total of 1,386 thousand m<sup>3</sup>.

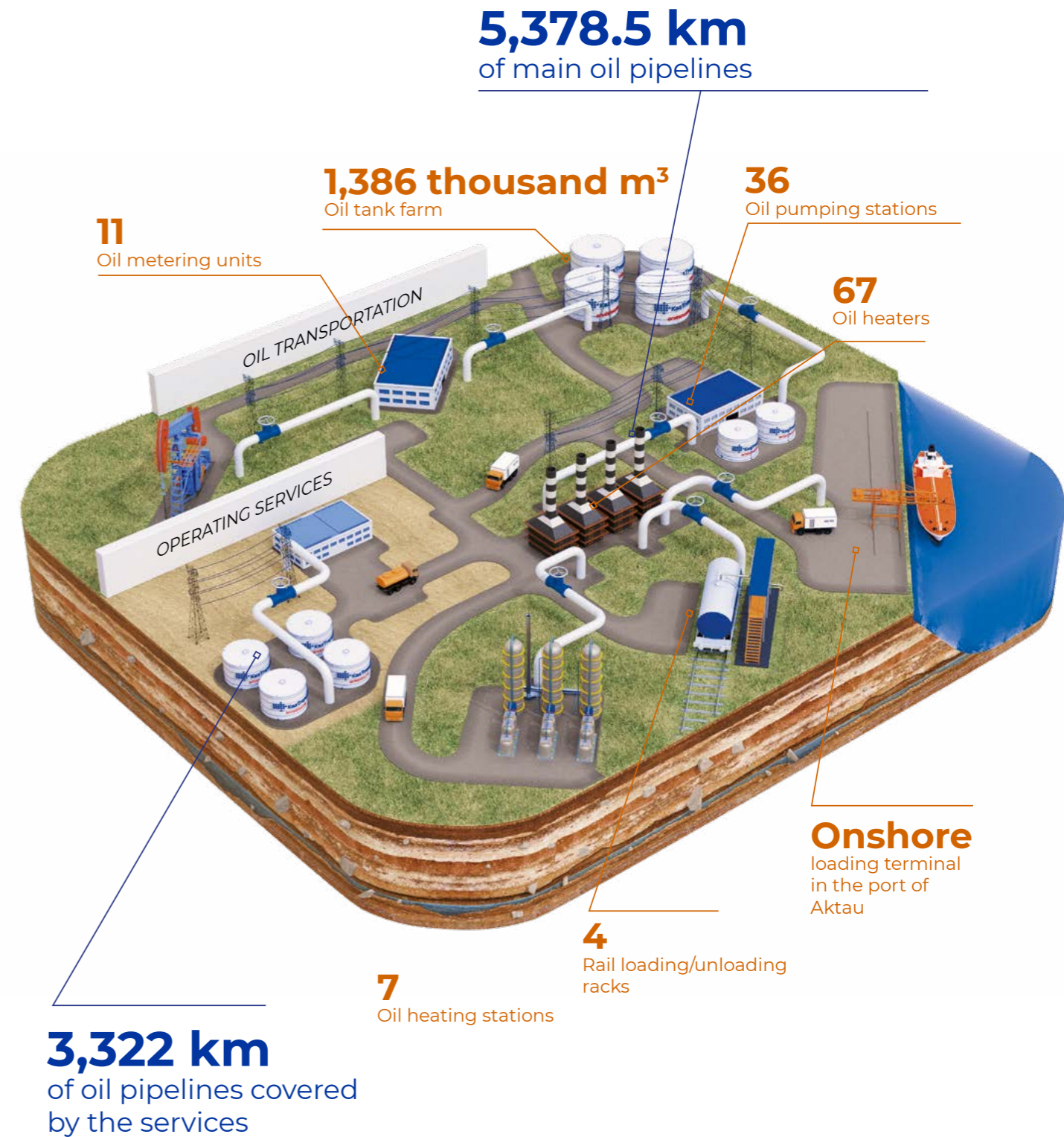
Oil transshipment is supported by four loading/unloading rail racks and the corresponding equipment to load oil into tankers, installed at three wharfs at the offshore oil loading terminal at the port of Aktau.

Power for oil pumping stations is supplied by fifteen 35–220-kV substations and forty six ZRU-6-10-kV closed switchgear units.

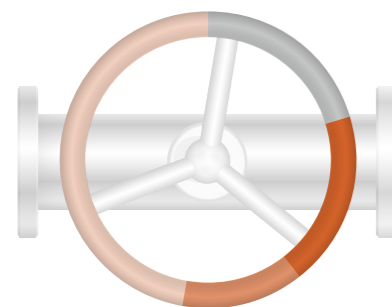
218 pumping units are in operation, along with four nitrogen units, 11 compressor units and 905 motor vehicles (without trailers).

In order to heat production facilities in winter, 42 boiler stations are in operation with 93 water boilers and three steam boilers.

## Company's production facilities



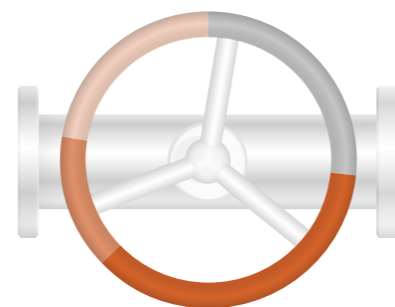
Age profile of KazTransOil JSC main pipelines as of December 31, 2019



**5,378.46 km**

- 20.5% Up to 10 years old
- 19.0% From 10 to 20 years old
- 13.3% From 20 to 30 years old
- 47.2% More than 30 years old

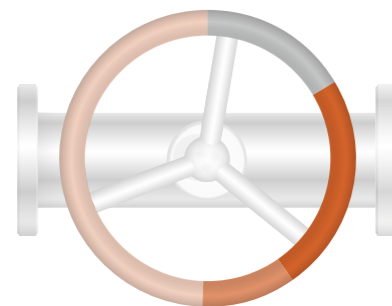
Tank farm age profile as of December 31, 2019



**116 ea.**

- 26.7% Up to 10 years old
- 36.2% From 10 to 20 years old
- 14.7% From 20 to 30 years old
- 22.4% More than 30 years old

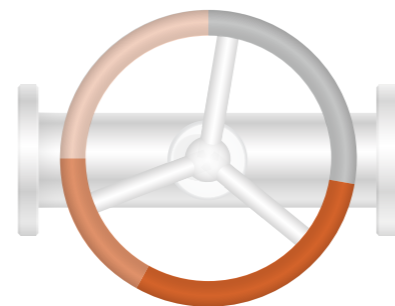
Age profile of oil heaters as of December 31, 2019



**67 ea.**

- 16.4% Up to 10 years old
- 23.9% From 10 to 20 years old
- 10.4% From 20 to 30 years old
- 49.3% More than 30 years old

Age profile of pumping equipment as of December 31, 2019



**218 ea.**

- 28.0% Up to 10 years old
- 30.3% From 10 to 20 years old
- 17.0% From 20 to 30 years old
- 24.8% More than 30 years old

**ENSURING RELIABILITY OF PRODUCTION FACILITIES**

In order to ensure accident-free operations and to increase the production efficiency, the Company performed the following works during the reporting period:

- Internal diagnostics for 1,044 km of main pipelines, using such methods as calibration, profile logging, as well as magnetic piggings, and ultrasonic piggings methods
- Elimination of 1,644 pipe defects in main oil pipelines (against the target value of 1,577)
- Technical certification of 2 main pumps with expired rated service life
- Replacement of the main pumping equipment (5 units)
- Diagnostics of 36 tanks
- Anti-corrosion protection for tanks: external anti-corrosion coating applied to 5 tanks and internal anti-corrosion coating applied to 16 tanks
- Anti-corrosion protection for 10 oil heaters
- Technical diagnostics and expert examination of 17 oil heaters

- Pipeline replacement at Prorva – Kulsary main oil pipeline sections with the total length of 46 km.

In order to minimise the potential adverse environmental impact, as well as short-circuit risks at overhead power lines (OPL) during overhaul of 6-10 kV OPLs, the Company replaces bare AS grade wires with self-supporting insulated grade SIP-3 wires.

In the reporting year, the Company managed to reduce the number of incidents at production facilities and recorded no failures related to sudden full or partial pipeline shutdown due to integrity loss in the pipeline itself or check valves and control valves, or pipeline blockages.

The plan to prepare the production facilities for operation in the fall/winter and spring seasons was also implemented in full.

**Incidents at the Company’s production facilities in 2019**

Incident group	2017	2018	2019	Variation (%)
Failures of essential mechanical, power and process equipment	55	65	57	▼ -12.3
Failures of essential automation equipment	27	36	16	▼ -55.6
Failures of essential operating and process communication equipment	24	64	52	▼ -18.8



**PLANS FOR 2020 AND MEDIUM-TERM PLANS**

In 2020, the Company intends to take the following actions to ensure reliable and safe operation of production facilities:

- To take regular engineering and process measures to ensure accident-free operation of production facilities.
- To perform diagnostics, repair and refurbishment of production buildings, structures and equipment.
- To replace pipeline sections in accordance with KazTransOil JSC Production Programme for 2020–2024.
- To upgrade the power supply system using state-of-the-art advanced technologies.

- To upgrade the uninterruptible power supply system forming part of the emergency shutdown system.



**Application of digital radiography**

KazTransOil JSC used digital radiography during installation of main oil pipelines. Due to adoption of the new technology, the time for obtaining an expert opinion on pipe welding quality was reduced from 36 to 2 hours.

Welding radiography control method used at oil pipelines is based on X-ray inspection of a pipe section similarly to medical application. A welding joint is covered with a film exposed to X-rays. The film is subsequently developed, dried and run through a testing instrument to give an opinion on the presence or absence of weld joint defects.

According to the expert opinion, radiography control is one of the most precise methods to test weld joints at oil pipelines.



## Actions Taken to Provide Operating Services

Operating services provided by KazTransOil JSC comprise the activities related to operation and, including maintenance, of main oil pipelines owned by third parties, as well as maintenance and repair of main waterlines in NC KazMunayGas JSC Group. Operating services are a core activity aimed at expanding the scope of services to third-party oil pipelines.

The Operating Service Department manages these activities at the Company. The Company's Production Programme in terms of operating services is implemented by the personnel engaged at West Operating Service Administration (WOSA) and East Operating Service Administration (EOSA).

KazTransOil JSC provides operating services to the following companies:

- KCP LLP
- MunaiTas LLP
- Karachaganak Petroleum Operating B.V. (KPO)
- Turgai Petroleum JSC
- CPC-K JSC
- Main Waterline LLP.

The total length of oil pipelines covered by the services is 3,322 km with a total of 1,227 Company's employees engaged in this area, including 572 employees at WOSA and 655 employees at EOSA.

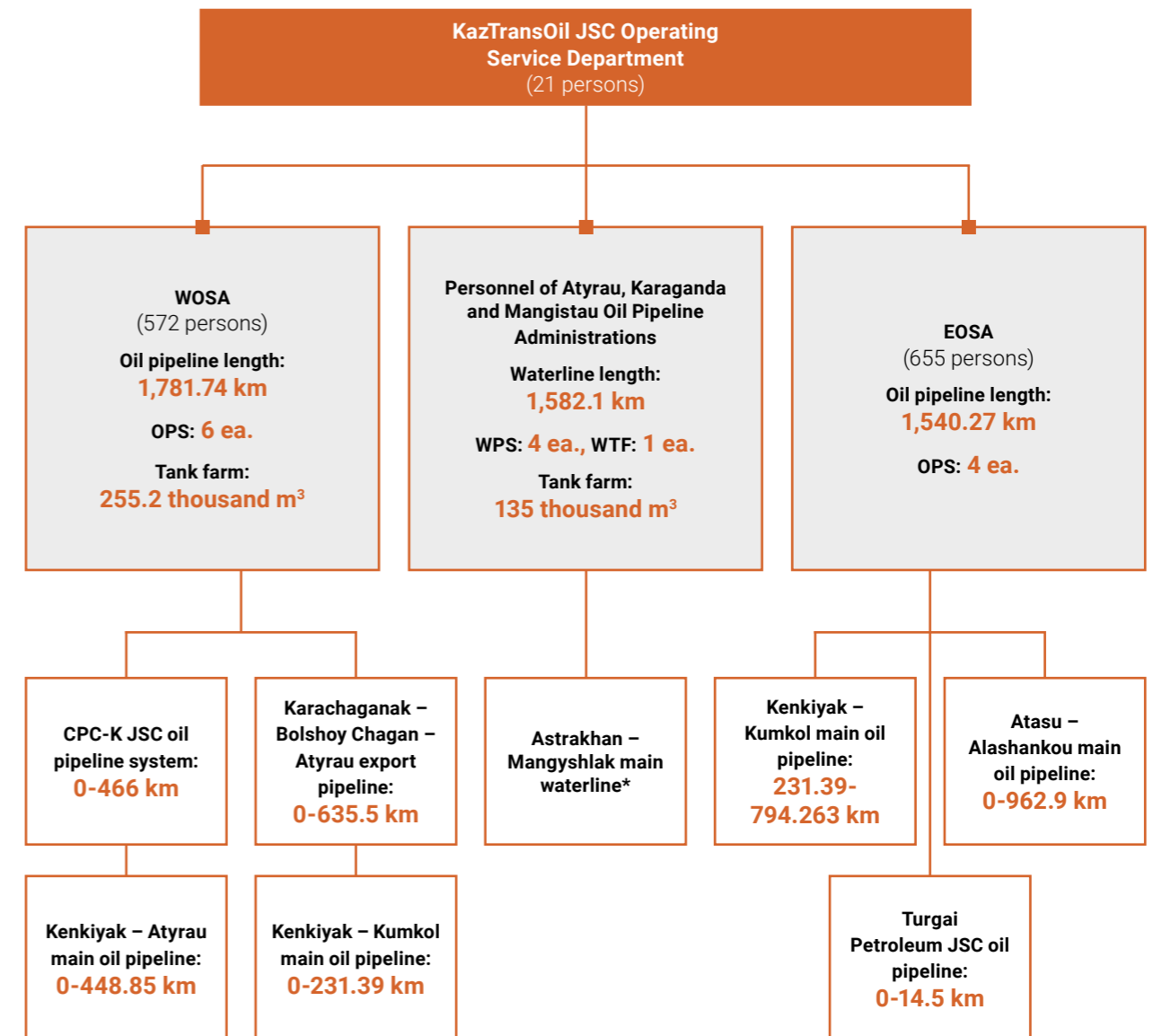
Revenues from operating services increased by 27.5% in 2019 as compared to 2018, and amounted to KZT 16,878 million. Significant increase in the revenues was mainly due to execution of a contract with CPC-K JSC and update of rates under the contract with Karachaganak Petroleum Operating B.V.

KazTransOil JSC revenues from operating activities broken down by service consumers, KZT million

Item No.	Service consumers	2017	2018	2019*	Variation (%)
1	KCP LLP	7,767	7,937	8,016	▲ 1.0
2	CPC-K JSC	-	2,179	4,495	▲ 106.3
3	Karachaganak Petroleum Operating B.V.	1,289	1,568	1,895	▲ 20.8
4	MunaiTas LLP	1,345	1,340	1,450	▲ 8.2
5	Turgai Petroleum JSC	198	210	221	▲ 5.4
6	Main Waterline LLP	-	-	801	-
<b>Total:</b>		<b>10,599</b>	<b>13,233</b>	<b>16,878</b>	<b>▲ 27.5</b>

\* This includes revenues from the services provided to Main Waterline LLP.

## Operating Organisation

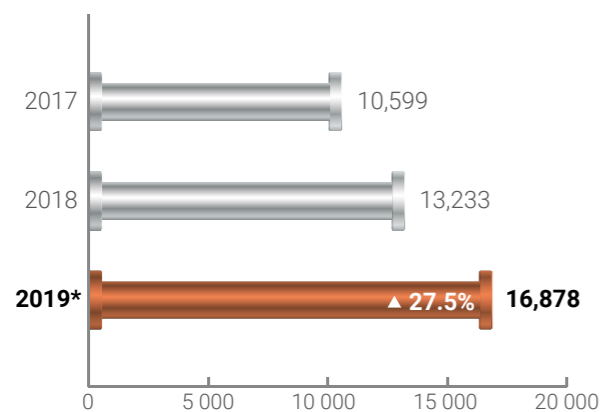


# 27.5 %

INCREASE IN REVENUES FROM OPERATING ACTIVITIES IN 2019

\* The section of Astrakhan - Mangyshlak main waterline from 0 km to 285 km and the loop line from 207 km to 285 km is serviced by Main Waterline LLP

**KazTransOil JSC revenues from operating activities, KZT million**



\* This includes revenues from the services provided to Main Waterline LLP.

The consumers of the Company's operating services have stringent requirements to staff qualifications, occupational health and safety and technical equipment. To meet the requirements imposed by the consumers, the Company makes significant investments to develop this area of activities.

Each production facility is also subject to monitoring to ensure actual compliance with the occupational health and safety requirements of the Company's service customers. In the event of any violation and/or incident at a facility, a corresponding report is made to the Main Control Office (MCO). In order to ensure rapid response, reports can be sent on a 24/7 basis.

The Company takes annual administrative and technical actions to support reliable operation of third-party production facilities and to prepare such facilities for operation in the autumn and winter seasons and during the flood season. In 2019, based on main oil pipeline pigging carried out by Operating Service Administrations, 152 defects were eliminated at main oil pipelines, including 98 defects at Tengiz – Novorossiysk oil pipeline, 40 defects at Kenkiyak – Atyrau oil pipeline, 13 defects at Kenkiyak – Kumkol oil pipeline and 1 defect at Atasu – Alashankou oil pipeline.

At the same time, no failures of essential equipment, accidents or incidents at the operating main oil pipelines occurred over the reporting period.

A survey was carried out in 2019 among consumers in order to assess the quality of operating services in accordance with ISO 9001:2015. The survey resulted in an overall score of 96.7%, which is higher than in 2018.

Upon review of the reasons behind the lower scores shown by CPC-K JSC during the survey, it is planned to develop KPIs for the Head of WOSA to reflect the quality of CPC-K JSC main oil pipeline operation services based on reduction of fixed monthly cost of such services.



**Results of the consumer survey to assess satisfaction with quality of operating services in 2019**

Turgai Petroleum JSC	MunaiTas LLP	KCP LLP	KPO	CPC-K JSC	Main Waterline LLP	Overall score
100%	100%	100%	100%	80%	100%	96.7%

In September 2019, the Company participated in the Safety Day Event arranged by CPC-K JSC with the participation of CPC-K JSC business units and contractors. This event featured a round table to discuss health and safety issues and HSE innovations. The Safety Day Event also featured a contest programme, where the Company took the first place in the Maze of Elemental Forces contest, the third place in 12 Elemental Forces contest, and the fifth place in Ride the Whirlwind contest.

- To conclude a contract to operate Turgai Petroleum JSC oil pipeline for 2021.
- To conclude a contract to maintain and repair Main Waterline LLP equipment for 2021.
- To ensure consumer satisfaction with the quality of operating services in 2020 at 95% as a minimum.
- To commission Aman OPS upon implementation of Phase I of Kenkiyak – Atyrau Main Oil Pipeline Section Reversal with a throughput capacity up to 6 million tonnes per year.

**PLANS FOR 2020 AND MEDIUM-TERM PLANS**

In 2020, the Company plans to further provide its operating services in accordance with the concluded contracts, including the following activities:

**Overhaul completion at Karachaganak Petroleum Operating B.V.**

Karachaganak Petroleum Operating B.V. successfully completed preventive maintenance of Karachaganak – Atyrau transportation system in 2019 with the participation of KazTransOil JSC personnel. The largest scope of overhaul in KPO's history was carried out without any damage to the environment and in compliance with all safety requirements. KPO noted well-coordinated work of the Company's WOSA personnel whose expertise and hard work ensured high-quality implementation of all tasks and goals in a timely and safe manner.

**96.7 %**

**SATISFACTION WITH THE QUALITY OF OPERATING SERVICES**



## Investment Activity

KazTransOil JSC Investment Programme for 2015–2019 (the Investment Programme) was approved in August 2015 by a Joint Order of the RoK Ministry of Energy and the Natural Monopoly Regulation, Competition and Consumer Rights Protection Committee under RoK Ministry of National Economy subject to annual updates.

The Investment Programme is based on the capital investment plan, the Production Programme and the decisions taken by the Company's Investment Committee.

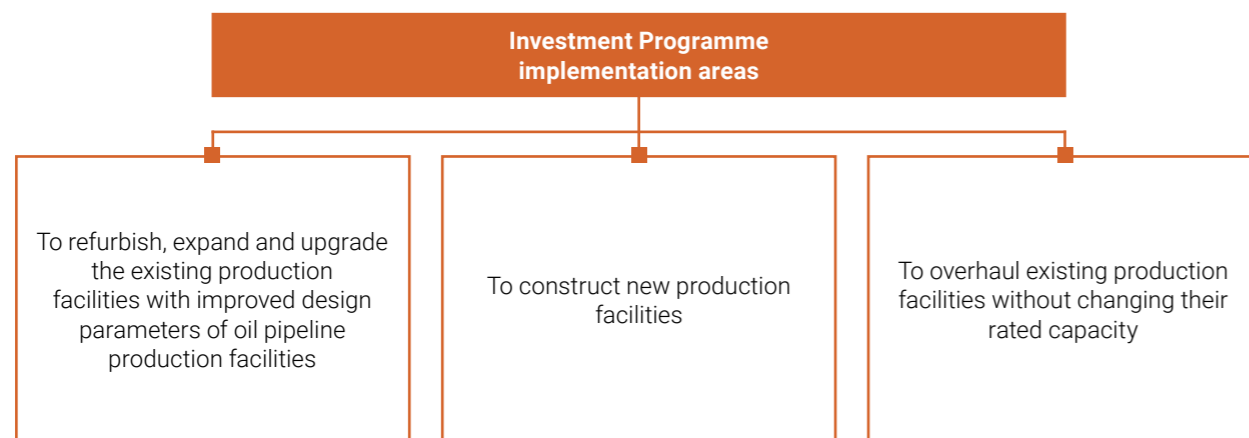
The main goals of the Investment Programme are to implement promising investment projects and to maintain the current production rate.

At the first stage, a decision is made on the possibility and feasibility of the investment project. At the next stage, the economic attractiveness is assessed and analysed. At the final stage, the investment payback period, the project impact on the Company's financial position and on the business plan KPIs and the HR planning aspects are calculated in detail.

In addition, each decision-making stage takes into account such factors as the project-specific risk level and its impact on occupational safety and the environment.

The Investment Programme stipulates an even allocation of investment expenses over a five-year period, which allows the Company to maintain a balanced structure of financing resources.

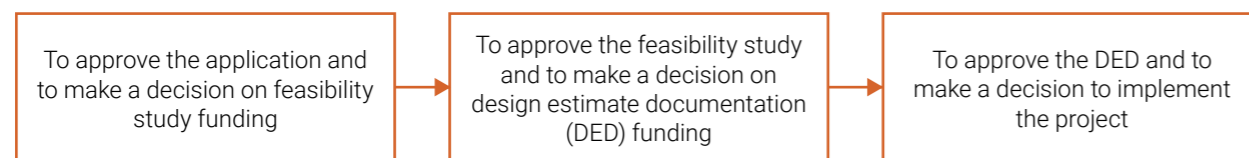
### Investment Programme implementation areas



Each investment project initiated by the Company or its SJCE is subject to a comprehensive expert review. Project-related decisions are taken by the Company's

Investment Committee in three stages in accordance with the Company's established requirements and corporate procedures.

### Decision-making stages for investment projects



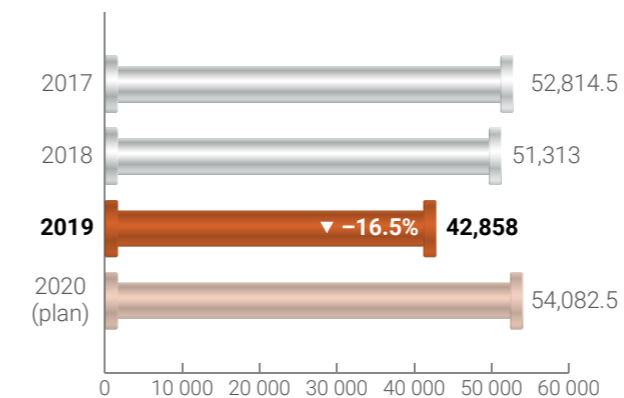
### Total capital investments, KZT million

Parameter	2017	2018	2019	2020* (plan)	Variation (%)
KazTransOil JSC capital investments**, including:	52,814.5	51,313	42,858	54,082.5	▼ -16.5
<i>To implement new projects</i>	1,563.6	8,054	70	13.7	▼ -99.1
<i>To maintain the current production rate</i>	42,753.7	43,257	42,761	54,064	▼ -1.1
<i>Administrative purposes</i>	8,497.2	3	27	4.6	—

\* In accordance with KazTransOil JSC Business Plan for 2020–2024 approved by the decision of the Board of Directors on November 15, 2019.

\*\*Indicates the consolidated amount of the Company's capital investments (on an equity basis).

### KazTransOil JSC total capital investments, KZT million



The capital investment performance in 2019 indicates that the Company's funds were mainly allocated for maintaining the current production rate. In 2019, 99.8% of the total capital investments were used to support the current production rate.

## INVESTMENT PROJECT IMPLEMENTATION RESULTS

### Expansion of the Kazakhstan – China oil pipeline

One of the largest and most strategically important investment projects, not only for the Company but also for the Republic of Kazakhstan as a whole, is the construction of the Kazakhstan – China main oil pipeline system. The project is implemented in stages.

At the first stage, the 965.1 km long Atasu – Alashankou oil pipeline was constructed and put into operation in 2006. In 2009, the 794.26 km long Kenkiyak – Kumkol oil pipeline was commissioned.

The project participants are KazTransOil JSC, MunaiTas LLP and KCP LLP, each acting as the owner of the corresponding section of the Kazakhstan – China oil pipeline. The project is financed using the own funds of the participants.

The next stage of the Kazakhstan – China oil pipeline construction envisaged implementation of the following projects combined into the integrated project called Tranche Two at Phase Two of Kazakhstan – China Oil Pipeline. Throughput Capacity Increase to 20 Million Tonnes of Oil per Year: Tranche Two at Phase Two of Kazakhstan – China Oil Pipeline Construction. Phase I of Kenkiyak – Atyrau Oil Pipeline Section Reversal with a Throughput Capacity up to 6 Million Tonnes per Year (Reversal Project), and Increase of LACT Throughput Capacity at Kenkiyak POPS and Kumkol POPS (LACT Project), which were intended to diversify oil transportation routes and to create a multidirectional hydrocarbon transportation system in the Republic of Kazakhstan. The project involves a gradual increase in oil pipeline throughput capacity for all sections in line with the increase in transportation volumes to the domestic market and in exports to the PRC by constructing new and refurbishing existing oil pumping stations, as well as replacing the oil pipeline at the corresponding sections.

In 2019, equipment supply and mechanical completion were carried out within the Reversal Project for the first start-up complex, including construction and tie-in of a twin loop to connect Kenkiyak – Atyrau oil pipeline with N. Shmanov OPS, as well as refurbishment of a number of other facilities located along Kenkiyak – Atyrau oil pipeline.

Aman OPS is under construction within the second start-up complex.

A total of KZT 11,087 million has been spent, including KZT 8,413 million in 2019.

Equipment supply scheduled for 2019 within the LACT Project was completed in full.

On December 19, 2019 a positive opinion was received from the Integrated Independent Expert Review Authority on the LACT Project DED.

### Refurbishment of main oil pipelines with pipe replacement

In order to ensure reliable and safe operation of production facilities in 2019, the Company performed the following overhaul activities:

- Replacement of the following sections of Prorva – Kulsary main oil pipeline: 0–3 km, 4–6 km, 9–12 km, 13–15 km, 21–33 km, 37–38 km, 39–43 km, 46–50 km, 60–64 km, 73–76 km, 90–95 km, 100–101 km with the pig launching unit (Tranches 1 and 2). The facility was commissioned in December 2019
- Replacement of the following sections of Uzen – Atyrau – Samara oil pipeline: 801–807 km, 813–824 km, 830–831 km, 851–853 km, 857–859 km, 862–867 km (Tranche 1)
- Replacement of the following sections of Astrakhan – Mangyshlak waterline at Kigach Main Treatment Facility: 0 km, 0–56 km.

### Refurbishment and expansion of Astrakhan – Mangyshlak main waterline

In order to ensure failure-free and safe operation and to increase the throughput capacity of Astrakhan – Mangyshlak main waterline to supply water to the population of the Atyrau and Mangistau Regions, oil producing and industrial enterprises, KazTransOil JSC implemented the following actions:

- Refurbishment of Water Pumping Station No. 5 (WPS-5)
- Pipe replacement at the 0-56 km linear section of Astrakhan – Mangyshlak main waterline
- Refurbishment of the power supply system at Water Pumping Station No. 8 (WPS-8)

As a result of the above actions, the throughput capacity of Astrakhan – Mangyshlak main waterline was increased from the current 95 thousand m<sup>3</sup>/day to 125 thousand m<sup>3</sup>/day (estimated value).

In addition, Main Waterline LLP currently develops a feasibility study for the Astrakhan – Mangyshlak main waterline refurbishment and expansion project. In the course of the feasibility study, it is planned to study current and expected water consumption volumes and develop optimal technical and process solutions to increase the throughput capacity of the main waterline, including the capacity to meet the expected water consumption requirements in the Mangistau Region.

### PLANS FOR 2020 AND MEDIUM-TERM PLANS

The Company plans the following investment activities in 2020:

- To obtain approval of KazTransOil JSC Investment Programme for 2020–2025 from NMRC
- To complete Tranche Two at Phase Two of Kazakhstan – China oil pipeline construction: throughput capacity increase to 20 million tonnes of oil per year
- To replace pipeline sections in accordance with KazTransOil JSC Production Programme for 2020–2024
- To develop and approve a feasibility study to refurbish and expand the Astrakhan – Mangyshlak main waterline
- To address the funding of Astrakhan – Mangyshlak main waterline refurbishment and expansion project.

KZT **42.9** BILLION

COMPANY'S TOTAL CAPITAL INVESTMENTS IN 2019



### Completion of the first tranche of Kulsary – Tengiz waterline construction

The Company has completed construction and installation works at the linear section of the waterline and performed hydrotesting. The second tranche of the project that envisages construction of a water pumping station with a tank farm, utilities and associated facilities is still to be completed. The new 104.2 km long waterline with the throughput capacity of 13,200 m<sup>3</sup>/day is designed for service water supply to meet the operational and technical requirements of Tengizchevroil LLP.



# NORTH KAZAKHSTAN REGION

The North Kazakhstan Region is home to Kazakhstan's classical literary figures. This is where the great Magzhan Zhumabayev, Gabit Musrepov and Sabit Mukanov were born. Moreover, Pyotr Yershov, the author of the world-famous fairytale, spent his childhood years here.

## KAZTRANSOIL JSC REGIONAL INDICATORS



Length of oil  
pipelines

**186.2**  
km



Length  
of OPL

**196**  
km



Staff  
headcount

**103**  
persons



## Process Digitalisation and Automation

Information technologies and process automation are an integral part of the current business environment for any successful company.

KazTransOil JSC recognizes the relevance of digital technologies in its own business processes and makes significant efforts to promote the Company in this regard. In particular, the Company has developed and approved the conceptual documents to define

the main development direction in the field of digital technologies and process automation at the Company.

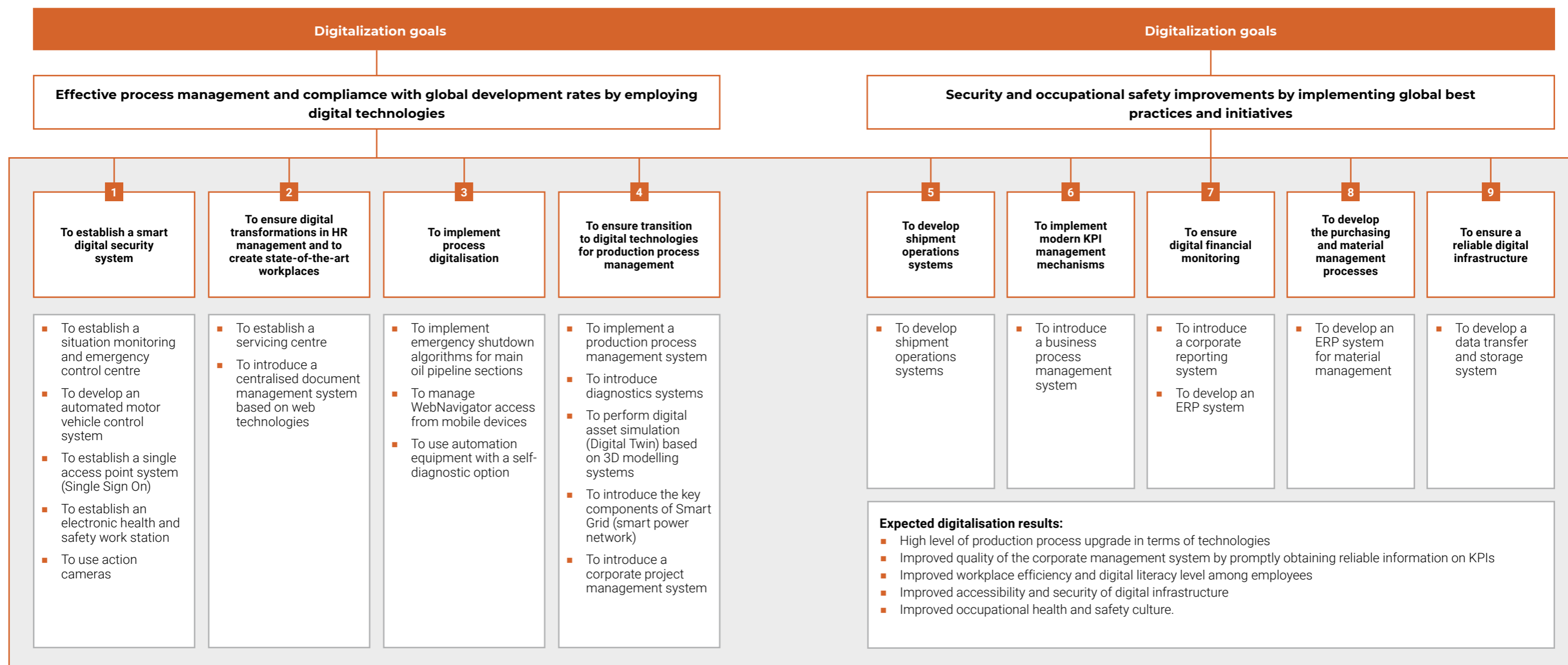
- KazTransOil JSC Digitalisation Concept
- KazTransOil JSC Digital Technology Development Programme, including the Project Roadmap

The Company has dedicated departments responsible for implementation of the projects to digitalise and automate the Company's activities: the Information Technology Department, the Telecommunications Department and the APMS&MS Department\*.

### DIGITALISATION GOALS AND AREAS

KazTransOil JSC Digitalisation Concept (the Digitalisation Concept) developed in 2018 determined the main areas of the Company's activities to be improved by implementing advanced digital technologies and rolling out an efficient information and communications infrastructure. Two key goals and nine key development areas have been identified, each including various initiatives.

#### KazTransOil JSC Digitalisation Concept



\* Automatic Process Management System and Metrological Support



**DIGITAL TECHNOLOGY DEVELOPMENT PROGRAMME**

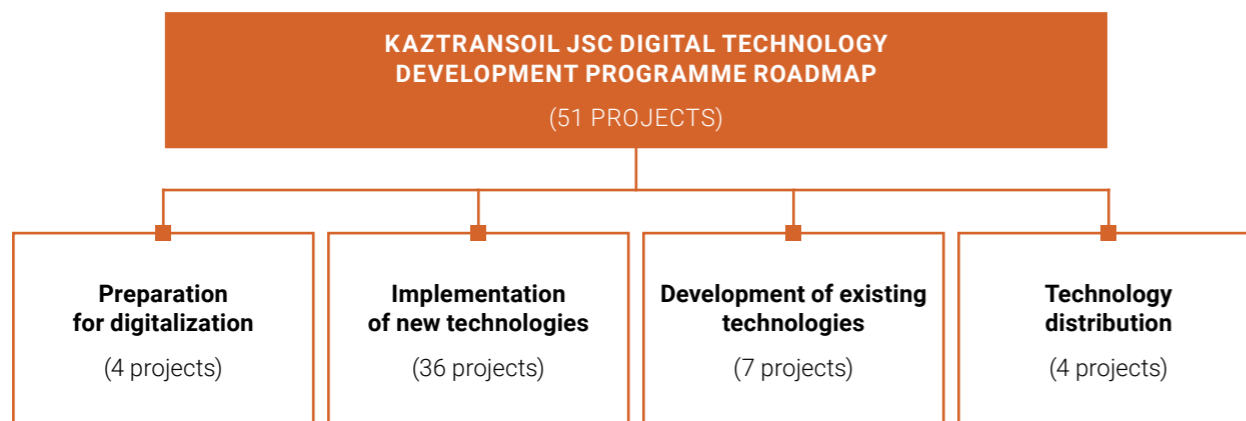
In 2019, based on the Digitalisation Concept, KazTransOil JSC Digital Technology Development Programme (Digital Technology Development Programme) was developed and approved. This programme envisages a combination of interrelated projects intended to achieve the Company's strategic goals.

The Digital Technology Development Programme was prepared in accordance with the key provisions of international ITIL and COBIT methodologies. Development of this programme was preceded

by a large-scale diagnostics of the Company's IT landscape, including a survey and IT audit. The IT audit comprised the study of forty IT systems adopted at the Company, such as SAP, EDCS, EAS, SCADA, SQUID and others.

Diagnostics of the Company's IT landscape resulted in identification of numerous areas for improvement and enabled definition of the most relevant projects in the field of digital technology development. The Roadmap of Digital Technology Development Programme (Roadmap) based on 51 most important projects was split into several project groups in accordance with organisational and functional indicators.

**Digital technology roadmap**



**UNMANNED COMMUNICATION HUBS**

Within the framework of production process digitalisation over the recent years, the Company has been developing the project on construction of unmanned communication hubs (UCH).

UCH are small individual rooms designed to install telecommunication equipment. In the past, communication hubs were manned with duty personnel on a 24/7 basis. But now, UCH construction eliminated the need for 24/7 presence of communications engineers and enabled centralised monitoring and remote control. An advanced UCH system includes upgraded climate control, fire extinguishing, CCTV and access control systems. UCH are equipped with alternative power supply sources to ensure uninterruptible operation.

Over the three years after start-up of the new equipment, the Company's economic benefit has exceeded KZT 430 million due to reduction of costs associated with room rental from third-party operators and reduced frequency of communication system preventive maintenance.

UCH equipment does not require monthly maintenance. It is equipped with remote monitoring systems, and, in case of an emergency, will enable prompt response and timely elimination of failures.

**TRUNKING RADIO NETWORK UPGRADE**

KazTransOil JSC activities are associated with maintenance of main oil pipelines including those in remote locations not where no mobile or other communication available. In view of the above, establishment and development of own trunking radio network is the only suitable solution and the main focus for the Company from the technical and economic standpoints.

In 2019, KazTransOil JSC completed the main stage of the existing trunking radio network upgrade along the main oil pipelines. MPT-1327 analogue trunking network that had been in operation for more than 20 years was replaced with the digital professional trunking radio network according to DMR Tier-III Pro standard. As a result, the Company commissioned the largest digital professional trunking radio communication system in Kazakhstan that comprises 80 base stations.

Technological re-equipment of the trunking radio network enabled further continuous work of main oil pipeline operation personnel and execution of all scheduled and unscheduled works at the facilities of main oil pipelines with the use of radio communication. It increased the current coverage zone from 89% to 94% leaving only 6% of the total area totally uncovered by radio communication networks. The main reason for such zones totally uncovered by communication networks was rugged terrain and remote location of such areas from the existing base stations.

The next stage of professional trunking radio network upgrade provides for 100% coverage with trunking radio communication system (for radio vehicles) along the full length of KazTransOil JSC main oil pipelines.

**PLANS FOR 2020 AND MEDIUM-TERM PLANS**

The Company plans the following digitalisation and automation activities in 2020:

- To make further effort to support the Company's information systems and to maintain server and computer equipment.
- To provide printing services at the Company's headquarters.
- To ensure development and introduction of an automated inventory control and operational accounting system.
- To implement projects in accordance with KazTransOil JSC Digital Technology Development Programme Roadmap.

**51 PROJECTS INCLUDED**  
**IN THE DIGITAL TECHNOLOGY DEVELOPMENT PROGRAM ROADMAP**

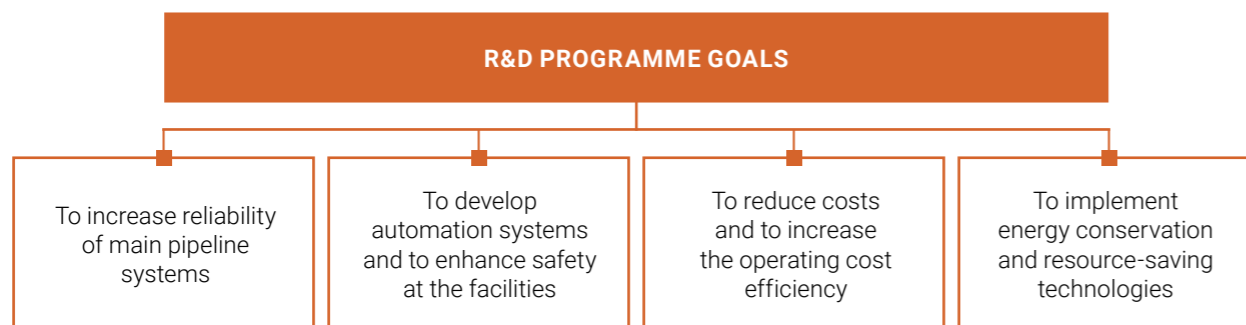
*\* In case funds are allocated in the Company's Business Plan for 2020-2024*

## Innovation and Technology Development

The specific nature of technologies used in KazTransOil JSC activities determines high demand for research and technology potential capable to provide informed and scientifically valid solutions. Technology-related risks may be associated with specific oil properties, climate and landscape conditions and oil pipeline operation modes.

In order to solve the relevant tasks in the field of research, innovation and technology development, a programme is implemented on a continuous basis to develop R&D and to transfer new technical, innovative and technology solutions for 2019–2023 (the R&D Programme).

### R&D Programme goals



The Technical Policy Department is in charge of innovation and technology development, R&D and coordination of KazTransOil JSC Research and Technology Centre Branch (RTC Branch). Based on the R&D Programme, the works are carried out by the personnel of the RTC Branch central laboratory and contractors.

Other implemented projects included the remaining service life estimation at two sections of Pavlodar – Shymkent main oil pipeline in order to determine the duration of safe pipeline operation and studies of magnetic activators (with internal and external magnets) to improve oil transportation via the oil pipeline from B. Dzhumagaliyev POPS to Zhuan-Tobe OPS.

### R&D EXECUTION AND PILOT TESTING

In 2019, the Company implemented research, development and pilot testing programmes for a total of 20 topics and a research and technical data review, which resulted in proposals to develop new R&D topics and to implement the future innovative oil transportation technologies.

In 2019, research also continued to optimise the process modes for oil and oil blend transportation in Kazakhstan with the use of SmartTranPro software.



### RESEARCH AND PRACTICAL CONFERENCE FOR KAZTRANSOIL JSC YOUNG SPECIALISTS

In 2019, which was announced the Year of Youth in Kazakhstan, a research and practical conference for young specialists was held at the Second Forum of Young Specialists in Aktau in August of the reporting year. The conference participants discussed oil

pipeline transport issues and development prospects. In addition, they presented reports on efficient oil transportation at low temperatures, corrosion process research and other topics.



### State Prize in Research and Technology

In 2019, the team of authors was awarded with the 2019 RoK Al-Farabi State Prize in Research and Technology by RoK Presidential Decree No. 210 dated December 6, 2019 for the series of research papers entitled Research and Engineering Support to Ensure Energy Saving during Transportation of Oil and Oil Blends via KazTransOil Joint-Stock Company Oil Pipelines. The authors of this research paper included employees of KazTransOil JSC Technical Policy Department, Berik Sayakhov and Yerbol Makhmotov, as well as Professors Iskander Beissembetov, Uzak Zhabbasbayev, Bagdaulet Kenzhaliyev and others.



**INTELLECTUAL PROPERTY RELATED TO OIL TRANSPORTATION AND WATER SUPPLY**

The Company performs reviews of the research and technical data related to oil transportation and a patent search in the databases of seven leading countries over the past 15 years. Based on this review, three applications were duly prepared and filed in 2019 in order to obtain intellectual property documents. All three applications were accepted by the National Intellectual Property Institute under the RoK Ministry of Justice.

**REGULATORY AND TECHNICAL DOCUMENTATION PREPARATION**

Improvement of the regulatory technical documentation database is one of the top priorities for KazTransOil JSC. The recent achievements in process optimisation and automation, introduction of new equipment and energy-saving (resource-saving) technologies (including high-end technologies) require amendments to the Company's regulatory technical documents.

Research and technical documents are developed in the Company with involvement of contractors and using own resources engaged at the RTC Branch. In 2019, six standards related to the Company's production activities were developed, including the national standard entitled *Main Oil Pipelines. Technical Operation* approved by the Order of the Chairman of the Technical Regulation and Metrology Committee under the RoK Ministry of Trade and Integration.

**PROJECT IMPLEMENTATION BASED ON ROADMAP FOR APPLICATION OF NEW TECHNOLOGIES PRESENTED AT EXPO-2017**

In June 2019, a modular energy saving "ecocapsule" with a stand-alone power supply source (solar panel battery and wind generator) by ECOCAPSULE (Slovak Republic) was supplied and installed at Bolshoy Chagan OPS operated by the Company's Atyrau Oil Pipeline Administration.

The "ecocapsule" is an 8 m<sup>2</sup> mobile packaged modular unit of spherical shape equipped with a solar battery and wind generator. The package also includes the essential supplies for long-term accommodation, a small kitchen, a lavatory with a toilet and a shower, pull-out beds and extra compartments for storage and various daily needs. This unit is convenient as a temporary or permanent security post or a process monitoring station at main oil pipeline facilities in case no permanent power supply sources are available.

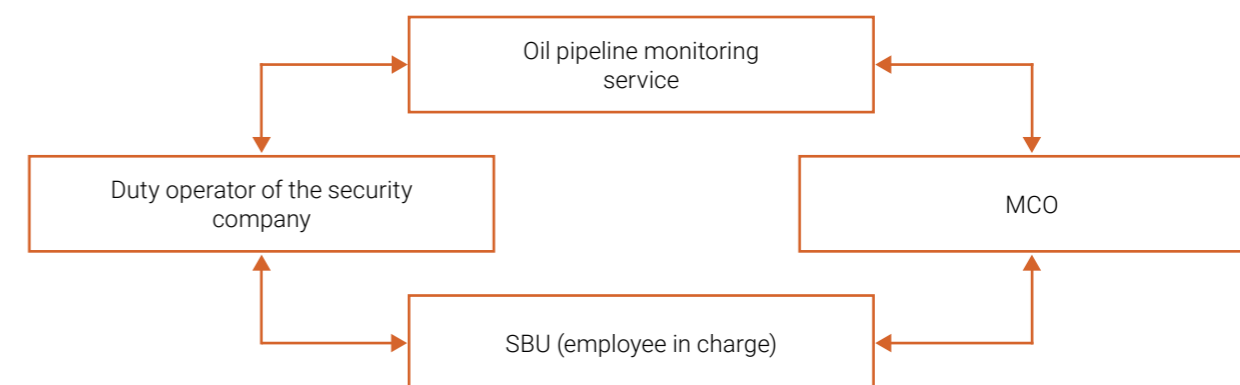
**Corporate Security**

The main oil pipeline system managed by KazTransOil JSC is strategically important as it provides feedstock to Kazakhstan refineries and supplies numerous oil export routes. The above sets high standards as related to corporate security and asset protection. In order to safeguard its corporate security, the Company has implemented permanent security guarding of its main pipelines as well as round-

the-clock monitoring of oil pipeline security and oil leak detection systems.

The Corporate Security Department is in charge of corporate security management. Illegal actions and intrusions into the pipeline exclusion zones are detected at the headquarters level and by interaction between all SBUs, including KazTransOil JSC mobile security groups and emergency services.

**Participants of the Company's asset protection system**



In order to prevent and respond to attacks on KazTransOil JSC facilities, the Company, the regional internal affairs authorities and KMG-Security LLP security company have concluded cooperation and interaction memoranda, under which the parties promptly exchange pertinent information, collaborate to develop a strategy to respond to illegal actions at facilities and prepare proposals to improve the laws related to main oil pipelines.

In 2019, the Company introduced perimeter security alarm and CCTV systems at Shymkent POPS, Zhuan-Tobe OPS and Prorva OPS.

Improvement of the pipeline security system is a key asset protection priority for KazTransOil JSC. The Company makes every effort to introduce security equipment (SE) in accordance with the SE Installation Plan for the Company's Facilities up to 2024, which was developed taking into account the provisions of the Law of the Republic of Kazakhstan *On Anti-Terrorist Activities*. In accordance with this Plan, perimeter security alarm systems and CCTV surveillance are implemented at the Company's production and process facilities.

In addition to administrative and technical measures, the Company focuses on regulatory control of corporate security. In 2019, the Company developed and approved the Procedure for Internal Investigations at KazTransOil JSC that established the integrated internal investigation procedure in case of violation of any property or non-property rights and interests of the Company.

**2 COMPANY'S EMPLOYEES**

**AWARDED A STATE PRIZE IN RESEARCH AND TECHNOLOGY**

**TIE-INS TO MAIN OIL PIPELINES AND THEFT OF INVENTORIES**

In 2019, there were two cases of unauthorised tie-ins at to the Uzen – Zhetybai – Aktau and Kalamkas –

Karazhanbas – Aktau main oil pipelines with the total damage equal to KZT 6.4 million, which is 6 times higher than in 2018.

**Number of unauthorised tie-ins and related damages**

	2017	2018	2019	Variation
Number of tie-in	6	1	2	Two-fold increase
Related damages, KZT million	5.7	1.09	6.4	Six-fold increase

In order to reduce the number of illegal actions, in 2019 the Company jointly with the law enforcement and national security authorities continued to ensure security of the Company’s assets. As a result of well-coordinated actions by the Company the above-mentioned authorities, on February 11, 2019, employees of the Mangistau Regional Department of the RoK National Security Committee and Regional Department of Economic Investigations launched a special operation

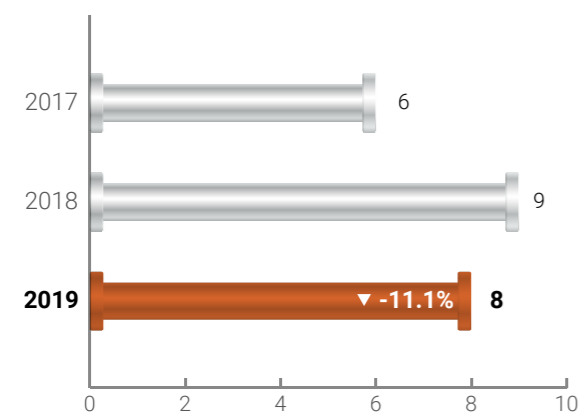
and detained 10 members of a criminal organisation stealing oil from the Company’s pipeline. The criminal case is under review in the Mangistau Regional Court.

In 2019, 8 of inventory thefts and 1 case of inventory damage were committed at the facilities guarded by KMG-Security LLP; the total associated damage was KZT 4.7 million, including KZT 2.7 million reimbursed by KMG-Security LLP.

**Number of inventory theft incidents and related damages**

	2017	2018	2019	Variation (%)
Number of theft incidents	6	9	8	▼ -11.1
Related damages, KZT million	3.9	5.1	4.7	▼ -7.8

**Number of inventory theft incidents**



The Company regularly holds drills and takes preventative security measures, as well as provides training for production facility employees to simulate potential hazard scenarios.

**PLANS FOR 2020 AND MEDIUM-TERM PLANS**

The Company intends to take further actions to increase security of its assets, including the following:

- To install a sonar leak detection system at Uzen – Atyrau – Samara main oil pipeline.
- To install an oil pipeline security system at Martyshi – Atyrau main oil pipeline (2020–2021).

- To install a perimeter security alarm and CCTV system at B. Dzhumagaliyev POPS.
- To update the SE Installation Plan for Company’s Facilities, as well as the corresponding scopes and implementation deadlines (in accordance with the RoK anti-terrorist laws and in order to enhance security at the Company’s facilities).
- To take further actions to equip the facilities with SE in accordance with their categories and the Company’s approved plans and standards.

**Information Security**

Dynamic development of digital technologies and their application in the Company’s business processes requires special attention to information security issues. To manage information security risks, the Company has an Information Security Management System (ISMS) in place, which is implemented in accordance with the requirements of the RoK laws and ISO/IEC 27001:2013 international standard.

In 2019, in the course of the Project on Introduction of Information Security Management System by NC KazMunayGas JSC Group, the Company reviewed the information security management system improvements, including updates to the procedure to manage access to the Company’s information resources.

The Company seeks to develop its information security management system by implementing its corporate ISMS Improvement Plan. These activities are coordinated by the Corporate Security Department. The key internal documents that regulate ISMS are the following:

- KazTransOil JSC Information Security Policy
- KazTransOil JSC Information Security Management System Guidelines
- KazTransOil JSC Information Security Risk Management Rules
- KazTransOil JSC Information Security Incident Management Rules
- KazTransOil JSC Information Disclosure Guidelines
- Procedures to manage access to IT services, information processing systems, operational and process communication systems at KazTransOil JSC.

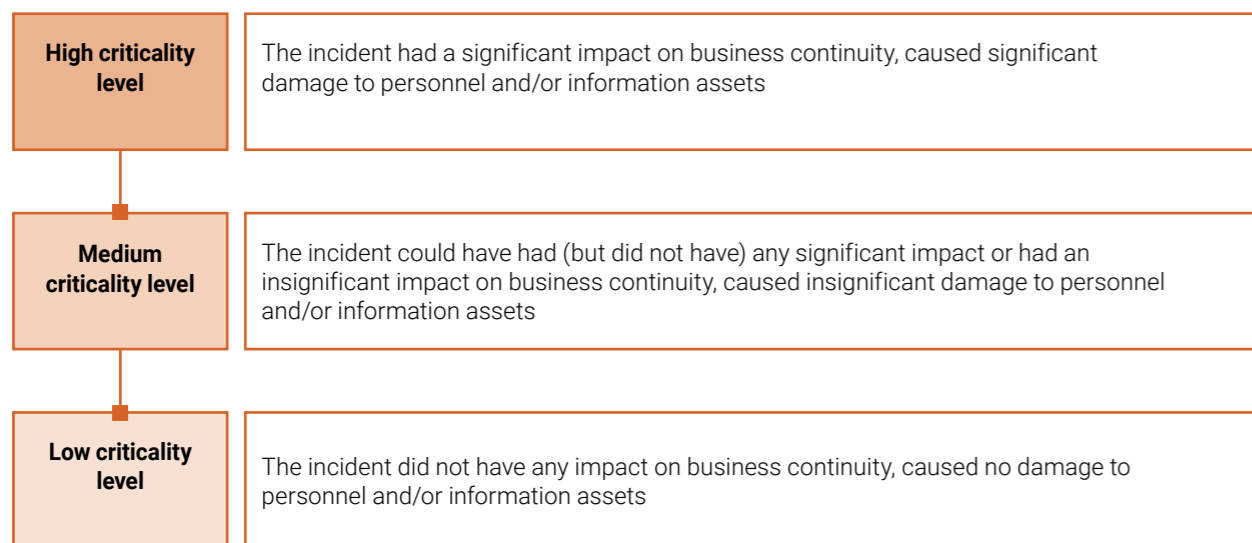
**COMPLIANCE WITH INFORMATION SECURITY REQUIREMENTS AND INFORMATION SECURITY INCIDENT RESPONSE**

The Company keeps records of information security violations. Three levels of incident criticality are distinguished in this area: high, medium and low.

**0** INCIDENTS WITH SIGNIFICANT IMPACT ON THE COMPANY'S ACTIVI



**Classification of incident criticality levels**



The incident response procedures are different depending on the criticality level. If the incident belongs to the high or medium category, it is recorded

and further escalate in accordance with regulated response arrangements. If the incident falls into the low criticality category, it is recorded but not investigated.

**Incident response scheme in case of high and medium criticality levels**



The Company continuously monitors compliance with information security requirements in all existing and newly introduced IT systems, and takes a wide range of actions to manage information security in accordance with the annual ISMS Improvement Plan, including:

- Quarterly assessments of information security risks and mitigation action development
- Supervisory audits of the ISMS to check compliance with international requirements
- Internal audits at Separate Business Units to check compliance with corporate regulations and approaches
- Antivirus protection based on global best practices and technologies
- Promotion of the information security culture among KazTransOil JSC personnel.

In 2019, no information security incidents with high or medium criticality levels were recorded, i.e. those that had or could have a significant impact on business continuity.

The Qradar information security management system was introduced in the reporting year to ensure protection against network security threats. This system continuously gathers log event data and network traffic information in real time.

In August 2019, the Company successfully passed a supervisory audit conducted by the British Standards Institution (BSI Management Systems) to check compliance with ISO/IEC 27001:2013 requirements. Based on the audit, the existing corporate information security processes were deemed effective. Internal audits to check the Company's SBU ISMS compliance with ISO/IEC 27001:2013 international standard and the corporate documentation provisions were also performed.

The Company holds briefings to raise information security awareness among employees and to inform them about any changes to internal documents that govern information security requirements. In the reporting period, the Company held induction briefings for the Company's 115 employees, contractors' representatives, interns and other persons who have access to the Company's IT systems.

**PLANS FOR 2020 AND MEDIUM-TERM PLANS**

The Company will continue to monitor compliance with information security requirements in all IT systems, both existing and under development, and will also continue its efforts to raise awareness among employees about information security issues and potential risks.

A number of pilot tests of information security products related to APMS, telecommunications and IT are planned for 2020. In addition, the Company plans to continue intensive introduction of new technologies in accordance with the ISMS Improvement Plan for 2020, including:

- Recertification audit of the corporate ISMS to check compliance with ISO/IEC 27001:2013 international standard
- ISMS risk assessment
- Annual internal audits to check the ISMS in the Company's structural divisions
- Actions stipulated in the Action Plan for Cybersecurity Strategy Implementation ("Kazakhstan's Cyber Shield") up to 2022
- Updates to key information in the field of information security management
- Actions set out in the Security Operation Centre Development Roadmap for 2019–2024.

**115** EMPLOYEES PASSED INDUCTION BRIEFING ON THE COMPANY'S IT SYSTEMS



# WEST KAZAKHSTAN REGION

With the longest section of the Kazakhstan-Russian border that extends to 1,532 km, the West Kazakhstan Region has a unique geographic location. The regional centre, the city of Uralsk, is situated at the borderline of two continents, Europe and Asia, and is aptly described as Kazakhstan's "West Gate".

## KAZTRANSOIL JSC REGIONAL INDICATORS



Length of oil pipelines

**353.7**  
km



Number of oil heaters

**13**  
ea.

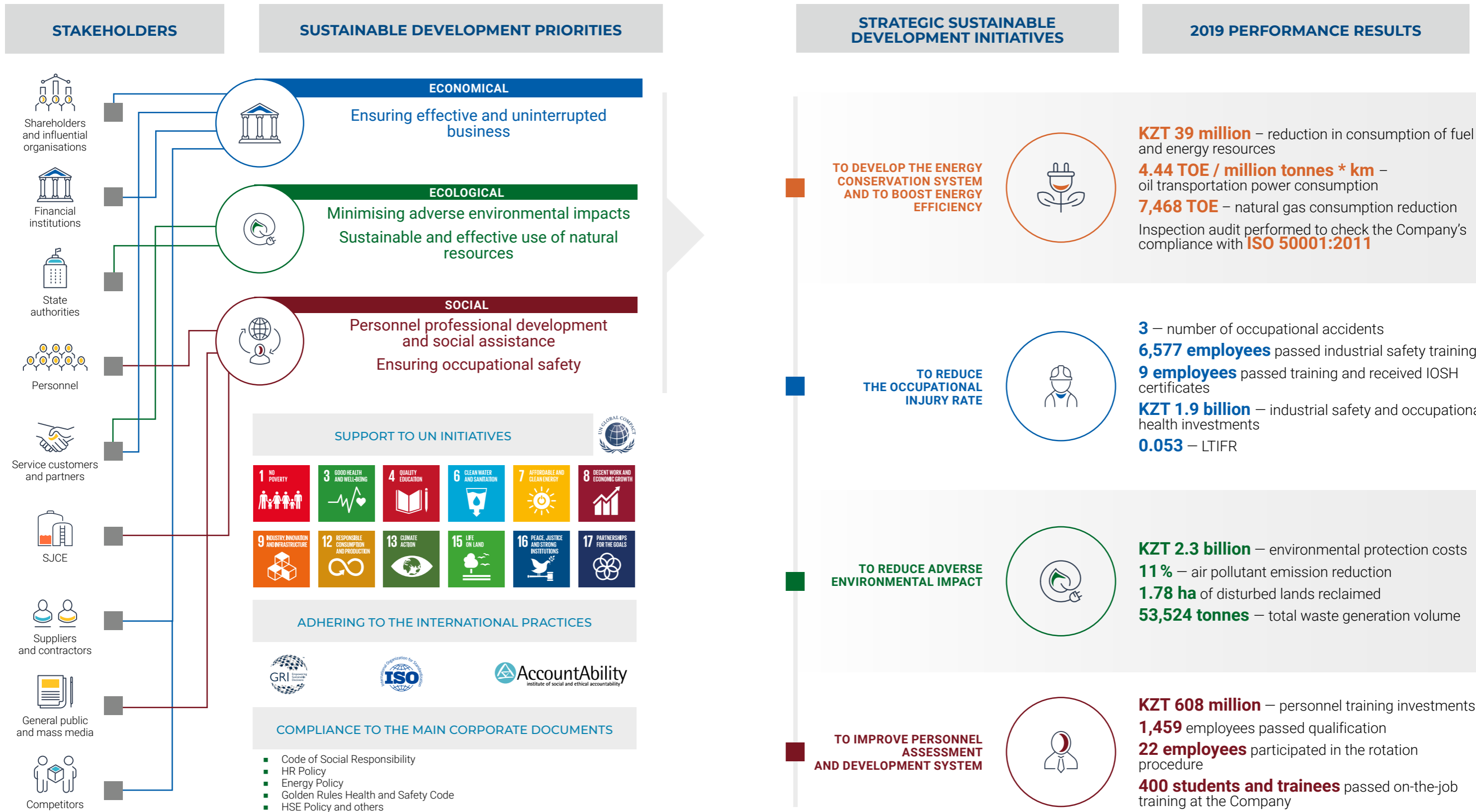


Local content

**79 %**



# THE COMPANY'S SUSTAINABLE DEVELOPMENT MODEL



# SUSTAINABLE DEVELOPMENT PERFORMANCE

## Sustainable Development Management

GRI 102-12

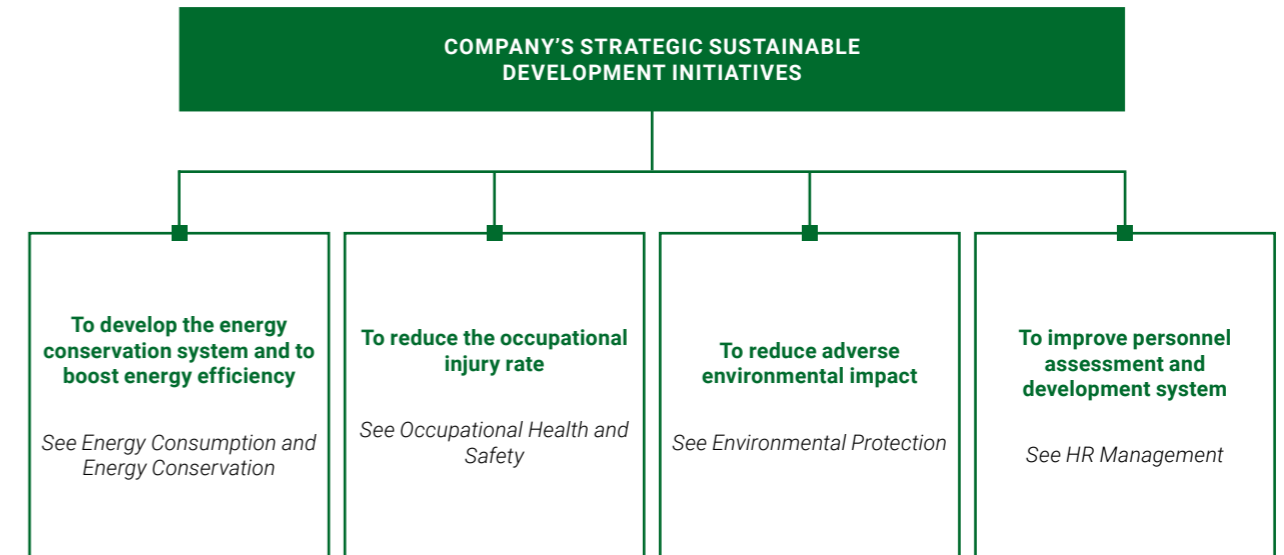
Compliance with the sustainable development principles is an integral part of long-term development at KazTransOil JSC. The Company acknowledges its significant impact on the economy, environment and community, and strives to use the best practices for sustainable development management.

The sustainable development principles are an integral part of the Company's corporate culture and are integrated into the Company's management system. The Company's sustainable development priorities include:

- Ensuring effective and uninterrupted business
- Minimising adverse environmental impacts
- Sustainable and effective use of natural resources
- Personnel professional development and social assistance
- Ensuring occupational safety.

Sustainable development management is one of the areas set forth in KazTransOil JSC Development Strategy up to 2025. Performance improvement in this area is the Company's priority. To this end, the Company has planned a number of strategic sustainable development initiatives and established specific actions, deadlines and responsible parties to implement each initiative.

### The Company's strategic sustainable development initiatives



Sustainable development is managed at all management levels at the Company.

The Company's Board of Directors and management are proactive in managing the environmental, social and economic aspects of the Company's business and regularly review sustainable development issues.

Pursuant to the sustainable development principles, the Company set up the Health, Safety and Environment Committee (HSEC). The HSEC is the Company's standing advisory body under the Company's Management Board in the area of industrial, fire and transport safety, occupational health and safety, sustainable resource use, environmental protection and other actions within its competence.

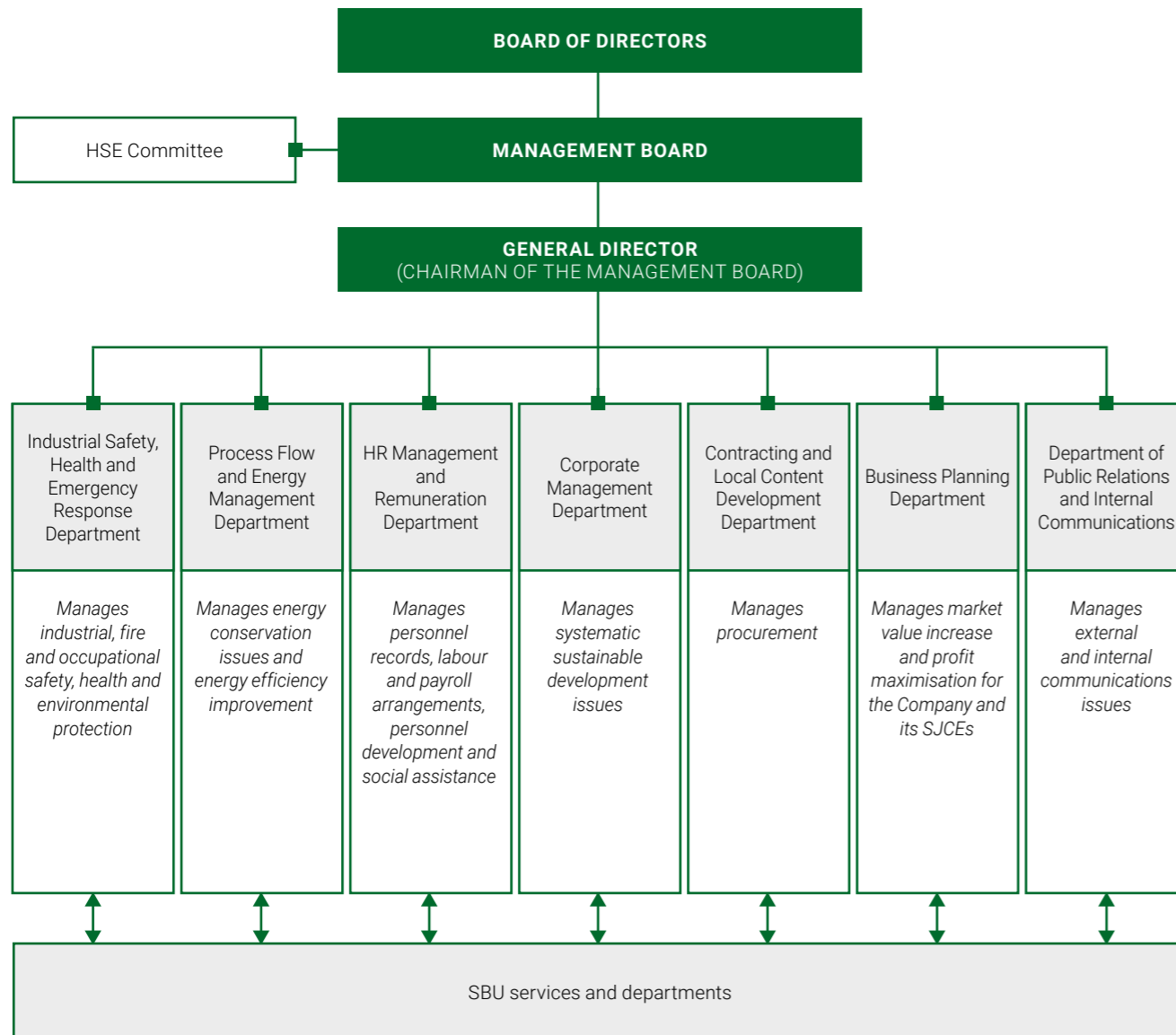
Certain sustainable development issues at the level of the Company's headquarters are managed by dedicated departments, while at the SBU level, the services and departments are established to oversee specific sustainable development areas, such as HR management, occupational and industrial safety and environmental protection. The activities of these services and departments are coordinated and approved as part of direct cooperation with the Company's headquarters.

The Company's approach to managing the economic, environmental and social aspects of its operations is based on adhering to the best international sustainable development practices. In particular, the Company is guided by the principles and provisions established in the following documents:

- ISO 26000:2010, Guidance on Social Responsibility
- AA1000 APS (Accountability Principles Standard)
- AA1000 SES (Stakeholders Engagement Standard)
- GRI Standards on Sustainability Reporting
- Company's corporate documents on certain sustainable development areas, which are publicly available from the Company's [corporate website](#).



KazTransOil JSC sustainable development management organisation as of December 31, 2019



**SUPPORT TO UN INITIATIVES**  
GRI 102-12

The Company's activities follow the UN sustainable development initiatives.

In particular, the Company complies with the UN Global Compact on human rights, labour relations, environmental protection and anti-corruption. For more details on our compliance with the principles of the UN Global Compact, see Appendix 2 to this Report.

The Company also supports other UN initiatives. For instance, in 2015 the UN General Assembly adopted 17 Sustainable Development Goals (SDGs) aimed at solving critical economic, social and environmental issues, which determined the sustainable development agenda for the global community up to 2030.

KazTransOil JSC supports the above-mentioned UN initiative and strives to make its own contribution into accomplishing certain SDGs by responsible

business practices, effective corporate management, environmental impact mitigation and efficient HR management. For more details on the Company's commitment to the UN sustainable development goals, see Appendix 2 to this Report.

**STAKEHOLDER ENGAGEMENT**  
GRI 102-40 102-42 102-43 102-44

Effective stakeholder engagement is an integral part of KazTransOil JSC business. The Company builds relations with its stakeholders based on openness and trust, which helps understand and respect their interests and meet their expectations.

Considering the scale of KazTransOil JSC business, the Company is aware of its great impact on its stakeholders, which defines its high responsibility in terms of stakeholder engagement. Oil transportation via Kazakhstan key main oil pipelines, the status of a national main oil pipeline operator, stock listing

**12 SDG'S**

FOLLOWED BY KAZTRANSOIL JSC

on KASE and large staff headcount form a non-exhaustive list of drivers that raise the stakeholder engagement standards that the Company strives to maintain.

The Stakeholder Engagement Philosophy is outlined in KazTransOil JSC Corporate Ethics Code. These include honesty, fairness, good faith, transparency and responsibility.

In order to determine, assess and classify groups of stakeholders, the Company has approved KazTransOil JSC Stakeholder Map. The Stakeholder Map was developed by the Company by assessing the impact of stakeholders on the Company and their level of interest in the Company based on specific engagement parameters. Therefore, the Stakeholder Map is prepared as a result of stakeholder criticality evaluation. The map is updated at least once every three years. In 2020, KazTransOil JSC plans to update its Stakeholder Map.

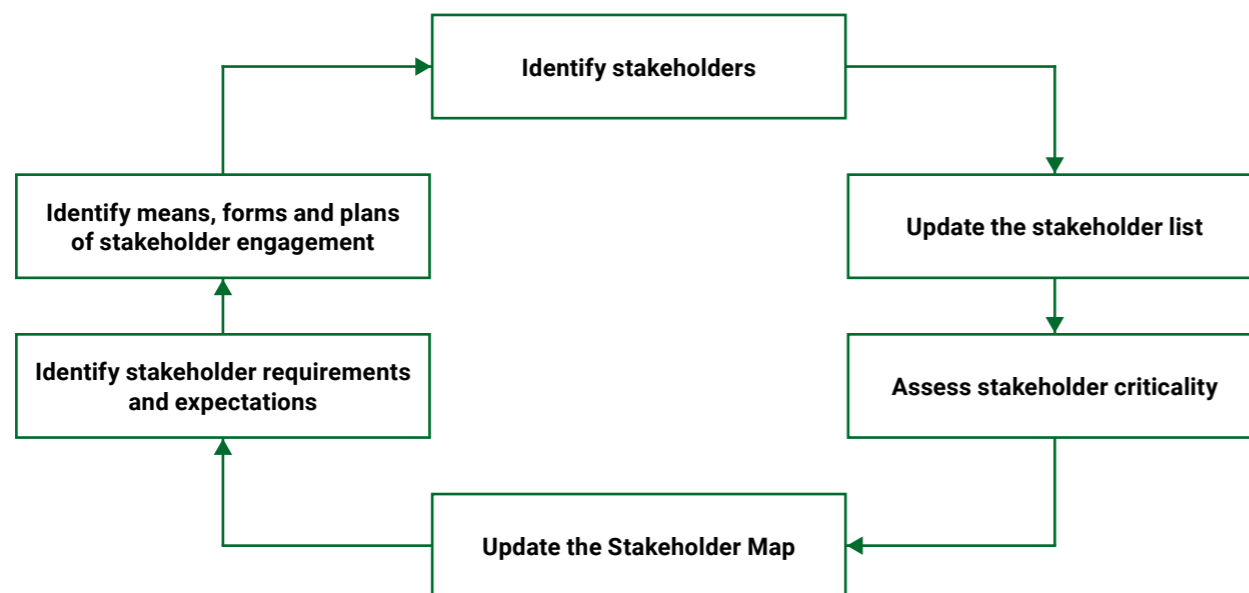
The stakeholder engagement process in place at the Company helps timely identify and assess the interests of various stakeholder groups.

Stakeholder requirements and expectations are identified by various negotiations with stakeholders, particularly the following:

- Questionnaires and surveys
- Discussions at open meetings, in task force groups and at round tables
- Public hearings
- Open Information Days and other events which help identify stakeholder requirements and expectations.

By identifying stakeholder requirements and expectations, the Company obtains a coherent picture of events necessary for efficient stakeholder engagement.

**Stakeholder Engagement Process**



**Stakeholder Engagement in 2019**

**Personnel**

**STAKEHOLDER ENGAGEMENT MECHANISM**

- Management meetings with personnel
- Collective agreement
- Surveys and questionnaires
- Corporate staff training and development system
- Joint task force groups
- Hotline
- Cultural and sports events
- Corporate media system
- Company's web resources

**Stakeholder requirements and expectations**

- Competitive remuneration
- Safe and comfortable work environment
- Creating opportunities for professional development and career progress
- Social assistance for employees and their families, as well as veterans and retired persons
- Stability of the Company as an employer
- Compliance with business ethics standards

**Actions taken in 2019**

- KazTransOil JSC General Director (Chairman of the Management Board) met young professionals at a business lunch.
- The social stability rating was 75% and the personnel involvement index was 68%.
- The personnel turnover ratio was 2.3%.
- Training was provided for 11,275 Company's employees.
- The Deputy General Director met SBU employees and provided clarifications regarding the new remuneration system for the Company's operational personnel.
- The Company made social payments in the amount of KZT 2.1 billion, including voluntary medical insurance costs.
- 22 Company's SBU and headquarters department managers were rotated.
- The Company launched a corporate television channel and its own mobile phone application.
- The Company held KazTransOil Young Specialists Forum.



## Shareholders and influential organisations

### STAKEHOLDER ENGAGEMENT MECHANISM

- General Meeting of Shareholders
- Corporate reporting
- Conference calls
- E-mail correspondence
- Corporate media system

### Stakeholder requirements and expectations

- Ensuring shareholder rights
- Profit growth and timely dividend payment
- Growth in shareholder value and business continuity
- Information openness and transparency
- Compliance with the effective laws
- Effective corporate management according to the best international practices

### Actions taken in 2019

- Extraordinary General Meetings of the Company's Shareholders were held on January 28 and March 5, 2019.
- The new directors to the Company's Board of Directors were elected on January 28, 2019.
- The annual General Meeting of the Company's Shareholders was held on May 28, 2019.
- On March 5, 2019, Ernst & Young LLP was selected to perform audits at KazTransOil JSC in 2019–2021.
- On March 7, 2019, the KazTransOil JSC audit report for 2018 was published on KASE.
- On July 3, 2019 the Company commenced its dividend payments.
- In 4Q 2019, IAS performed an assessment of the Company's corporate management system.
- Responses were given to all shareholders' queries.

## State authorities

### STAKEHOLDER ENGAGEMENT MECHANISM

- Development of draft regulatory acts affecting the Company's interests
- Corporate reporting
- Intergovernmental committees
- Task force groups, expert panels, meetings and round tables
- Forums, conferences, exhibitions
- Discharge of tax obligations

### Stakeholder requirements and expectations

- Compliance with the effective laws
- Payment of taxes and obligatory charges
- Mitigation of the Company's adverse environmental impacts
- Economic and social stability in the operating areas
- Information openness and transparency

### Actions taken in 2019

- Participation in meetings of Intergovernmental Committees between the Republic of Kazakhstan and the Russian Federation, the Republic of Azerbaijan, Georgia, and others.
- On April 29, 2019, KazTransOil JSC signed a Memorandum of Understanding and Cooperation with the RoK Ministry of Education and Science.
- The Company paid taxes and other obligatory charges into the state budget for the total amount of KZT 39,390.9 million.
- On November 22, 2019, public hearings were held at the RoK NMRC to review the Company's application for approval of the tariffs and tariff estimate for oil transportation to RoK domestic market via the main pipeline system for 2020–2024.

## Service customers and partners

### STAKEHOLDER ENGAGEMENT MECHANISM

- Participation in the IAOT
- Contract execution
- Customer surveys and questionnaires
- Query processing system
- Corporate reporting
- Forums, conferences, exhibitions
- Negotiations and meetings
- Corporate media system
- Company's web resources

### Stakeholder requirements and expectations

- Timely and high-quality service provision
- Full and timely disclosure of any changes in the tariff policy
- Business continuity
- Information openness and transparency
- Compliance with business ethics standards
- Anti-corruption

### Actions taken in 2019

- In April to May 2019, the Company signed agreements with Transneft PJSC regarding compensation payments to 38 Kazakhstan oil companies for offspec oil.
- Monthly meetings with oil pipeline owners regarding operating services
- A service customer satisfaction survey was conducted and showed 100% customer satisfaction with oil transportation and 96.7% satisfaction with operating services.
- XII IAOT Meeting was held in Almaty in September 2019.
- In October 2019, KazTransOil JSC specialists jointly with KPO completed overhaul of the Karachaganak – Atyrau transportation system.
- The Company held meetings on implementing the approved tariff estimate and the investment programme, maintaining quality and reliability performance indicators for the services subject to regulation and achieving business performance indicators of natural monopoly entities toward customers and stakeholders.

## Subsidiaries and jointly controlled entities

### STAKEHOLDER ENGAGEMENT MECHANISM

- Participation in SJCE management bodies
- Agreement and approval of appointments to SJCE management positions
- Review and approval of SJCE strategies, budgets, KPIs and reports
- SJCE audits
- Forums, conferences, exhibitions
- Negotiations and meetings

### Stakeholder requirements and expectations

- Company's stability and financial integrity
- Compliance with corporate management concepts
- Information openness and transparency
- Compliance with business ethics standards

### Actions taken in 2019

- Participation in task force groups, meetings and intergovernmental committees
- Participation in SJCE Supervisory boards
- Participation in the audit committee to check the financial and economic activities of Kazakhstan-China Pipeline LLP, Main Waterline LLP and MunaiTas LLP
- The second annual health and safety forum *HSE as a Source of Profit* was held in Nur-Sultan in August 2019.

## General public and mass media

### STAKEHOLDER ENGAGEMENT MECHANISM

- Corporate reporting
- Posting information about the Company's activities on its corporate website and KASE website
- Public hearings, meetings, press conferences and interviews with Company's managers
- Sectoral committees and public associations

### Stakeholder requirements and expectations

- Company's contribution into regional social and economic development, including creation of new jobs
- Improving the quality of life of the local community
- Company's stability and financial integrity
- Information openness and transparency
- Industrial environmental safety of the Company's activities and nature conservation measures
- Effective communication channels and prompt feedback
- Compliance with business ethics standards

### Actions taken in 2019

- 97 press releases were published on the Company's corporate website and 769 information and publicity publications were made in national and regional mass media.
- The Company arranged an interactive holographic show dedicated to the 120<sup>th</sup> anniversary of Kazakhstan oil within the framework of the Kazakhstan Energy Week-2019 held in Nur-Sultan in September 2019.
- Interviews with the Company's management were published in the national and corporate mass media.

## Financial institutions

### STAKEHOLDER ENGAGEMENT MECHANISM

- Corporate reporting
- Meetings and negotiations with second-tier banks and opening accounts
- Meetings and presentations for rating agency representatives

### Stakeholder requirements and expectations

- Information openness and transparency
- Positive operating and financial performance
- Corporate management practices
- Company's stability and financial integrity
- Compliance with business ethics standards

### Actions taken in 2019

- Meetings and negotiations with second-tier banks
- Opening accounts with second-tier banks
- Holding meetings and presentations for rating agency representatives
- In August 2019, Moody's Investors Service confirmed the long-term credit rating for KazTransOil JSC at Baa3 and changed the outlook from Stable to Positive.
- In November 2019, Fitch confirmed the long-term rating for KazTransOil JSC at BBB- with a Stable outlook.

## Suppliers and contractors

### STAKEHOLDER ENGAGEMENT MECHANISM

- Purchasing and contract execution
- Customer query and claim processing system
- Business correspondence
- Negotiations, meetings and open information days for vendors
- Corporate reporting
- Forums, conferences, exhibitions
- Corporate media system

### Stakeholder requirements and expectations

- Discharge of contractual obligations
- Transparent tendering
- Company's stability and financial integrity
- Anti-corruption
- Compliance with business ethics standards

### Actions taken in 2019

- The Company held an Open Information Day event for its vendors in Nur-Sultan on December 18, 2019.
- The value of contracts concluded by KazTransOil JSC with its vendors amounted to KZT 65,076 million.
- The local content in the Company's purchases was 71 %.
- The Company introduced an electronic contract system.
- The Company responded to all enquiries from its prospective vendors.

## Competitors

### STAKEHOLDER ENGAGEMENT MECHANISM

- Negotiations, meetings, forums and conferences
- Participation in joint task groups, exhibitions and forums
- Corporate media system

### Stakeholder requirements and expectations

- Maintaining competitiveness
- Information openness and transparency
- Compliance with business ethics standards

### Actions taken in 2019

- In September 2019, the Company took part in the Safety Day Event arranged by CPC-K JSC with the participation of CPC-K business units and contractors.
- A joint press tour around the CPC-K JSC and KazTransOil JSC production facilities was held in Atyrau on July 9, 2019.



# PAVLODAR REGION

The crown jewel of the Pavlodar Region is Bayanaul National Natural Park, which is the first natural park in Kazakhstan opened 33 years ago. Four freshwater lakes, namely Sabyndykol, Zhassybai, Toraigyr and Birzhankol, are located here. Bayanaul is a breathtakingly beautiful natural area in the Pavlodar Region situated in the midst of the steppe. It is also referred to as Kazakhstan's natural wonder. The Bayanaul Mountains extend for 40 to 50 km from west to east and for 20 to 25 km from north to south.

## KAZTRANSOIL JSC REGIONAL INDICATORS



Oil  
tank farm

**160**  
thousand m<sup>3</sup>



Staff  
headcount

**406**  
persons



Social stability  
rating

**85 %**



**MEMBERSHIP IN ASSOCIATIONS**

GRI 102-12 102-13

The Company actively participates in various professional and industry-specific initiatives which help share expertise and solve industry-level tasks.

**Company's membership in associations and other unions in 2019**



**Kazakhstan Association of Oil-Gas and Energy Sector Organisations KAZENERGY**

The Company was appointed as a national main oil pipeline operator. The Company's representatives are members of this Association's Coordination Board for Oil and Gas Sector Development in the Republic of Kazakhstan.



**Kazakhstan Taxpayers Association**

The main goal of the Kazakhstan Taxpayers Association is to promote protection of legitimate rights and interests of taxpayers and to provide timely information about amendments to tax laws. The Company's representatives participate in task force groups of this Association and ensure the Company's involvement in development of these amendments and addenda to the tax laws.



**International Association of Oil Transporters**

The International Association of Oil Transporters (IAOT) was set up to coordinate efforts to effectively develop the oil transportation systems of participating companies and to increase the stability of international oil transportation. IAOT comprises eight largest international oil transportation companies in the former Soviet Union and beyond, and one more company as an observer. Four expert panels were established from among the Association members to address energy efficiency, legal aspects, oil supplies and effective, reliable and safe operation of main oil pipeline systems.



**RoK National Chamber of Entrepreneurs "Atameken"**

RoK National Chamber of Entrepreneurs "Atameken" was established to improve the business and investment climate, promote stability and develop the RoK business environment for both domestic and foreign investors.

Participation in this organisation safeguards the rights and interests of business entities, ensures wide coverage and involvement of all entrepreneurs in development of legal and other regulatory business rules.

**HR Management and Social Policy**



**HR AND SOCIAL POLICY MANAGEMENT APPROACH**  
GRI 103

As a major employer operating in 11 regions of the Republic of Kazakhstan, KazTransOil JSC focuses on enhancing and developing human resources, raising professional competence and efficiency of its employees and creating conditions for social security and stability among its personnel and in its operating regions.

KazTransOil JSC is aware that the Company's employees are its key strategic asset and thus continuously improves its working conditions, enhances its remuneration and incentives system and promotes training and social assistance for its employees.

The Company does not tolerate any discrimination by age, culture, religion, race or other factors in recruiting personnel, determining remuneration levels and implementing its HR and social policy. The Company supports prevention of any form of discrimination or use of child or forced labour, recruits and promotes staff solely on the basis of professional capabilities, knowledge and skills.

**6,773** PERSONS  
MANNING LEVEL

**"Friendship Capsule"**

In August 2019, as part of the Best in Profession International Contest, a time capsule was embedded in the Friendship monument with eight messages from the chief executives of IAOT member companies addressed to the future generation of oil pipeline specialists on new technologies in the oil pipeline industry. The messages will be read at the IAOT 10<sup>th</sup> Anniversary in 2023.

The Friendship Capsule launch ceremony took place at T. Kassymov OPS and N. Shmanov OPS. The capsule route ran along the main oil transport corridors of the Druzhba pipeline and covered eight member countries of the IAOT: KazTransOil JSC, Transneft PJSC, MERO, Gornetransneft Druzhba OJSC, Ukrtransnafta JSC, Transpetrol JSC, MOL and CNPC.



The Company specifically focuses on developing internal corporate communications and establishing trust between employees and management through communication events, a transparent assessment system and work performance feedback tools for both line employees and managers.

The top priorities under KazTransOil HR Policy are:

- To attract, develop and retain top professionals.
- To integrate state-of-the-art HR management practices at the Company.
- To provide social security to the employees, fully respect their interests and rights and ensure workplace safety.
- To manage the Company's talent pool.
- To support innovations and transformations at the Company.
- To build and implement an effective incentive system to boost labour efficiency and quality.

In order to develop the Company's talent pool and to support the Year of Youth announced in 2019 by the RoK President, the Company has taken various measures to support young specialists both within the Company and across the oil and gas industry in general.

### Management Framework and Tools

Human resources and social policy are managed at two levels. These activities are coordinated by the HR Management and Payroll Department at the headquarters level and by HR services at the SBU level.

The Department of Public Relations and Internal Communications is responsible for corporate culture and internal communications issues.

The Company takes a wide range of HR and social management actions and initiatives, including:

- An effective employee remuneration and assessment system based on actual KPIs
- Professional training programmes for employees
- A social package that includes financial and non-financial benefits for employees and their families
- Engagement with trade unions
- An advanced digital internal communications system
- A talent pool programme aimed at creating broad career development opportunities for employees at different levels

- A rotation programme for SBU and headquarters department managers
- On-the-job training at the Company's production facilities
- Regular meetings between the Company's management and personnel
- Annual surveys to measure engagement among administrative and management personnel and the social stability level among the operational personnel.

### STAFF HEADCOUNT AND ORGANISATION

GRI 102-7 102-8 402-1 405-1

In the reporting period, the headcount reduced by 2.2% as compared to 2018 and amounted to 6,773 people. Such reduction was due to business process optimisation at the Company.

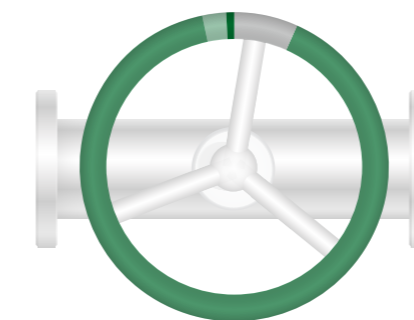
As prescribed by the Labour Code of the Republic of Kazakhstan and Company's Collective agreement, the minimum period of notice to be given to employees upon termination of employment contracts due to downsizing or staff reduction is one month. In 2019, however, no suits were filed by the Company's employees regarding the Company's violation of this specific labour law.

### Staff headcount profile, persons

Description	2017	2018	2019	Variation (%)
Headquarters	237	455	452	▼ -0.7
SBU	-	6,269	6,106	▼ -2.6
West branch	3,950	-	-	-
East branch	2,375	-	-	-
RTC branch	145	151	161	▲ 6.6
Main Waterline Department	397	-	-	-
Representative offices in Samara, Omsk and Moscow*	48	48	54	▲ 12.5
<b>Total</b>	<b>7,152</b>	<b>6,923</b>	<b>6,773</b>	<b>▼ -2.2</b>

\* In 2018, KazTransOil JSC representative office was opened in Moscow.

### 2019 staff headcount profile, persons



6,773 persons

- 452 Headquarters
- 6,106 SBU
- 161 RTC branch
- 54 Representative offices in Samara, Omsk and Moscow

The Company champions gender equality and strives to secure gender diversity at all Company levels. Due to the specific features of the Company's production activities, the number of male employees among the Company's staff is traditionally higher. The share of male employees in the total headcount was 82% in the reporting period.

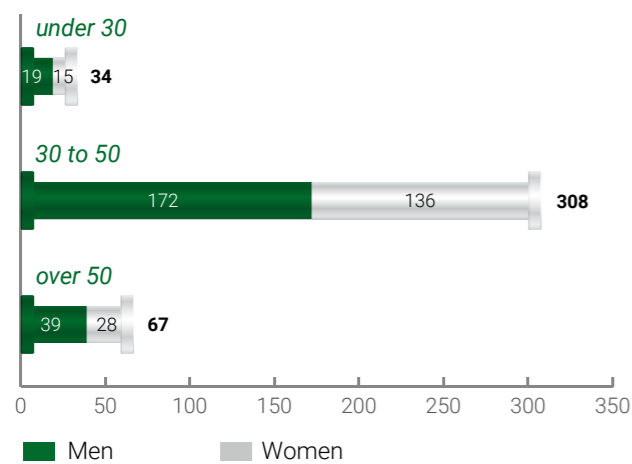
**43** YEARS  
AVERAGE PERSONNEL AGE

Staff headcount by gender, persons

Description	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
Headquarters	132	105	279	176	272	180
SBU	-	-	5,299	970	5,181	925
West branch	3,256	694	-	-	-	-
East branch	2,036	339	-	-	-	-
RTC branch	69	76	70	81	75	86
Main Waterline Department	310	87	-	-	-	-
Representative offices in Samara, Omsk and Moscow*	23	25	22	26	26	28
<b>Total</b>	<b>5,826</b>	<b>1,326</b>	<b>5,670</b>	<b>1,253</b>	<b>5,554</b>	<b>1,219</b>

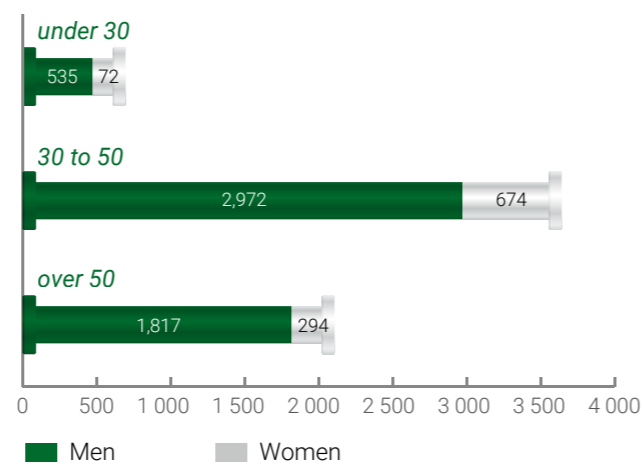
\* In 2018, KazTransOil JSC representative office was opened in Moscow.

Administrative and management personnel



The Company's employees are mostly aged 30–50 (58.4%). The average age of the Company's personnel in 2019 was 43.4 years.

Operational personnel



The Company's employees engaged on the basis of indefinite term employment contracts make up around 99%. The share of full-time employees in the reporting period was 100%.

Number of full-time and temporary employees in 2019, persons

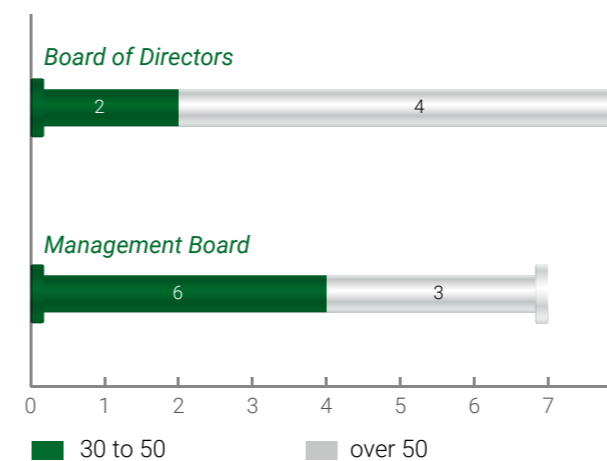
	2019	
	Men	Women
Total headcount, including:	5,554	1,219
Full-time	5,510	1,177
Temporary*	44	42

\* Employees engaged on the basis of employment contracts for temporary replacement of absent employees.

The Company's management bodies are also gender-diverse. For instance, in 2019 KazTransOil JSC

Management Board was made up of both men (8 employees) and women (1 employee).

Composition of the Company's bodies as of December 31, 2019, persons



PERSONNEL RECRUITMENT  
GRI 401-1 406-1

The Company recruits staff in accordance with the Rules for Competitive Personnel Selection for Vacancies and Work Occupations at KazTransOil JSC that involve testing elements and transparency, meritocracy and non-discrimination principles.

No cases of discrimination towards job candidates or current employees on any grounds were recorded in 2019.

The Company hired 350 new employees in the reporting year, including 33 headquarters employees and 317 SBU employees. Most newly hired employees are aged 31 to 50 (180), 155 employees are under 30 and 15 are over 50.

13 years

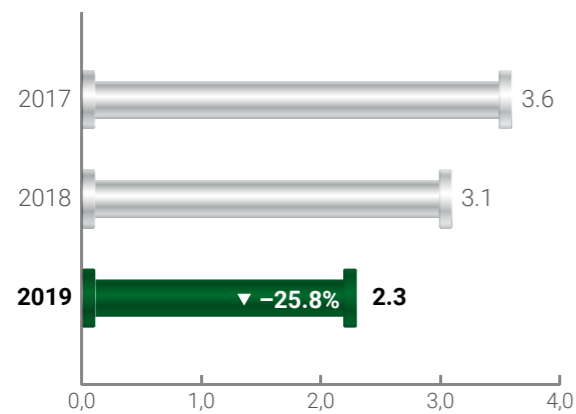
AVERAGE SERVICE DURATION AMONG THE COMPANY'S EMPLOYEES



## Employees hired in 2019 by age, persons

Name	Total number hired (persons)	of which by age (persons)		
		under 30	31 to 50	over 50
KazTransOil JSC	350	155	180	15
Headquarters	33	11	21	1
SBUs	317	144	159	14

## Personnel turnover ratio\*, %



\* The turnover indicator is calculated as a ratio of employees who resigned on their own accord and those dismissed with cause to the Company's average staff headcount for the year.

## PERSONNEL TURNOVER

GRI 401-1

Low turnover proves that the Company is capable of retaining its employees by providing favourable work conditions.

In 2019, the turnover ratio was 2.3%, which is 25.8% less than in 2018. The Company's actions to ensure favourable working conditions, implement a system of financial and non-financial incentives and provide opportunities for professional training and career progress have contributed to turnover reduction.

The average service duration among the Company's employees is 13 years.

## REMUNERATION AND INCENTIVES

GRI 202-1

KazTransOil JSC offers competitive remuneration to its employees. The Company also elaborates remuneration regulations in view of the opinions expressed by trade unions. The existing corporate remuneration system ensures:

- Proper remuneration level consistent with remuneration offered by leading Kazakhstan companies
- A two-component remuneration system consisting of fixed and variable (bonus) components
- Indexation of operational personnel remuneration based on the inflation level in Kazakhstan.

Extra payment coefficients to account for harsh regional natural and climatic conditions or residence in environmentally unfavourable regions, harmful work allowances and other fixed payments are applied to the fixed part of remuneration.

Every year, the minimum remuneration of KazTransOil JSC employees becomes consistently

higher than the corresponding remunerations in the Company's operating regions. In 2019, the minimum remuneration at the Company was KZT 55.45 thousand, which is 30% higher than the minimum remunerations in the operating regions. The minimum remuneration of both men and women is set at the same level in accordance with the Company's HR policy.

## Standard remunerations of newly hired employees vs minimum remuneration in the Company's operating regions

	2017*	2018**	2019**	Variation (%)
Minimum remuneration in operating regions, KZT thousand	24.46	28.28	42.50	▲ 50.3
Men				
Standard remuneration of a newly hired employee at the Company, KZT thousand	57	52.3	55.45	▲ 6
Minimum remuneration at the Company vs remuneration in operating regions, times	2.3	1.85	1.3	–
Women				
Standard remuneration of a newly hired employee at the Company, KZT thousand	49.3	52.3	55.45	▲ 6
Minimum remuneration at the Company vs remuneration in operating regions, times	2.02	1.85	1.3	–

\* Figures are based on the 2017 data for a boiler room operator.

\*\* In 2018–2019, the data for men shows the remuneration of a labourer at Karazhanbas LOCS, and the data for women shows the remuneration of a labourer at Uzen POPS.

In 2019, the Company developed a new remuneration system for its operational personnel that envisages the following:

- Wage increase for essential operational personnel
- Closing the gaps in remunerations between the Company's SBUs
- Personnel categorisation into essential operational, transportation and service personnel
- Introduction of certain elements of the Integrated Remuneration System (IRS) for NC KazMunayGas JSC Group employees.

Integration of a new remuneration system for the Company's operational personnel is planned for Q1 2020.

## KPI SYSTEM DEVELOPMENT

Starting from 2018, a year-end bonus is paid to all headquarters employees and SBU managers based on their KPIs approved taking into account the accomplishment of the Company's strategic goals and personal performance indicators.

Furthermore, the Company has introduced a "360 degrees" integrated assessment system to assess efficiency of interaction between KazTransOil JSC headquarters departments. As part of this assessment, each division has determined a group of business units within its scope of interaction and the indicators/requirements used as a basis for the assessment.

25.8 %

PERSONNEL TURNOVER  
REDUCTION IN 2019

At the end of 2019, the implemented system helped improve business processes in the headquarters departments subject to assessment and determine methods and means to further improve the interaction.

**EMPLOYEE EVALUATION**

Employee evaluation is an essential HR management tool used by the Company to assess adequacy of the employees' qualifications for the positions taken by these employees, to determine the needs for their training and development and to assess whether their remuneration is appropriate for their qualification level.

KazTransOil JSC engineers and technicians were subject to evaluation in the reported year. The average score among the Company's 1,459 employees under evaluation was 97% out of 100%. An individual development plan in order to plan vocational training to improve personal and professional skills was prepared for each employee based on this evaluation.

**MANAGEMENT COMPETENCE ASSESSMENT**

The competence of managers engaged in the business units at the headquarters, including the Company's Operating Service Department, and SBU is assessed using a standard personal (business) competency model with the help of assessment centre tools such as analytical presentation, team exercise, competence interview and the "360 degrees" assessment method. The purpose of the assessment is to identify strengths and development areas for the managers subject to assessment. This assessment enables to take more informed staffing decisions and determine more accurate goals for further training.

59 managers of the Company's business units were subject to competence assessment in 2019.

The competences of the business unit managers under assessment included the following:

- Leadership (team building and motivation, efficient task allocation and power delegation)
- Influence (clear communication, relationship building, argumentation and promotion of ideas)
- Business development/understanding (understanding the specific corporate features, tracking changes in the external business environment and generating business development initiatives)
- Result-oriented approach (responsibility for the result, decision-making, perseverance and initiative approach adopted to achieve the goals)
- Effective process management (planning in view of potential changes, identifying resources and implementation monitoring)
- Open communication (open and fair communication and respect for other people's opinions and needs).

Based on the competence assessment, the managers of headquarters and SBU business units were able to:

- Understand their strengths and development areas
- Identify and improve the development areas based on the assessment
- Enhance the leadership competences
- Obtain individual reports on the business and behavioural performance of the managers to generate a talent pool
- Prepare personal development plans including an integrated training and development programme.

**PERSONNEL ROTATION**

The use of rotation as a method for internal personnel recruitment has proved to be effective and promising. The Company's practices include rotation of SBU management employees and headquarters business unit managers.

Adequate rotation results in an inflow of innovations into the existing management mechanisms, optimal use of the Company's personnel, stronger interaction between the Company's business units, facilitated cooperation to solve future and current production tasks by ensuring that employees understand the needs of other departments, and thus improving the Company's organisational and business performance in general.

Twenty two managers of the Company's headquarters and SBU business units were subject to rotation in 2019.

**TRAINING AND DEVELOPMENT**

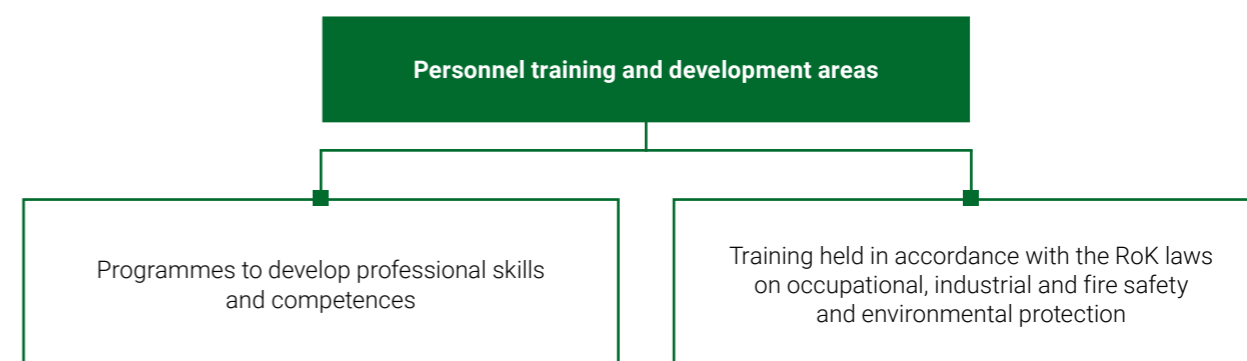
GRI 404-2

Providing extensive training opportunities and improving the employee competence are the top priorities for KazTransOil JSC. High vocational training level is crucial for ensuring reliable and efficient activities of the Company.

The Company regards staff development as an integrated project to ensure the competence level required to achieve production goals, promote employee loyalty, create a positive social climate among personnel and exercise a direct impact on the corporate culture development.

The Company's existing personnel training system provides equal opportunities and support to enable professional development of each Company's employee through regular completion of advanced training courses (at least one, but not more than three training courses per employee per year). The system helps effectively acquire and develop the knowledge and skills necessary to implement the tasks assigned to the personnel.

**Personnel training and development areas**

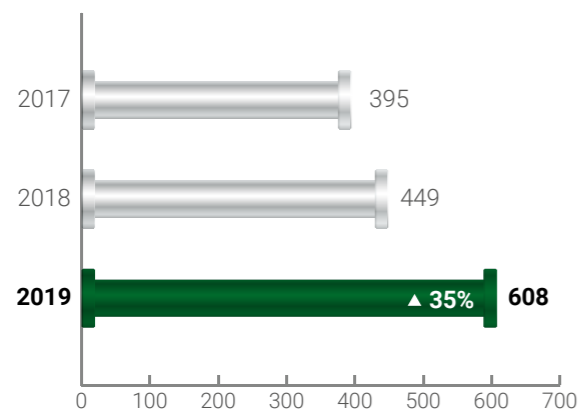


**1,459** ENGINEERS  
AND TECHNICIANS PASSED  
QUALIFICATION

**35 %**  
INCREASE IN PERSONNEL TRAINING  
INVESTMENTS



**Personnel training and development programme funding, KZT million**



In 2019, the Company held 668 events under the personnel training and development programmes. The total training costs in 2019 amounted to KZT 608 million, which is 35% more as compared to 2018.

KazTransOil JSC has the RTC Branch Training Centre in Aktau that coordinates the vocational training system and provides the basis and conditions for implementing on-the-job training and development programmes. In 2019, 11,275 operational employees including 8,840 workers completed training and re-training at the Training Centre.

Re-training of the Company's employees is aimed not only at improving their competence level but also at ensuring cross-training to increase the likelihood of further employment in case of transfer or headcount/staff optimisation.

**ON-THE-JOB TRAINING OF UNIVERSITY AND COLLEGE STUDENTS AT KAZTRANSOIL JSC**

Since 2019 was declared the Year of Youth in Kazakhstan, the Company proposed an initiative to arrange and conduct paid on-the-job training for university and college students at the Company's production facilities located in 11 regions of the country.

A five-year Memorandum of Understanding and Cooperation was signed between the RoK Ministry of Education and Science and KazTransOil JSC on April 29, 2019.

Furthermore, the agreements were signed with 21 educational institutions, including 11 universities and 10 colleges, in order to arrange and conduct paid on-the-job training of students at the Company's production facilities.

In the reporting year, more than 400 university and college students were trained in the pipeline transport occupations.

Priority was given to the students from socially vulnerable population groups. A mentor was assigned for each trainee from among the Company's highly qualified specialists and engineering personnel. Each trainee was awarded a scholarship of KZT 100,000 to 120,000 for university students and KZT 70,000 to 80,000 for college students.

On-the-job training helped students get a unique opportunity to practise their theoretical knowledge and to master their professional skills and competences in an actual work environment.

**TALENT POOL**

In 2019, KazTransOil JSC updated its Talent Pool Generation Rules.

The main goals of talent pool generation are as follows:

- To ensure long-term HR security and management succession at the Company.
- To identify and develop promising employees in order to maximise their potential to achieve the Company's strategic goals and objectives.
- To motivate employees by providing development and career progress opportunities.
- To create an image of the Company as an employer that helps to attract and retain highly qualified employees by providing development and career progress opportunities.

In accordance with the Talent Pool Generation Rules, KazTransOil JSC has introduced four position categories to generate its talent pool (A, B, C and D). The first three categories cover managers engaged at different levels of the Company's management. The fourth category includes SBU engineering positions other than line managers. Talent pool generation helps to source trained and motivated employees for the Company with minimum time spent on personnel search.

In 2019, 88 workers were transferred to engineering positions within the Company.

**SOCIAL POLICY**

GRI 102-41 401-2 401-3 403-6

KazTransOil JSC acknowledges its responsibility towards its employees and the community and thus pursues a well-balanced social policy aimed at business sustainability, social stability in the operating regions and employee satisfaction in terms of working conditions.

The Collective Agreement concluded between KazTransOil JSC and its employees has always served as a basis for implementation of the Company's social policy.

In 2019, the Company began negotiations to discuss the new draft Collective Agreement for 2020–2022.

The Company provides a guaranteed social security package to all employees in order to improve the living conditions of employees and their families as stipulated in the Collective Agreement, which covers 100% personnel.

The Company's social package contains:

- Social and educational leaves
- Maternity leaves
- Leaves to care for an adopted newborn (newborns)
- Short paid leaves in case of an employee's wedding, childbirth (granted to fathers) or death of a close relative
- A voluntary health insurance option for employees and their family members, including parents.

In 2019, the Company met all obligations stipulated in the Collective Agreement. The Company's social assistance costs for its employees and their families totalled approximately KZT 2.1 billion, including the cost of voluntary medical insurance.



**KazTransOil JSC Young Specialists Forum**

As part of the Year of Youth in Kazakhstan, KazTransOil JSC held a Young Specialists Forum among its employees. The forum brought together 100 young specialists from the Aktobe, Atyrau, Karaganda, Kulsary, Mangistau, Pavlodar, Shymkent Oil Pipeline Administrations, EOSA, WOSA, the RTC Branch and Main Waterline PLC. A Future Begins Today conference was held in the city of Aktau as part of the Young Specialists Forum. The conference participants discussed the issues and prospects of pipeline transport development.

OVER **400**  
STUDENTS AND TRAINEES PASSED ON  
THE-JOB TRAINING AT THE COMPANY

An important issue in terms of our social policy is appropriate support to socially vulnerable population groups such as children and their mothers. In addition to the main social benefits and payments, the Company also provides the following:

- Monthly allowances to employees on childcare leave until the child reaches the age of 18 months
- Additional support to female employees: the Company provides a flexible work schedule for women with young children
- Monthly payments of KZT 15,000 to support a child (children) aged 18 months to six years

- New Year gifts for employees' children aged up to 12
- Reimbursement of costs for children's camp vacations during the school holidays in the maximum amount of 40 times the monthly calculation index per shift.

Thanks to its wide-ranging social assistance and continuous efforts to improve its social package, the Company has a high rate of employees who return to work from maternity leave before the child reaches the age of three (100%).

**The ratio of employees who returned to work in 2019 upon expiration of a childcare leave before they reach the age of three**

Description	Number of employees who took childcare leave until the child reaches the age of three		Number of employees who returned to work after a childcare leave until the child reaches the age of three		Share of employees who returned to work after a childcare leave until the child reaches the age of three (%)
	Men	Women	Men	Women	
Headquarters	–	8	–	13	19
SBUs	5	50	2	47	73
RTC branch	–	4	–	5	8
Representative offices in Samara, Omsk and Moscow	–	–	–	–	–
Total	5	62	2	65	–
<b>Total</b>		<b>67</b>		<b>67</b>	<b>100</b>

The Company also cares for its former employees. In addition to mandatory financial assistance upon retirement, the applicable Regulations on Social Assistance to Non-Working Retired or Disabled Persons at KazTransOil JSC also prescribes monthly monetary payments depending on the work record at the Company and financial assistance on national, state and professional holidays for 1,671 retired persons.

In 2019, at the initiative of NC KazMunayGas JSC, as part of the celebrations dedicated to the Oil and Gas Worker Day, all KazTransOil JSC veterans were awarded medals to mark the 120<sup>th</sup> Anniversary of Kazakhstan Oil.

Moreover, the Company takes care of the employees who are unfit for further work at production facilities for health reasons and pre-retirement employees. To this end, the Company has developed the Compensation Rules in case of termination of employment agreements with KazTransOil JSC employees upon mutual agreement of the parties, which define the compensation calculation procedures in case of termination of employment agreements upon mutual agreement of the parties as applicable to pre-retirement age employees and withdrawal of auxiliary business functions.

**HEALTHY LIFESTYLE**

GRI 403-6

The Company promotes a healthy lifestyle. The sports persons from among the Company's employees have taken part in many interesting events and meetings and, naturally, earned a lot of well-deserved victories. Tournaments between departments, regions and companies have become a tradition.

In 2019, for instance, a corporate sports contest was held at KazTransOil JSC dedicated to the 120<sup>th</sup> Anniversary of Kazakhstan Oil, which brought together 16 teams, 326 employees of the Company's business units and its SJCEs participating in six sports: five-a-side football, basketball, table tennis, weightlifting, tug of war and athletics.

The winners took part in the NC KazMunayGas JSC corporate sports contest, in which they won prizes in volleyball (first), chess (first) and swimming (second).

To promote a healthy lifestyle, the Company provides annual fitness centre subscriptions to employees or, if no fitness centres are available at the location, rents premises for sports activities.

The Nur-Sultan headquarters has its own gym with three sports areas. Each area is fitted out for certain sports: a yoga and pilates room, a martial arts room and a gym machine room.

**KZT 2.1 BILLION**  
SOCIAL ASSISTANCE COSTS



**Best in Profession International Contest**

The Best in Profession International Contest between employees in the leading professions representing large oil transportation companies, such as KazTransOil JSC, Transneft PJSC, Ukrtransnafta JSC, Gomeltransneft Druzhba JSC, Transpetrol JSC, MOL and CNPC, was held in Atyrau and Aktau in August 2019. The contest was conducted under the auspices of the IAOT.

It brought together 44 high-skilled specialists from oil transportation companies who showed their mastery in eight working professions. Participants from KazTransOil JSC came first in all eight professions and shared the first prize with Transneft participants in two professions.

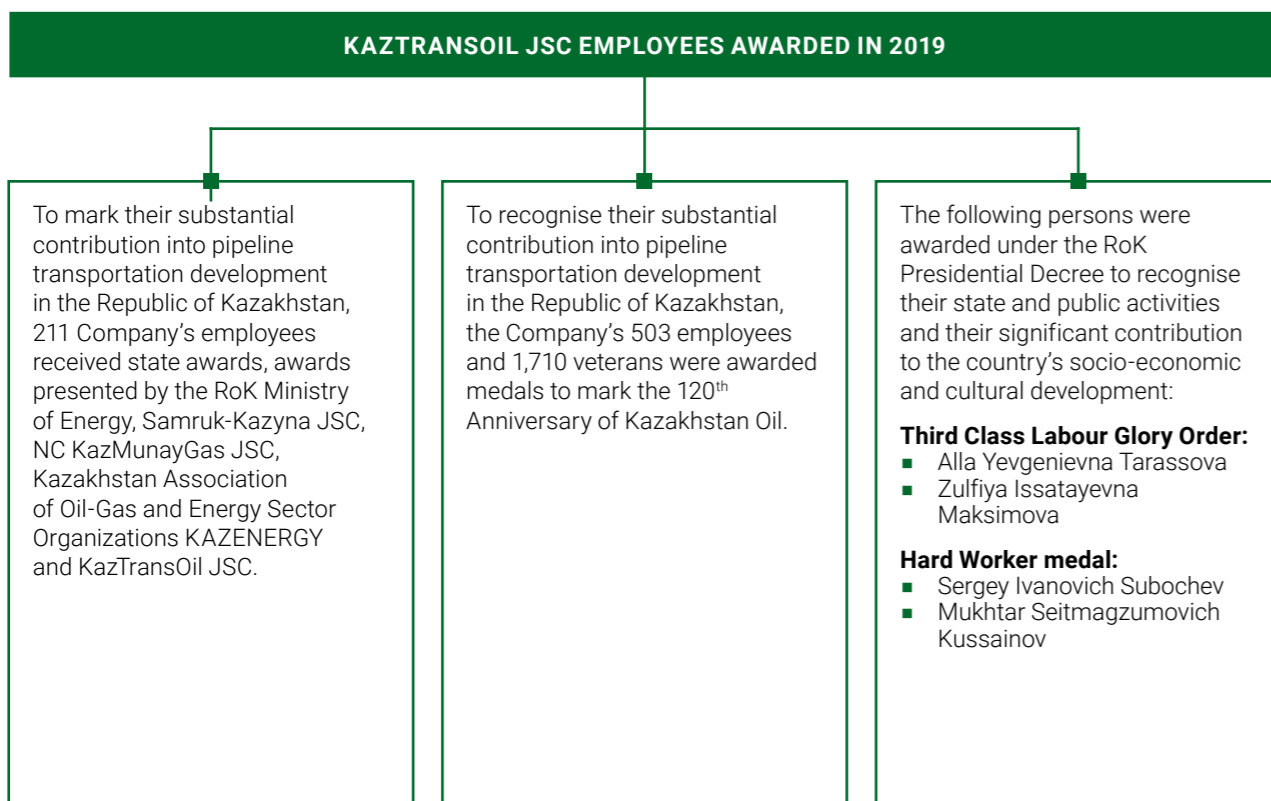


**CONTEST AND REWARD POLICY**

The Company has developed the rules to award and recognise employees engaged at KazTransOil JSC and its SCJEs, and KazTransOil JSC veterans; the rules

are aimed at boosting employee's interest in attaining high performance, providing incentives for professional activities and public recognition to mark achievements of employees and veterans.

**KazTransOil JSC employees awarded in 2019**

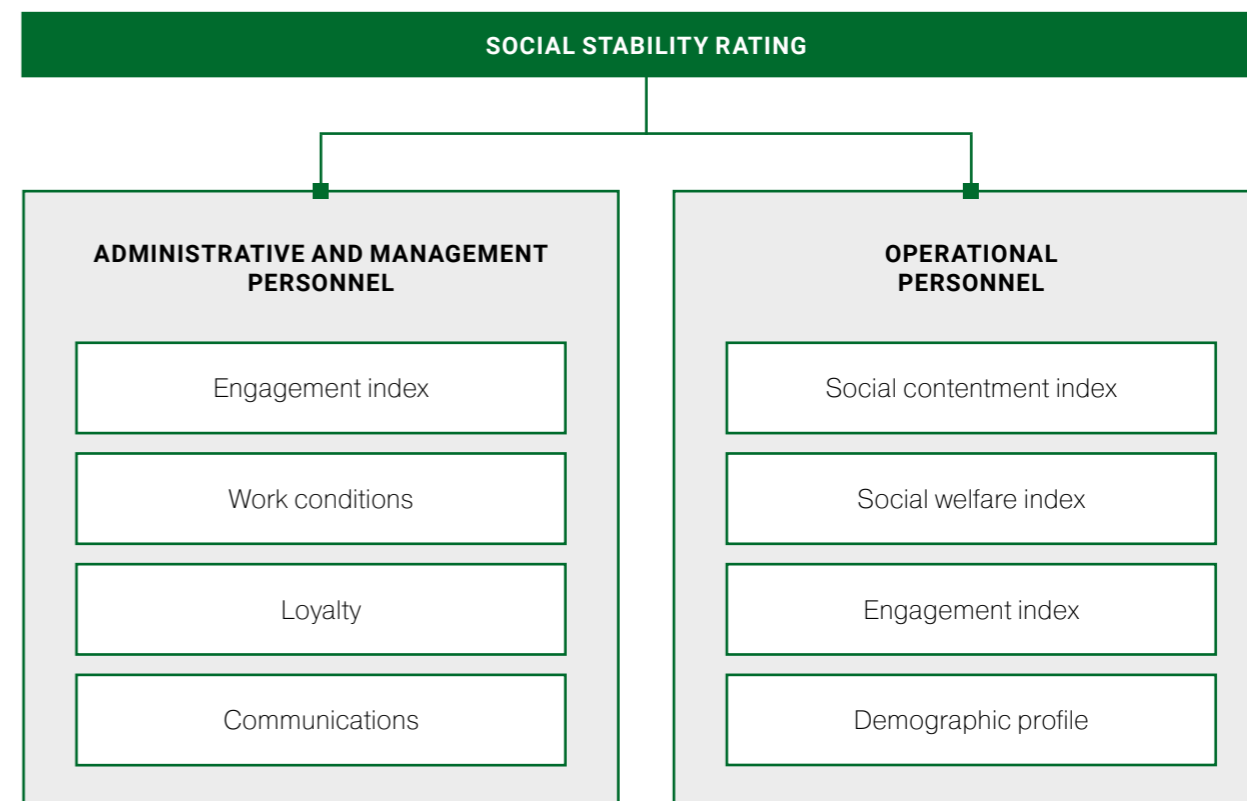


**PERSONNEL ENGAGEMENT SURVEY**

To assess the satisfaction and motivation level among the Company's employees, the Social Interaction

and Communication Centre regularly studies the social stability rating among operational personnel, as well as engagement level of administrative and management personnel.

**Social stability rating breakdown**



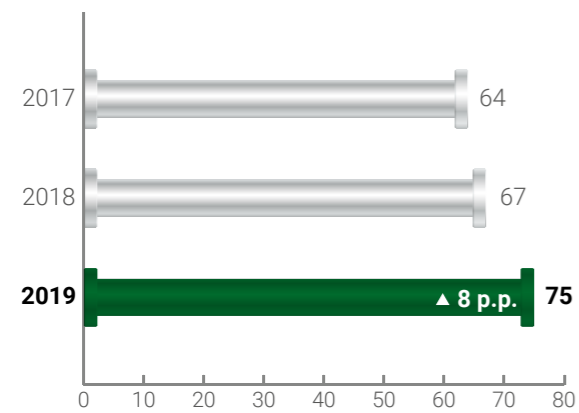
The indices that make up the social stability rating contribute to determining the financial and psychological incentives that have the greatest impact on overall

employee satisfaction, both for operational personnel and for administrative and management personnel.

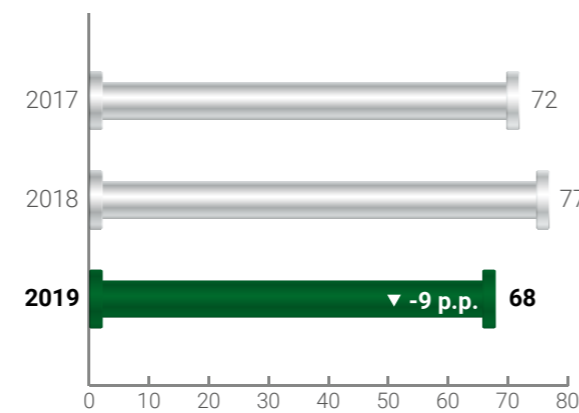
**1,710** VETERANS  
WERE AWARDED MEDALS TO MARK THE 120TH ANNIVERSARY OF KAZAKHSTAN OIL

**75 %**  
SOCIAL STABILITY RATING

**Dynamics of social stability rating, %**



**Dynamics of engagement index, %**



\*The variation of these indicators is given in percentage points (p.p.) and calculated as a difference between the data in the reporting year and the previous years.

The social stability rating in 2019 was 75%, which is 8 p.p. higher as compared to 2018, and the engagement index of the Company's personnel was 68%, which is 9 p.p. lower as compared to 2018.

Based on these data, the Company identified its weaknesses and approved the Action Plan to improve the KazTransOil JSC social stability index for 2020.

**EXTERNAL COMMUNICATIONS**

In order to establish effective stakeholder engagement, KazTransOil JSC focuses on external communications that allow the Company to respond better to the expectations and queries of its stakeholders and mitigate most reputation risks. Active communication with mass media and regulated procedures in place to manage anti-crisis communications help maintain the Company's positive image.

In 2019, KazTransOil JSC acted as a newsmaker for mass media on numerous occasions, which contributed to intensive and effective information activities.

In 2019, the Company published the following in mass media:

- 97 press releases on the Company's corporate website
- 769 information publicity publications in national and regional mass media, including 703 on gratuitous basis. Out of which:
  - 36 news stories on the national and regional television
  - TV shows: Transit Kazakhstan and Digital Kazakhstan on Khabar24 channel and a special coverage on Atameken Business channel
  - 90 publications in national and regional newspapers
  - 643 publications on the news feeds of information agencies.

- Munaiqubyrshy newsletter
- KTOnews corporate TV channel.

Most of the Company's employees are currently involved in the information flow and have first-hand access to information due to internal communication channel coverage.

In 2019, the Company continued with implementation of such internal communication projects as the Open Information Day and the 18.30 project.

The Open Information Day project is aimed at raising awareness among the employees about the Company's business processes and core activities and developing suggestions on improving such processes and activities, enhancing team communication, supporting face-to-face communication and developing public speech skills in mid-level managers. Twenty five meetings were held in the reporting year.

The 18.30 project is aimed at improving employee discipline, supporting sustainable work time management and enhancing work efficiency and performance.

The Company's essential internal communication tool is KazTransOil JSC mobile application, which is the only means of communication available to all of the Company's employees. In the reporting period, the Company posted 169 news and 30 videos on its application.

At the end of 2019, KazTransOil JSC mobile application won the Samuryq Samğa contest held among the corporate mass media of Samruk-Kazyna JSC Group as the Best Digital Project.

**INTERNAL COMMUNICATIONS**

Internal communications are another important tool used to build effective communication channels between the stakeholders within the Company.

Internal communications as a strategic management tool are implemented in two areas, namely information and interaction.

Five internal communication channels are established and effectively used to inform the personnel:

- Corporate portal
- KazTransOil JSC mobile application
- KTOinfo integrated notifications



**Presentation of KazTransOil JSC interactive holographic show at the Digital Energy Exhibition**

During the Kazakhstan Energy Week-2019 held in Nur-Sultan on September 23–29, 2019, the Company presented its interactive holographic show dedicated to the 120<sup>th</sup> Anniversary of Kazakhstan Oil. A show on the history of Kazakhstan oil and key milestones in development of the Kazakhstan oil transportation system were presented using 3D technologies. The show told the spectators about the historical heritage of Kazakhstan by displaying the main national attractions: the Great Silk Road, the Mausoleum of Khoja Ahmad Yasawi, the Baikonur Cosmodrome and Baiterek, the symbol of the capital.



**KTOnews corporate TV channel**

KazTransOil JSC corporate TV channel, KTOnews, was launched on June 17, 2019 in the pilot mode and became a unique project among Kazakhstan companies. The KTOnews network covers all SBUs including remote oil pumping stations and other production facilities. The corporate television was created to establish a communication channel available to most Company's employees in a video format to ensure optimum perception, with targeted on-line information presentation. The KTOnews programme schedule includes coverage of past events, personnel meetings, interviews with managers, information videos related to occupational safety and briefings, creative works by the personnel and other highlights of the Company's life. KTOnews channel is currently available on the state-of-the-art screens at SBUs and on the internal corporate portal.



## NATIONAL LANGUAGE DEVELOPMENT

KazTransOil JSC places a high priority on development of the national language.

In order to develop the national language at the Company, the Regulation on the National Language Development Committee at KazTransOil JSC was approved in September 2019 along with a Programme for Development and Use of the National Language at KazTransOil JSC Headquarters for 2019–2025 (the Programme).

The Programme is intended to support gradual transition of document management to the national language at KazTransOil JSC Headquarters.

The following key events were held under the 2019 Programme:

- The Company's Headquarters personnel took a KAZTEST to assess their knowledge of the Kazakh language.
- The test results were used to group the participants based on their knowledge of the national language and, starting from January 2020, training courses will be arranged according to the RoK national standards (ST RK 1928-2015, ST RK 1929-2015 and ST RK 1925-2015).
- Efforts were made to translate the general forms of EDCS electronic documents (interface) into the national language, including generation of an electronic catalogue enabling search of document forms in the national language, letter and office memoranda templates.
- The "Let's Speak Kazakh" language club was launched.
- The national language test questions were developed to be used for testing the professional knowledge during personnel recruitment to fill the emerging vacancies.

According to the deadlines stipulated in the Programme, the Company plans to complete transition of its document management to the national language by 2025.

## PLANS FOR 2020 AND MEDIUM-TERM PLANS

In 2020, pursuant to the sustainable development concepts, the Company plans to keep its focus on social issues, HR management and communication transparency enhancement, including the following measures:

- To approve KazTransOil JSC HR Policy for 2020–2024.
- To develop the Remuneration Regulations for KazTransOil JSC Headquarters.
- To sign the Collective Agreement for 2020–2022.
- To arrange paid on-the-job training for university and college students.
- To hold the most important events within and outside the Company, including information support.
- To ensure further development of the national language at the Company.

### Post-reporting date event

On February 27, 2020, KazTransOil JSC General Director (Chairman of the Management Board) and representatives of five local trade unions acting on behalf of all of the Company's employees signed the updated Collective Agreement for the next three years.

## Occupational Safety and Health



### APPROACH TO OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT

GRI 103 403-1 403-2 403-7 403-8

As a national main oil pipeline operator and the largest pipeline company of the Republic of Kazakhstan, KazTransOil JSC acknowledges the priority of life and health of its employees over its production performance. Ensuring safe working conditions and minimising occupational risks are key areas of KazTransOil JSC Development Strategy.

The Company implements these activities to achieve the following:

- Failure-free operation of its production facilities
- Accident prevention
- Occupational illness prevention
- Safe and ergonomic workplace management and proper sanitary and hygienic workplace conditions.

To maintain protection of individuals, legal entities and the environment from the adverse impact of production hazards, the Company has undertaken all

industrial safety measures stipulated by the applicable law.

To mitigate the adverse consequences of emergencies, the Company has set up a rapid response system, including fire safety at production facilities.

The occupational health and safety management system covers all of the Company's employees and has been certified in accordance with OHSAS 18001:2007. This system is part of KazTransOil JSC Integrated Management System. Great efforts were made in 2019 to ensure the Company's transition to ISO 45001:2018 *Occupational Health and Safety Management Systems. Requirements with Guidance for Use*. In particular, the Company carried out diagnostics activities which showed its compliance with the new standard and helped identify the required steps for further improvement of the occupational safety and health management system.

**Management Framework and Tools**

Occupational health and safety issues are managed at two levels. These activities are coordinated by the Industrial Safety, Health and Emergency Response Department in the headquarters, and by the occupational health, safety and environment departments at the SBU level. At the same time, a Health, Safety and Environment Committee under the Management Board was set up at the headquarters in 2019.

The Company implements a wide range of occupational health and safety actions and initiatives, including:

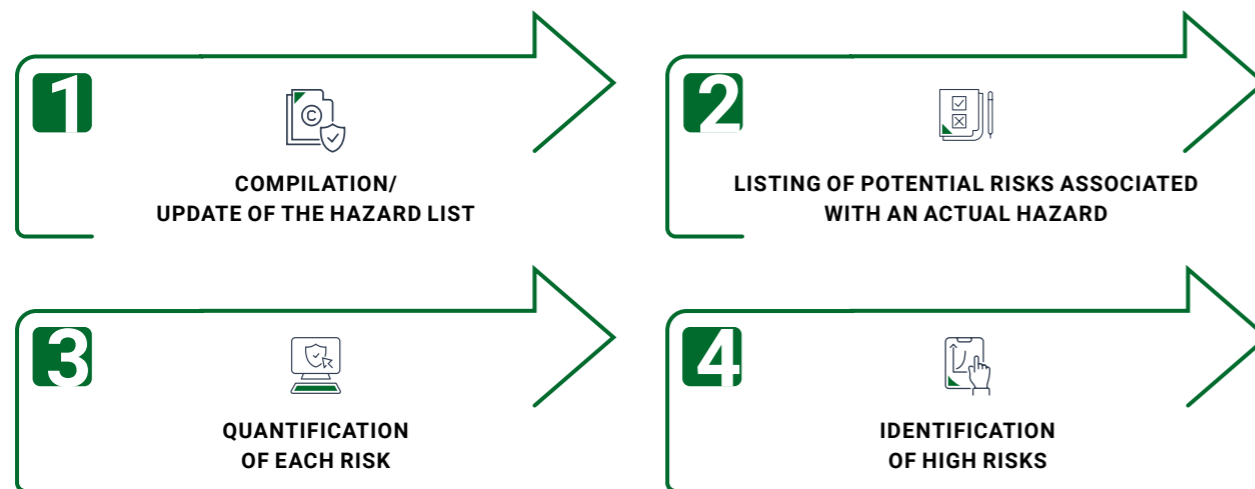
- Compliance with the RoK health and safety laws, international and national standards
- Behavioural observations and implementation of the Protection Cards
- A range of actions to ensure transition from OHSAS 18001:2007 to ISO 45001:2018
- Provision of the required protective clothes, footwear and personal protective equipment (PPE)

- Assessments of occupational safety risks, prevention of occupational injuries
- A set of reliability and safety actions in accordance with the Industrial Safety Declaration of the Hazardous Production Facility
- Operation of Industrial Councils at SBUs
- Monthly meetings with employees on occupational health, safety and environmental issues
- Safety moments
- Occupational health and safety and fire safety training of employees within the scope of the fire and occupational safety basics.

**Occupational hazard and risk assessment**

- Pursuant to KazTransOil JSC Health and Safety Risk Management Regulations, the Company makes efforts to identify hazards for employees and other stakeholders and to assess the associated risks. Health and safety risks are identified at the Company's headquarters and SBUs.

**Stages of occupational health and safety risk assessment**



Risks are assessed at least once every two years. Occupational health and safety service employees are involved in the assessment process along with the relevant divisions. The identified risks are subject to reassessment in the event of an emergency or an accident, as well as in the event of significant changes in the production activities. Measures to mitigate high health and safety risks are elaborated based on risk assessment.

The Company also regularly trains the personnel involved in the risk assessment process in order to improve the quality and strict adherence to the procedures.

**Management system development**

In 2019, the Company continued to develop its health and safety system by implementing various actions according to the approved Roadmap for Comprehensive Improvement of Health, Safety and Environment Management System at KazTransOil JSC up to 2025.

The following was developed and approved in the reporting year:

- Corporate Standard: Main Oil Pipelines. Management of Hot Works, Gas Hazardous Works and Extremely Hazardous Works.
- KazTransOil JSC Internal Incident Investigation Regulations.

The Company also approved the updated KazTransOil JSC Golden Rules Health and Safety Code.

In 2019, 6,483 behavioural observations related to work safety and 5,099 behavioural observations related to traffic safety were made at the Company's production facilities. The observations showed that 94% of work is performed safely. All identified cases of unsafe work management and execution were discussed with the employees to indicate the violations.

According to the 2019 behavioural observation review, the most frequent violation among the Company's employees was that related to the use of PPE. This conclusion was supported by the previous surveys which showed that the PPE used by the employees were uncomfortable and did not have the proper quality and consumer properties.

Based on the studies, the Company significantly changed its PPE procurement policy in 2019. In particular, it developed new specifications with strict consumer requirements for PPE. The Company selected a PPE vendor taking into account its in-service PPE maintenance capabilities. As a separate effort, the Company envisaged procedures for expert evaluation and testing of the supplied PPE by an accredited laboratory.



**Protection Card**

A new initiative called the Protection Card was launched in the reporting period. Any of the Company's employees or any visitor who discovers non-compliance or an event that could become a safety hazard can make suggestions on safety improvements by filling in a card. For instance, 1,690 Protection Cards were filled in in the reporting year, out of which action was taken on 416 cards. The cards are available on all of the Company's production and office premises. According to KazTransOil JSC Protection Card Regulations, the employees were awarded the Best Protection Card certificates and a bonus every quarter as an incentive to use Protection Cards.



**The number of Protection Cards by observation type in 2019, pcs.**



**1,690** pcs.

- **433** Unsafe conditions
- **102** Unsafe behaviour
- **158** Unsafe action
- **21** Hazardous event
- **137** Hazard
- **666** Good practice
- **173** Suggestion

**Crisis Management Team**

Natural and man-made emergencies can cause irreversible damage to the Company's assets. In order to prevent and promptly respond to actual emergencies, the Company has set up a Crisis Management Team (CMT) responsible for prompt mobilisation of all emergency response resources, including evacuation of people from the affected zone, supply of extra

emergency response resources and materials, interaction with governmental authorities, etc.

In 2019, KazTransOil JSC General Director (Chairman of the Management Board) approved a CMT Exercise Schedule. The following exercises were held in 2019 according to this Schedule:

- A drill to practice response to Tank Farm Fire at the Aktau POPS of the Mangistau Oil Pipeline Administration held on April 24, 2019
- A drill to practice response to Tank Farm Fire at the T. Kassymov OPS of the Atyrau Oil Pipeline Administration held on September 10, 2019
- A drill to practice response to Contractor Strike at the Pavlodar Oil Pipeline Administration held on December 13, 2019.

All drills were successful with the scenario properly simulated and all personnel involved in the drill properly debriefed. Apart from scheduled exercises, it is planned to arrange video training on crisis and contingency response in 2020.

**INVESTMENTS IN OCCUPATIONAL HEALTH AND SAFETY**

Every year the Company makes considerable investments in the occupational health and safety management system development. In 2019, the total investments in this area amounted to KZT 1,880.9 million, which is only 0.5% less as compared to 2018. However, occupational safety investments increased by 14.8%.

**Investment in occupational health and safety, KZT million**

Description	2017	2018	2019	Variation (%)
Occupational safety	177.1	163.9	188.2	▲ 14.8
Health	509.1	673.9	573.3	▼ -14.9
Industrial safety	32.5	137.7	120.4	▼ -12.6
Fire safety	822.0	914.6	999.0	▲ 9.2
<b>Total:</b>	<b>1,540.8</b>	<b>1,890.1</b>	<b>1,880.9</b>	<b>▼ -0.5</b>

**OCCUPATIONAL INJURIES**

GRI 403-2 403-9

Despite extensive measures aimed at improving safety and work conditions, three occupational accidents occurred at the Company in 2019. All accidents were investigated in line with the RoK legal requirements and the Company's internal procedures.

In all three cases the injured persons were male drivers. Considering the specific features of KazTransOil JSC production activities, limb injuries are one of the main types of injuries among employees.

Investigation showed that the key drivers that contributed to the injuries in those cases were the employees' personal carelessness and inadequate risk assessment prior to the work.

The incident reviews were sent to the SBUs to be communicated to each employee by displaying them on information boards, holding Safety Moments and using the relevant information during health and safety discussions and meetings. Furthermore, risks were re-assessed and relevant preventive actions were developed.

**Number of occupational accidents among the Company's employees**

Parameters	2017	2018	2019	Variation (%)
Total number of occupational accidents	3	2	3	▲ 50
Total number of injured persons, including	3	2	3	▲ 50
<i>number of minor injuries</i>	2	2	0	-
<i>number of serious injuries</i>	1	0	3	three-fold increase
<i>number of fatalities due to occupational injuries</i>	0	0	0	-
Accident frequency rate per 1,000 persons	0.39	0.29	0.44	▲ 51.7
Lost Time Injury Frequency Rate (LTIFR)	0.05	0.034	0.053	▲ 55.9

**INJURY RATE AMONG CONTRACTORS' EMPLOYEES**

GRI 403-9

Contractors' employees are also subject to stringent occupational health and safety requirements equivalent to those imposed on the Company's employees. In particular, KazTransOil JSC Golden Rules Health and Safety Code also applies to contractors' representatives present at the Company's production facilities.

The mandatory contract section which sets forth clear health and safety obligations to be discharged by the contractor is an essential tool to improve safety and health at contractors' companies. Violation of the specified obligations gives rise to the right to take actions and impose sanctions.

No occupational injuries or serious health and safety, fire safety and industrial safety violations were recorded at contractors' companies in 2019.

The Company has adopted the regulatory document, namely the Joint-Stock Standard on Requirements to Contractors that specifically describes all health and safety requirements for the Company's contractors.

**14.8 %**

**INCREASE IN OCCUPATIONAL HEALTH INVESTMENTS**

**Number of occupational accidents among employees of the Company's contractors**

	2017	2018	2019
<b>Mediker-PM LLP</b>			
Number of people who suffered temporary disability	0	1	0
<b>Dos Support LLP</b>			
Number of people who suffered temporary disability	0	1	0

**HEALTH**  
GRI 403-3 403-10

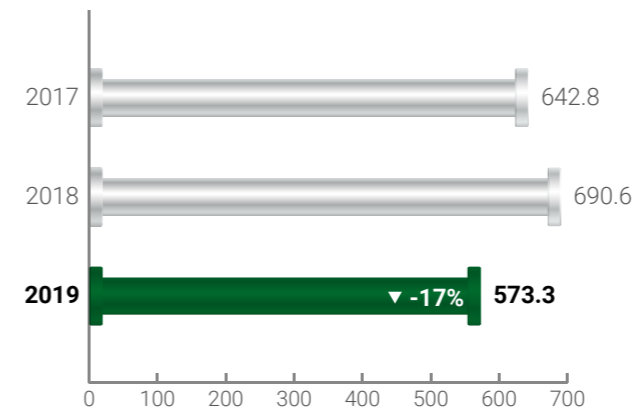
KazTransOil JSC pays close attention to maintaining and supporting the health of its employees. The Company makes efforts to prevent infectious and non-infectious diseases including occupational illnesses and injuries.

In accordance with the RoK laws, the following medical services are provided to the Company's employees:

- Emergency medical aid: medical aircraft and ambulances
- Paramedical care at a daytime medical centre
- Qualified medical aid at a first aid station operating on a rotational basis
- Mandatory medical examinations of employees, including everyday pre-shift screening and annual routine examinations.

In 2019, 5,995 employees passed mandatory annual medical examinations, based on which 1,021 employees needed medical follow-up (91 employees more as compared to 2018). This indicator shows high quality of the medical services which included advanced laboratory and instrumental employee examination methods with the participation of dedicated medical experts. The Company develops annual treatment and preventative plans. KZT 573.3 million was spent on sanitary, epidemiological, treatment and prevention actions in the reporting period.

**Costs for sanitary, epidemiological, treatment and prevention actions, KZT million**



Daytime and round-the-clock first aid stations supplied with necessary medicines, medical products and medical equipment are set up to provide timely medical aid at production facilities.

Fifty-two fire tactical drills and medical emergency drills were held in 2019.

Production facilities are also regularly supplied with healthy lifestyle related booklets, brochures and posters.

**INDUSTRIAL AND FIRE SAFETY**  
GRI 403-4

The Company's industrial and fire safety management system is incorporated into the administrative and engineering actions taken to prevent emergencies and incidents at hazardous production facilities and facilitate emergency containment and response.

In 2019, no man-caused accidents or fires were recorded during operation of the Company's main oil pipelines and other production facilities.

The Company was able to maintain a high safety level mainly due to its comprehensive actions to improve the industrial and fire safety management system:

- In 2019, the Procedure for Containment of Hazardous Energy Sources at KazTransOil JSC was approved, which sets forth uniform requirements for containment of hazardous energy sources during KazTransOil JSC equipment maintenance or repair.
- A contract was signed for involvement of the professional paramilitary emergency rescue service at the Company's hazardous production facilities.
- Regular checks were held to verify operability of fixed foam extinguishing units and integrity of fire alarm systems and to inspect the fire safety equipment at the production facilities.
- Eight fire tactical drills, 566 fire safety training sessions and 18,469 fire safety inductions were conducted, 435 members of voluntary fire safety teams were trained and 253 fire safety guidelines were revised to acquire practical skills and theoretical knowledge to respond to a potential fire.
- Inspection was performed at fire stations operated by Semser-Ort Sondirushi LLP Non-State Fire Protection Service that provided fire prevention services at the Company's production facilities. 20 fire posts with 25 field fire fighting trucks were set up at the Company's facilities.



**Electronic Medical Examination System**

In August 2019, the Pavlodar Oil Pipeline Administration was involved in testing of the EMES, i.e. Electronic Medical Examination System software and hardware system. Introduction of this system will help prevent access to the production facility in case the corresponding employee shows signs of an acute disease or aggravation of a chronic disease and signs of alcohol, drug and/or other intoxication, thus reducing the risk of sudden health deterioration at the workplace. The tests proved the system efficiency, including reduction in examination duration from 210 seconds to 70 seconds.

**18,469**

FIRE SAFETY INDUCTION BRIEFINGS HELD



# SHYMKENT

Shymkent is the only city in Kazakhstan with multiple waterways crossing its territory, namely the rivers of Badam and Koshkar-ata with its arm called Karassu, as well as artificial waterways, namely the Badam, Shymkent, Zhana-shek and Tekessu Canals that cross the city from east to west.

## KAZTRANSOIL JSC REGIONAL INDICATORS



Number of rail racks

**1**  
ea.



Air emission volume

**2.8**  
tonnes



**TRAINING AND RAISING AWARENESS ON OCCUPATIONAL HEALTH AND SAFETY**  
GRI 403-4 403-5

KazTransOil JSC implements all occupational health and safety training programmes as prescribed by state requirements.

The following corporate training courses were arranged in 2019 for the Company's employees:

- Training on industrial safety requirements for 6,577 employees
- Fire safety induction training for 4,444 employees
- Training for non-medical personnel for 1,627 employees
- Defensive driving training for 977 drivers.

Moreover, 9 employees were trained under the Managing Safely programme and received an international IOSH certificate, 2 employees took the NEBOSH training course and received an international occupational health and safety certificate.

Great efforts were made in the reporting year to enhance the safety culture at KazTransOil JSC by sending bulletins on fire safety, health, safe behaviours and other topics to each employee's e-mail address. The Company prepared and e-mailed 69 bulletins.

**PLANS FOR 2020 AND MEDIUM-TERM PLANS**

2020 is declared the Year of Safety at the Company. To this end, the Company plans to take certain important actions aimed at improving occupational safety in 2020 and in the medium term:

- To implement the project for transition from OHSAS 18001:2007 health and safety management system to ISO 45001:2018 health and safety management system.
- To develop corporate responsibility procedures, including personal responsibility by members of the Management Board and personal management visits to the production facilities.
- To arrange the III Annual Health and Safety Forum.
- To take follow-up actions to provide personnel training and competence development in the field of occupational safety and health, including those under the IOSH international standard.
- To procure and monitor quality of protective clothes and PPE.
- To introduce a monitoring system for hazardous works at the Company's facilities using video recording equipment.
- To implement gradual automation of the medical examination process.
- To develop the functions on the Company's corporate information portal to enable registration of authorisations and work permits for hot works, gas-hazardous works and extremely hazardous works.
- To introduce HAZOP risk assessment procedure and to test this method at the T. Kassymov OPS.

**Environmental Protection**



**APPROACH TO ENVIRONMENTAL PROTECTION MANAGEMENT**  
GRI 103

Environmental protection and environmental safety are critical elements that ensure sustainable development at KazTransOil JSC. The Company's practice is aimed at maintaining a balance between completion of production tasks and the associated potential adverse environmental impact.

The Company's environmental protection activities are regulated by the requirements stipulated in the RoK laws, international and national standards and provisions of the Company's existing policy and other internal guidelines.

**Management Framework and Tools**

Environmental protection (EP) is managed at two levels. These activities are coordinated by the Industrial Safety, Health and Emergency Response Department at the headquarters and by relevant departments at SBUs. It should be noted that the Health, Safety

and Environment Committee under the Management Board established in 2019 also deals with environmental protection.

The environmental protection management system covers all of the Company's production areas. The Company implements a wide range of actions and initiatives as part of environmental protection management, including the following:

- Compliance with the RoK environmental protection laws, international and national standards
- Compliance with the environmental management system requirements (ISO 14001:2015) as part of the Integrated Management System

**HSE as a Profit Source Forum**

*II Annual Health and Safety Forum entitled HSE as a Profit Source and arranged by KazTransOil JSC was held in Nur-Sultan in August 2019; the forum was attended by KazTransOil JSC management, representatives of large oil/gas and energy companies such as TengizChevroil LLP, AGIP, KPO, Arm Wind LLP (Eni Group) and leading contractors and service companies operating in the Republic of Kazakhstan. Forum participants shared their experience related to on-the-job injury rate reduction, HSE digitalisation and 5S lean manufacturing system implementation, discussed hazard identification methods involving the Hazard and Operability Study (HAZOP) and studied new approaches to using renewable energy sources and changing mentality and safety culture level among employees.*

**KZT 2.3 BILLION**  
**TOTAL ENVIRONMENTAL PROTECTION COSTS**



- Identification and assessment of environmental aspects and investment into environmental management
- Actions to assess environmental efficiency of production processes as part of the industrial environmental control involving contractors (laboratories)
- Execution of annual compulsory environmental insurance policies to cover emergency pollution cases
- Environmental impact assessment according to the effective RoK laws
- Development and promotion of environmental awareness among the Company's employees.

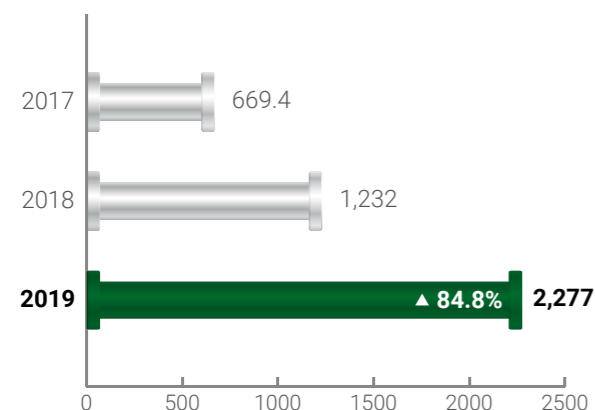
**Management system development**

The Company constantly improves its methods and approaches to environmental protection and environmental risk management and allocates the resources necessary for environmental protection.

In 2019, in order to enhance the Company's environmental responsibility, KazTransOil JSC Water Management Rules were developed, which set forth the fundamentals of sustainable water use.

Moreover, in order to develop the environmental protection system and environmental culture at the Company, the training was held in 2019 for the employees of the Industrial Safety, Health and Emergency Response Department to study ISO 14001:2015 requirements.

**Current environmental expenses, KZT million**



**INVESTMENTS AND ENVIRONMENTAL PAYMENTS**

GRI 306-3 307-1

The costs under the Environmental Protection item are made up the following:

- Payments for air emissions, waste water pollutant discharges, production and consumption waste disposal
- Costs related to environmental protection actions initiated by the Company and aimed at improving the environment quality in Kazakhstan.

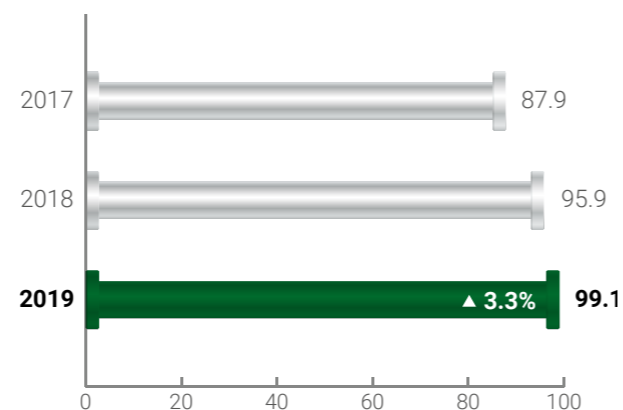
In 2019, investments related to environmental protection actions amounted to KZT 2,277 million, which is 84.8% more as compared to 2018. The increase in current environmental protection costs is due to the land reclamation along the Uzen – Atyrau – Samara main oil pipeline, removal and disposal of oil-contaminated soil following the incidents at the Beineu OPS and Zhetybai OPS of the Mangistau Oil Pipeline Administration.

The Company's emission fees in 2019 amounted to KZT 99.1 million, which is 3.3% more as compared to 2018 due to an increase in the monthly calculation index.

In 2019, violations of environmental requirements and environmental quality standards were recorded resulting in administrative penalties imposed on the Company by governmental authorities worth KZT 1.01 million in total.

On April 1, 2019, for instance, linear pipe fitters of the emergency response and recovery station

**Environmental payments, KZT million**



at the Beineu OPS of the Mangistau Oil Pipeline Administration noticed oil seepage from underneath the bunding at 274.9 km during foot patrol of the linear section of the Uzen – Atyrau – Samara main oil pipeline.

On June 2, 2019, oil seepage was discovered at the Zhetybai OPS of the Mangistau Oil Pipeline Administration.

All oil-contaminated soil was promptly recovered and sent for disposal, which enabled to avoid environmental damage and the associated claims to recover such damage.

In 2019, no emergencies associated with environmental damage occurred during oil transportation.

**AMBIENT AIR IMPACT**

GRI 305-1 305-7

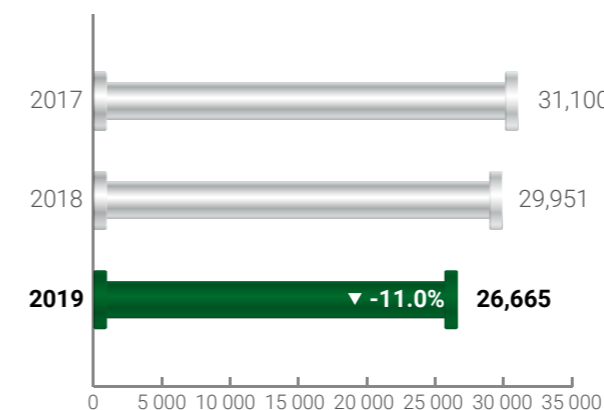
The main air pollution hazards generated by the Company are emissions from oil heaters for oil transportation, boiler units and oil storage tanks.

To prevent and reduce its adverse impacts on the ambient air, the Company takes action to optimise the combustion process in oil heaters and hot water boilers, and monitors the associated air emissions.

**Air emissions, tonnes**

Parameter	2017	2018	2019	Variation (%)
Air emission volume, including:	31,100	29,951	26,665	▼ -11.0
NOx	816	919	928	▲ 1.0
SOx	105	104	89	▼ -14.4
COx	316	283	285	▲ 0.7
other air emission categories	29,863	28,645	25,363	▼ -11.5

**Dynamics of air emissions, tonnes**



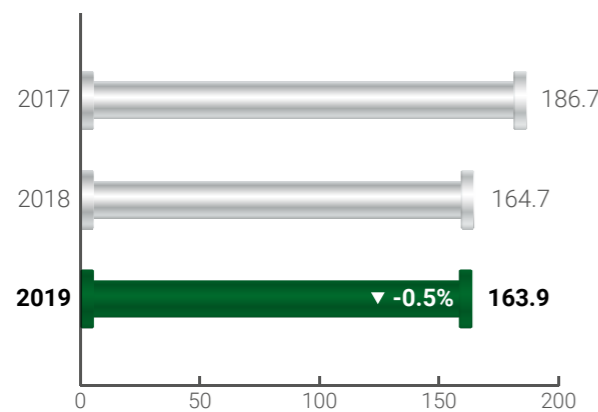
In 2019, the total volume of air emissions did not exceed the established standards: reduction by 11% in pollutant emissions as compared to the previous year was due to oil pumping volume reductions.

Boilers, oil heaters, fixed and mobile greenhouse gas emission sources, diesel power plants, welding units and other equipment are sources of greenhouse gas emissions at the Company.

**Estimated greenhouse gas emissions from sources at KazTransOil JSC business units**

Parameter	2017	2018	2019	Variation (%)
Gross direct greenhouse gas emissions, thousand metric tonnes of CO <sub>2</sub> equivalent, including	186.7	164.7	163.9	▼ -0.5
Carbon dioxide (CO <sub>2</sub> ), thousand metric tonnes	185.7	163.7	163.0	▼ -0.4
Methane (CH <sub>4</sub> ), thousand metric tonnes of CO <sub>2</sub> equivalent	0.1	0.08	0.09	▲ 12.5
Nitrous oxide (N <sub>2</sub> O), thousand metric tonnes of CO <sub>2</sub> equivalent	0.96	0.87	0.84	▼ -3.4

**Dynamics of gross direct greenhouse gas emissions, thousand metric tonnes of CO<sub>2</sub> equivalent**



Estimation of greenhouse gas emissions and development of a greenhouse gas emission inventory report are based on the data on fuel consumption and oil transportation volume in the reporting year provided by the KazTransOil JSC business units.

**WATER RESOURCES**

GRI 303-1 303-2 303-3 303-4 306-1

Water is one of the main resources required to meet the Company's production and daily needs (drinking water, fire-fighting and heating systems).

KazTransOil JSC takes in water under the existing agreements and special water use permits and makes no significant impact on water resources.

**Total water intake volume by source, thousand m<sup>3</sup>\*\***

Parameter	2017	2018**	2019**	Variation (%)
Water intake volume, including:	29,076	15,055	536	▼ -96.4
Surface water	28,719	14,727	14	▼ -99.9
Groundwater (artesian wells)	264	240	221	▼ -7.9
Municipal and other water supply systems (purchase from third-party companies)	93	88	301	Three-fold

\* Water consumption volumes for 2018 are shown taking into account the operation of the Main Waterline Department from January to June 2018.

\*\* From July 2018, these activities are within the scope of Main Waterline LLP.

The water consumption volume in the reporting period was 536 thousand m<sup>3</sup>, which is 96.4% less as compared to 2018. Water consumption reduction in 2019 is due to delegation of this activity to Main Waterline LLP.

The Company strives to consume water using environmentally friendly equipment and to recycle water as much as possible. For instance, the Company uses Moidodyr motor vehicle washing system which

helps recycle up to 75% of water. In 2019, the Company used approximately 1,412.4 m<sup>3</sup> of water, including approximately 1,130 m<sup>3</sup> of treated (recycled) water.

The waste water discharge volume in 2019 was 274.5 thousand m<sup>3</sup>, which is 53.6% less as compared to the previous year due to lower water consumption rate, and did not exceed the Company's permissible limit.

**Waste water discharge volume broken down by discharge source, thousand m<sup>3</sup>**

Parameter	2017	2018*	2019	Variation (%)
Total discharge volume, including:	918.0	591.5	274.5	▼ -53.6
Discharge into evaporation (holding) ponds, filtration fields	223.4	201.3	183.0	▼ -9.1
Discharge into third-party water bodies	112.6	94.7	91.1	▼ -3.8
Discharge into surface water including swamps, rivers and lakes	582.0	295.5	0.4	▼ -99.9

\* The 2018 discharge volumes are shown in view of the activities by the Main Waterline Department from January to June 2018.

In order to control its environmental impacts, the Company monitors groundwater, surface water and waste water by means of water laboratory tests and monitors the effluent treatment degree.

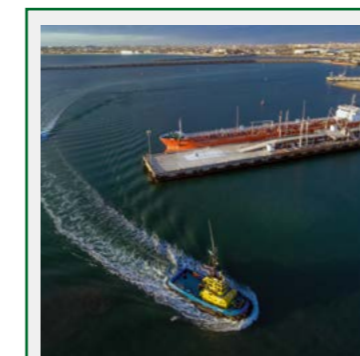
In accordance with the Environmental Code of the Republic of Kazakhstan, the Company observes the established environmental, sanitary and epidemiological requirements related to safe waste management and disposal. All of the Company's SBUs have waste management programmes in place.

**WASTE MANAGEMENT**

GRI 306-2

The Company's production processes generate waste, including residues of raw and other materials, goods and products. The bulk of the generated waste is oil-contaminated soil, oil sludge and solid domestic waste.

The Company has developed KazTransOil JSC Waste Management Rules in order to establish the requirements and allocate responsibility to manage waste generated during the Company's production operations. These rules govern the full waste management cycle, from collection and segregation to waste transfer for further removal, disposal and recycling.



**Water management rules**

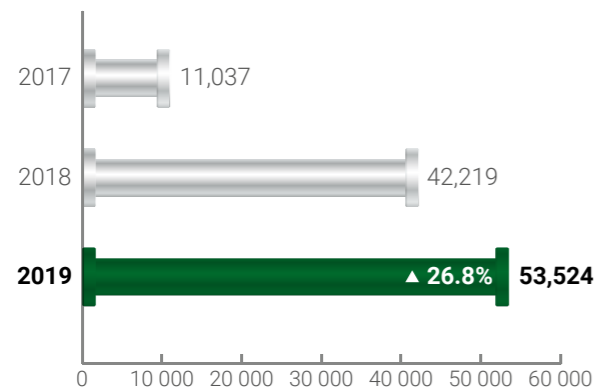
They key water protection event in 2019 was approval of KazTransOil JSC Water Management Rules, which set forth eight "water" concepts to organise the approach to water management. The "water" concepts determined the importance of sustainable use of the national water resources including fresh water, the efforts not to use drinking water for plant needs, maximum water intake and disposal metering, the efforts to minimise the intake of fresh water by integrating water circulation and water-saving technologies and to maximise water recycling.



**Total waste generation volume, tonnes**

Parameter	2017	2018	2019	Variation (%)
Generated wastes, including:	11,037	42,219	53,524	▲ 26.8
Oil-contaminated soil	5,790	36,870	42,477	▲ 15.2
Oil sludge	1,029	1,443	5,890	Four-fold
Solid domestic waste	2,486	2,240	2,875	▲ 28.3
Other waste	1,732	1,666	2,282	▲ 37.0

**Dynamics of total waste generation volume, tonnes**



The total volume of waste generated in 2019 was 26.8% more as compared to the previous year due to reclamation of previously contaminated land and disposal of oil-contaminated soil at 984–985 km and 1,016.3 km of the Uzen – Atyrau – Samara main oil pipeline of the Uralsk LOCS and oil sludge from tank cleaning.

**LAND RESOURCES**

The Company is responsible for securing the original condition of land resources in its operating regions and performs land reclamation and soil contamination monitoring by engaging independent accredited third-party companies.

The Company undertook to reclaim the land contaminated in the 1950s-1960s. According to the approved land reclamation project, the Company performs gradual land reclamation of the previously contaminated lands.

The work began in 2017. In 2019, the work continued to rehabilitate the previously contaminated land along the Uzen – Atyrau – Samara main oil pipeline in accordance with the Project on Land Reclamation at Facilities (Main Oil Pipelines). In the reporting year, 1.78 ha of disturbed land was rehabilitated.



**IMPACT ON BIODIVERSITY**

KazTransOil JSC currently owns long overhead power lines with an average voltage of 6-10 kW, which run along most main pipelines and ensure their cathodic protection. In certain situations, these OPLs and the associated crossbeams and insulators cause mortality among large and medium birds including those on the RoK Red List. They die mainly from electrocution as a result of contact with live OPL parts.

The main bird species affected by the 6-10 kW OPLs are steppe eagles, eagle owls and, to a lesser degree, golden eagles, saker falcons and others.

In 2019, the Company completed the overhaul of its 6 kW OPLs at the following oil pipelines: Umirzak – OHS – 112 km (30 km) and Zhetybai – OHS – 112 km, 65–112 km section (57 km), which included OPL retrofitting and use of self-supporting insulated wires to significantly reduce potential bird mortality due to contact with such OPLs.

The Company plans to continue focusing on biodiversity conservation at its production facilities.

**PLANS FOR 2020 AND MEDIUM-TERM PLANS**

The Company will continue with its regular activities to determine, assess and manage environmental issues and will endeavour to ensure strict compliance with the environmental laws of the Republic of Kazakhstan. The following actions are planned for 2020:

- To continue rehabilitation of the previously contaminated land, in particular at the Atyrau Oil Pipeline Administration facilities.
- To develop land reclamation projects (for previously contaminated land) at the Kulsary and Mangistau Oil Pipeline Administrations.
- To replace the insulators and crossbeams that are hazardous for birds at the 6-10 kW OPLs with safe (overhead) ones and to install bird protection devices.

**1.78**

**OF DISTURBED LANDS RECLAIMED IN 2019**



# KYZYLORDA REGION



The Kyzylorda Region is primarily associated with the Baikonur Cosmodrome. It was the starting point of Yuri Gagarin's space flight, the first one in human history. The Cosmodrome holds a record for the number of space launches. Over its history, which exceeds 50 years, more than 1.5 thousand spacecraft have been launched from Baikonur.

## KAZTRANSOIL JSC REGIONAL INDICATORS



Number  
of OPS

**1**  
ea.



Number  
of shippers

**11**  
ea.



Energy  
reduction

**4.5 %**



## Energy Consumption and Energy Conservation



### APPROACH TO ENERGY EFFICIENCY MANAGEMENT

GRI 103

Optimising the use of energy resources is a key area of KazTransOil JSC activities. In particular, the Company focuses on boosting the energy efficiency of its production processes. The strategic importance of these tasks is established in KazTransOil JSC Energy Policy developed in 2017:

- To fully comply with the energy saving and energy efficiency boosting requirements applicable to the Company.
- To enhance performance and efficiency of the Energy Management System.
- To develop a system of incentives to promote energy saving.
- To set priorities and to determine capabilities for improving energy efficiency including the use of renewable or alternative energy sources.
- To mitigate the environmental impact by energy saving activities.

- To provide access to information on energy conservation and energy efficiency boosting.
- To raise awareness among the Company's personnel in the field of energy conservation and energy efficiency boosting.

KazTransOil JSC General Director (Chairman of the Management Board) annually approves energy efficiency targets for the Company and its SBUs, including:

- Reduction in unit consumption of all energy types (for oil turnover)
- Reduction in unit consumption of power (for oil turnover)
- Reduction in unit consumption of natural gas (for oil heating)
- Reduction in total energy consumption.

### Management Framework and Tools

To attain its energy goals, the Company has an energy management system in place certified according to ISO 50001:2011 international standard. Its scope and coverage are incorporated at all levels: from the headquarters business units to the SBUs: oil pipeline administrations and OPSS.

KazTransOil JSC Process Flow and Energy Management Department is in charge of energy efficiency, which develops targets and ensures the corresponding monthly monitoring while ensuring timely and effective control over task progress.

### Management system development

The energy audit at the Company was an important event for the energy management system development in 2019. Based on this audit, the main areas and recommendations were determined to boost energy efficiency, namely:

- The need to replace NM 3600-230 pumps with NM 1250-260 pumps at the Pavlodar POPS, Ekibastus OPS and Stepnoye OPS to increase the pump efficiency by 11 %, from 66 % to 77 %, with the associated estimated savings potentially equal to KZT 69 million per year.
- Approval of the new KazTransOil JSC Action Plan on Energy Saving and Energy Efficiency Improvement for 2020–2025.

In 2019, the Company also successfully passed the inspection audit, which confirmed compliance of KazTransOil JSC Energy Management System with ISO 50001:2011.

In the reporting period, headquarters and SBU personnel took external training in Hydraulics and Mail Oil Pipeline Operation Modes – Physical, Chemical and Rheologic Properties of Oil.

### ENERGY CONSUMPTION

GRI 302-1 302-3 302-4

Since 2015, the Company has been implementing KazTransOil JSC Action Plan on Energy Saving and Energy Efficiency Improvement, which is updated every year in order to comply with the Company's business processes.

The Company accomplished all its energy efficiency goals for 2019 due to optimal planning of process operations at all oil pipeline sections and implementation of KazTransOil JSC Action Plan on Energy Saving and Energy Efficiency Improvement for 2019. Fuel and energy consumption in 2019 went down by 458 tonnes of fuel equivalent in physical terms and KZT 39 million in monetary terms.

For instance, the following key actions to optimise energy consumption were implemented in the reporting period:

- The existing power transformers were replaced with more energy-efficient ones.
- Motion sensors were integrated into on-site lighting systems (automatic on/off switches in public places).
- Steel convector heaters were replaced with more efficient aluminium ones in the office buildings of the Mangistau Oil Pipeline Administration.
- On-site heating systems at the central warehouse of the Mangistau Oil Pipeline Administration were repaired.
- Efficiency of the main pump units was increased and the oil pipeline operating modes were optimised at the Aktau POPS, Atasu POPS, B. Dzhumagaliyev POPS and Zhuan-Tobe OPS.

KazTransOil JSC uses various energy resources in its energy consumption framework. The most essential are natural gas and power that collectively make up 92% of the total consumption of all energy types for oil transportation.

KazTransOil JSC production processes are quite energy intensive, thus the search for and implementation of energy saving solutions is a relevant task for the Company.

The Company was able to reduce energy consumption during oil pumping by 6.3% in 2019 as compared to 2018, by reducing natural gas consumption by 5.9% and power consumption by 2.2%.

The energy consumption reduction was possible due to the use of optimum oil pipeline operating modes along with a 1.2% drop in oil turnover as compared to 2018.

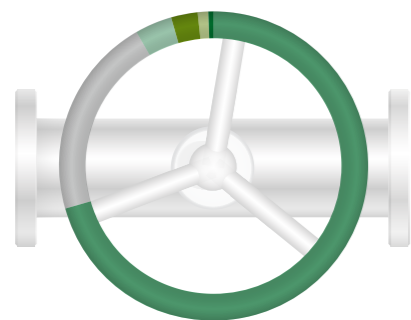
**Breakdown of primary non-renewable energy sources used for oil pumping**

Energy source	2017		2018**		2019**		Percentage (%)
	TOE*	Percentage (%)	TOE	Percentage (%)	TOE	Percentage (%)	
Natural gas	130,110	65.4	125,735	70.5	118,267	70.7	▼ -5.9
Power	38,788	19.5	36,301	20.3	35,496	21.2	▼ -2.2
Diesel fuel	7,531	3.8	7,231	4.1	6,606	3.9	▼ -8.6
Crude oil	4,874	2.4	5,262	2.9	4,292	2.6	▼ -18.4
Thermal energy	3,381	1.7	3,041	1.7	1,819	1.2	▼ -40.1
Gasoline	1,283	0.6	834	0.5	666	0.4	▼ -20.1
LPG	26	0	0	0	0	0	-

\* TOE means tonnes of oil equivalent.

\*\* The Company's total energy consumption in 2018 and 2019 is shown without taking into account the energy spent on water supply, as the water supply function was outsourced to Main Waterline LLP.

**Breakdown of primary non-renewable energy sources used for oil pumping in 2019, TOE**



- **118,267** Natural gas
- **35,496** Power
- **6,606** Diesel fuel
- **4,292** Crude oil
- **1,819** Thermal energy
- **666** Gasoline

In order to cut the operating costs, the Company also tracks the energy intensity variations during oil pumping.

In 2019, oil turnover for the Company dropped by 1.2 % as compared to 2018, while the reduction in total energy consumption dropped by 6.3 % due to a 5.3 % decrease in energy intensity as compared to the previous year.

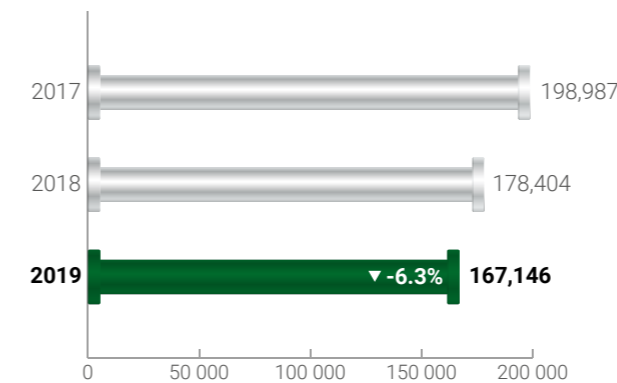
The decrease in energy intensity was associated with lower gas consumption rates for oil heaters following optimisation of oil pipeline temperature modes.

**Energy intensity profile**

Parameter	2017	2018	2019	Variation (%)
Total energy consumption, TOE	198,987	178,404	167,146	▼ -6.3
Total energy consumption for oil pumping, TOE	185,993	178,404	167,146	▼ -6.3
Total energy consumption for water pumping, TOE	12,995	0	0	-
Oil turnover (separately for KazTransOil JSC), MM tonnes * km	39,823	38,040	37,657	▼ -1.0
Water pumping volume, thousand m <sup>3</sup>	26,225	0	0	-
Energy consumption for oil transportation, TOE / million tonnes * km	4.67	4.69	4.44	▼ -5.3

\* According to KazTransOil JSC energy intensity calculation method, the base indicator is oil turnover. All types of energy used by the Company are taken into account in the calculation.

**Dynamics of total energy consumption, TOE**



The Company acknowledges the environmental value and efficiency associated with the use of renewable power sources and plans to construct a solar battery power station in future. The pilot facility for this purpose will be the Shymkent POPS.

**PLANS FOR 2020 AND MEDIUM-TERM PLANS**

The Company plans to continue its efforts in the field of energy conservation and energy efficiency boosting by:

- Developing and approving KazTransOil JSC Action Plan on Energy Saving and Energy Efficiency Improvement for 2020–2025
- Performing an energy review for 2015–2019 and facilitating accomplishment of the energy goals for 2020
- Increasing efficiency of the Company's main pumping equipment
- Facilitating transition of the Company's energy management system to comply with ISO 50001:2018 international standard.

**6.3% REDUCTION**  
IN TOTAL ENERGY CONSUMPTION



# Procurement System and Local Content Development

## APPROACH TO PROCUREMENT SYSTEM MANAGEMENT

GRI 102-9 103

KazTransOil JSC develops its procurement system based on openness, competitiveness and feasibility.

Moreover, the Company gives preference to the vendors who follow the minimum safety and environmental requirements. Such requirements are clearly stated in the documents that govern pre-qualification of potential vendors.

### KazTransOil JSC procurement system concepts:

- Open and transparent procurement process
- Optimal and efficient procurement-related expenditures
- Procurement of high-quality goods, works and services
- Fair competition among potential vendors
- Minimum participation of agents in procurement processes.

### Management Framework and Tools

The Contracting and Local Content Development Department monitors procurement processes at all of the Company's departments. The reorganisation in 2018 enabled the procurement function centralisation.

Procurement procedures are implemented using Samruk-Kazyna Contract LLP on-line trading platform and consist of the following stages:

- Development and approval of procurement plans
- Selection of vendors to supply goods, works and services
- Execution and implementation of procurement contracts

## PROCUREMENT PERFORMANCE

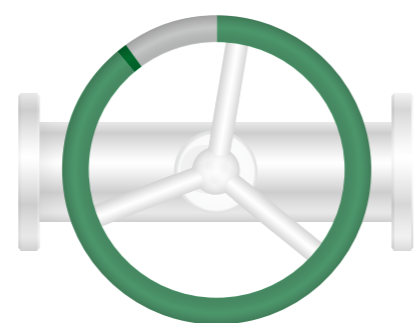
In 2019, the Company executed a plan to implement computerised procurement processes and an electronic contract system that resulted in significant time-saving at each procurement stage.

In 2019, the value of contracts concluded by KazTransOil JSC with its vendors was KZT 65,076 million, including:

- KZT 64,995 million for the headquarters
- KZT 81 million for the RTC branch.

The total savings in 2019 as a result of competitive procurement procedures amounted to KZT 2,603 million. See Appendix 3 to this Report for detailed information on 2019 procurements.

### Number of vendors broken down by category, 2019



**960** vendors

- 853 Responsible vendors
- 8 Vendors on the back list
- 99 Penalised vendors

## LOCAL CONTENT DEVELOPMENT

GRI 204-1

By implementing the state policy on national economy and local content development, KazTransOil JSC endeavours to increase the share of goods procured from Kazakhstan manufacturers and Samruk-Kazyna JSC companies, thereby expanding cooperation within the holding.

As a result of procurement processes, long-term contracts for 2019–2023 for the total value of KZT 500 million were signed with local producers and disabled persons associations. Also, in 2019, one-year contracts were concluded with local producers for KZT 3008 million with subsequent full completion.

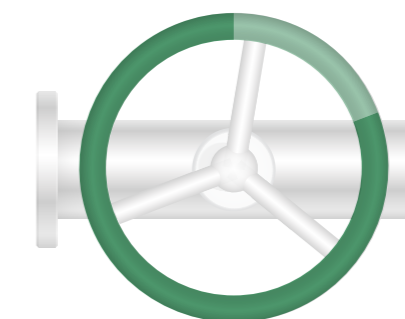
As of the end of 2019, local content in KazTransOil JSC procurement was 71%, including 52% in goods and 75% in works and services. Local content in procurement of goods, works and services is monitored on the web portal of the authorised body (Samruk-Kazyna JSC): Kazakhstan Content Monitoring Map at <http://www.kmks.kz>.

## PLANS FOR 2020 AND MEDIUM-TERM PLANS

In the next reporting period, the Company plans to continue with its procurement practices according to its corporate concepts and standards, including implementation of KazTransOil JSC Goods, Works and Services Procurement Plan for 2020.

Further monitoring over the local content in procurement of goods, works and services is also envisaged. Plans for 2020 include attaining 52% local content in the procurement of goods and 75% in the procurement of works and services.

## Local content in procured goods, works and services in 2019\*, KZT million



**80,915** KZT million

- 65,303 Works and services
- 15,612 Goods

\* Data provided by Samruk-Kazyna Contract LLP.

# 71 %

**LOCAL CONTENT PERCENTAGE IN KAZTRANSOIL JSC PROCUREMENT**



### Open Information Day for vendors

KazTransOil JSC held an Open Information Day for vendors in Nur-Sultan on December 18, 2019, which brought together the Company's representatives and potential vendors of goods, works and services to discuss the concerns and opportunities related to procurement. The potential vendors presented their goods, works and services and expressed their interest in rendering services to NC KazMunayGas JSC Group. The potential vendors used this opportunity to ask questions and get prompt and exhaustive answers directly from the Company's managers in charge of procurement.

# ALMATY REGION

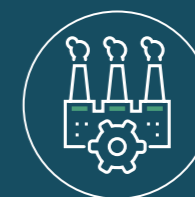
The Zhetysay Land, or the Almaty Region territory, is a beautiful and unique area with its history going back many centuries. The word “Zhetysay” means seven rivers that flow through this area into Lake Balkhash. The regional administrative centre is the city of Taldykorgan that is located at the very heart of the cradle of the Central Asian civilization, on the Karatal River, more than 600 metres above the sea level.

## KAZTRANSOIL JSC REGIONAL INDICATORS



Local  
content

**84.7 %**



Air emission  
volume

**2.3**  
tonnes



RTC branch's  
headcount

**161**  
persons



# CORPORATE MANAGEMENT

KazTransOil JSC considers corporate management to be a key driver for increasing the Company's value, competitiveness and investment attractiveness. Hence, continuous improvement of the corporate management system and respect to the shareholders' interests and rights are the Company's priorities.

KazTransOil JSC is building a corporate management system in accordance with the RoK laws, KASE requirements, the Company's Charter and the Corporate Management Code.

The Corporate Management Code sets forth the key principles to ensure proper corporate management:

- Shareholders' rights and equitable treatment of shareholders
- Professional Board of Directors and executive body
- Risk management and internal control
- Sustainable development
- Transparency.

These principles comply with the best corporate management practices and are essential for increasing the long-term value, investment attractiveness and sustainable development of the Company as a whole.

In 2019, KazTransOil JSC Internal Audit Service assessed the Company's corporate management system in accordance with the methodology for corporate management diagnostics in legal entities with more than fifty percent of the voting shares directly or indirectly held by Samruk-Kazyna JSC.

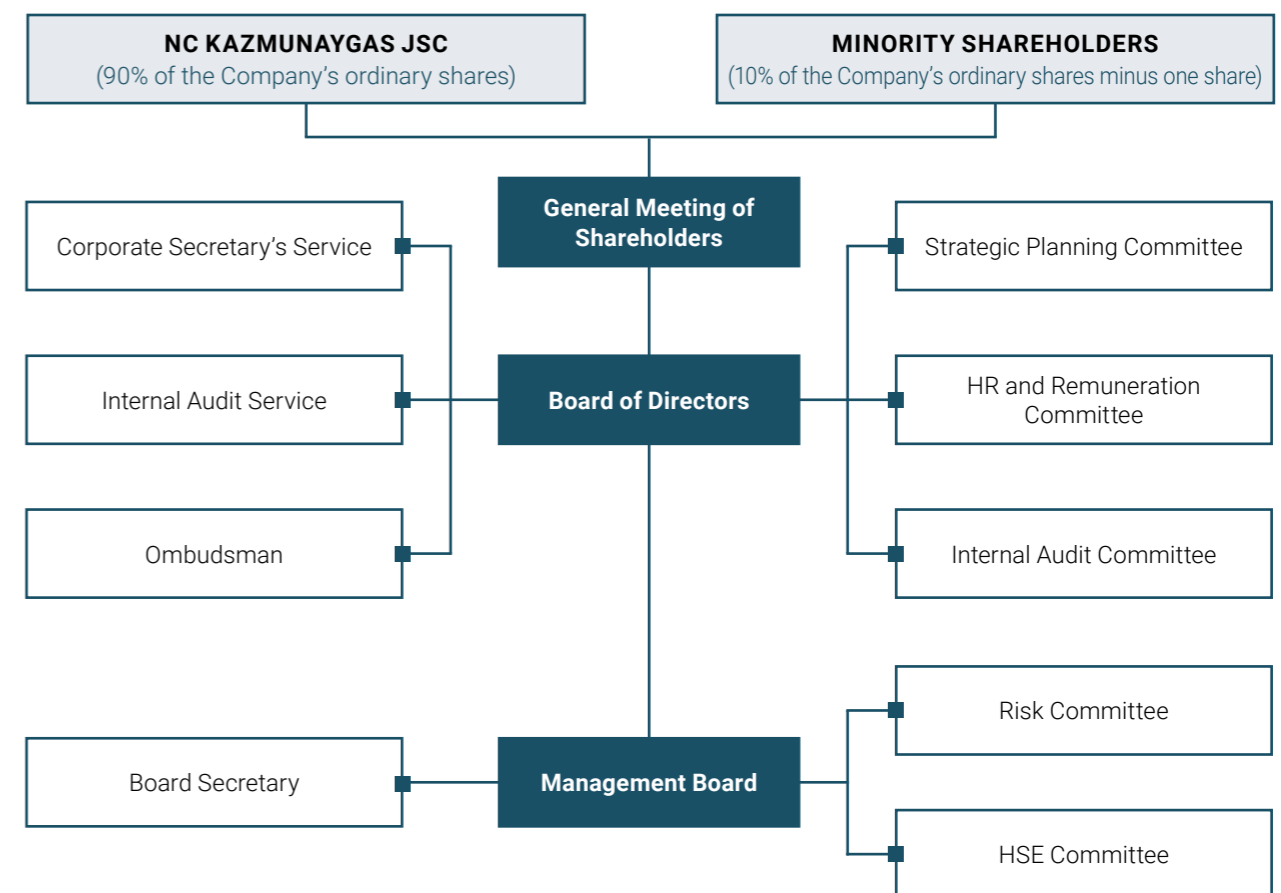
The corporate management assessment revealed not only the strengths of the Company's corporate management, but also areas for improvement, such as:

- Effectiveness of the Board of Directors and the Executive Body
- Risk management and internal control
- Sustainable development
- Transparency.

According to the recommendations submitted by the Internal Audit Service, the Action Plan on KazTransOil JSC Corporate Management System Improvement for 2020–2021 was developed, which

envisages further actions aimed at improving the corporate management system in accordance with international best practice.

## KazTransOil JCS corporate management system GRI 102-18



The Company's bodies that make decisions on the key issues related to the Company's activities and are responsible for general management are as follows:

- General Meeting of Shareholders (supreme body)
- Board of Directors (management body)
- Management Board (executive body).

The Report on KazTransOil JSC compliance with the concepts and provisions of the Corporate Management Code for 2019 is provided in Appendix 5 to the Report.

## General Meeting of Shareholders

The General Meeting of Shareholders is the Company's supreme management body that operates in accordance with the RoK Law *On Joint-Stock Companies*, the Company's Charter, and the Regulations on KazTransOil JSC General Meeting of Shareholders.

The Company strives to maintain equal and fair treatment of all shareholders in terms of exercising their right to participate in the Company's management. The primary way for the shareholders to exercise their rights is to participate in the annual General Meeting of Shareholders and in extraordinary General Meetings of Shareholders.

The procedure for holding the General Meeting of Shareholders is aimed at observing the shareholders' rights and complying with all effective legal requirements and the global best practices in the field of corporate management.

### SHARE CAPITAL STRUCTURE GRI 102-5

As of December 31, 2019, the ordinary shares in the Company's equity were issued and paid in the amount of 384,635,599 shares, out of which:

- 346,172,040 ordinary shares, or 90% of the total number of shares issued and placed are held by NC KazMunayGas JSC
- 38,463,559 ordinary shares, or 10% minus one share, were placed through subscription on the KASE, including 7,500 ordinary shares repurchased by the Company at the shareholder's request
- 1 (one) ordinary share in the Company was not placed.

### INFORMATION ON GENERAL MEETINGS OF KAZTRANSOIL JSC SHAREHOLDERS HELD IN 2019

#### Extraordinary General Meetings of Shareholders

An Extraordinary General Meeting of the Company's Shareholders was held on January 28, 2019 to consider and determine the following:

- Amendments and supplements to KazTransOil JSC Charter

- Quantitative composition and term of office for KazTransOil JSC Board of Directors, election of its members, including the Chairman of the Board of Directors
- Amount and terms for remuneration and cost reimbursement payments to KazTransOil JSC independent directors for their duties
- Quantitative composition and term of office for KazTransOil JSC Accounting Committee and election of its members.

An Extraordinary General Meeting of the Company's Shareholders was held by voting in absentia on March 5, 2019 to consider the following:

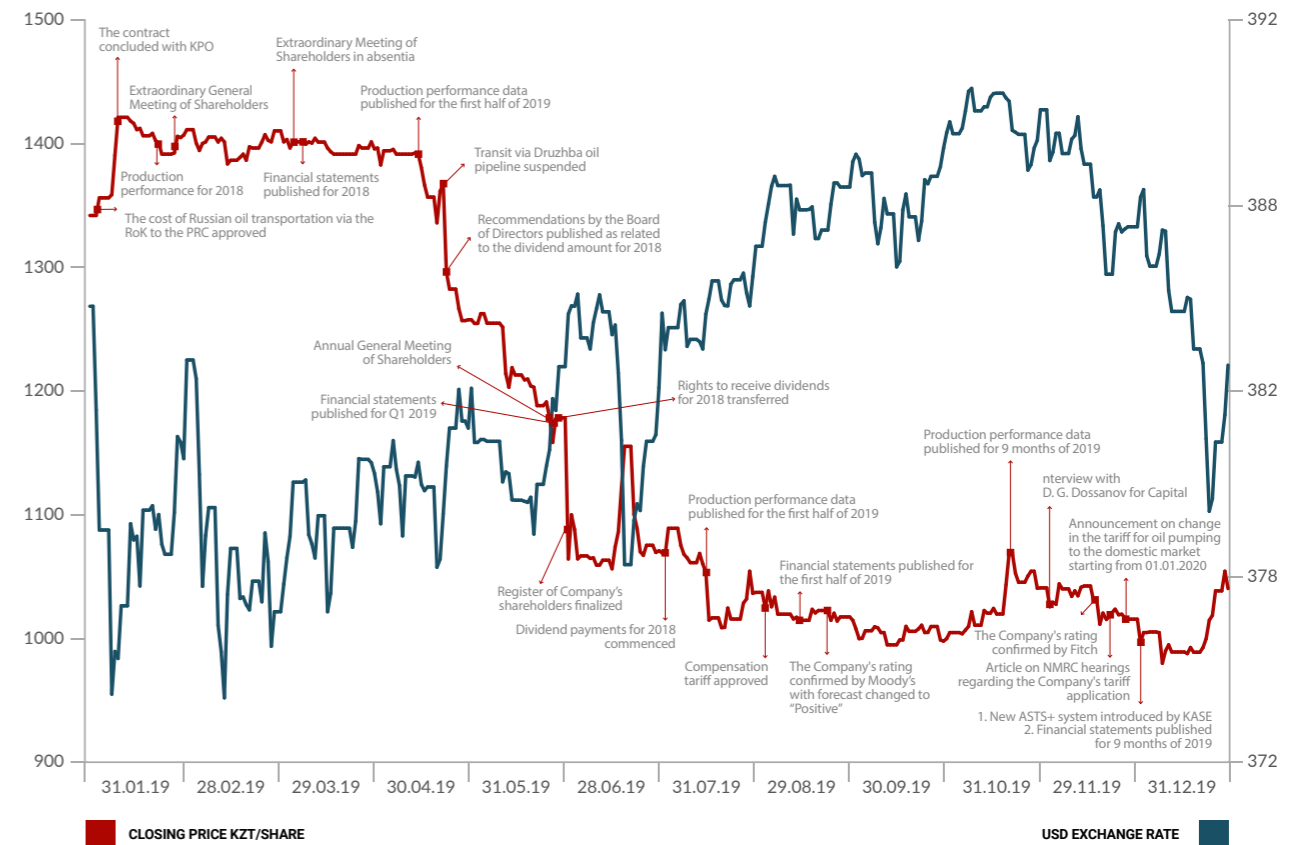
- Definition of the audit company to audit KazTransOil JSC for 2019–2021 and single-source procurement of its services.

#### Annual General Meeting of Shareholders

The annual General Meeting of the Company's Shareholders was held on May 28, 2019 to consider the following:

- Approval of KazTransOil JSC annual financial statements and consolidated annual financial statements for 2018
- Approval of the procedure to allocate KazTransOil JSC net income for 2018 and undistributed profit for previous years, the decision to pay dividends on ordinary shares and approval of the dividend amount per ordinary share in KazTransOil JSC
- Approval of the Annual Report on Activities Completed by KazTransOil JSC Board of Directors in 2018
- Complaints by KazTransOil JSC shareholders regarding the actions by the KazTransOil JSC and its officials in 2018, and the corresponding settlement results.

### Variation in the market value of KazTransOil JSC shares in 2019, KZT



Date	31.01	28.02	29.03	30.04	31.05	28.06	31.07	29.08	30.09	31.10	29.11	31.12
Closing price, KZT	1,405.5	1,400	1,395	1,254.3	1,175	1,071.16	1,049.99	1,012.77	994	1,036.11	1,010.93	1,035.9

### DIVIDEND POLICY

KazTransOil JSC Dividend Policy approved in July 2012 was developed to balance the interests of the Company and its shareholders, to provide the maximum possible transparency for shareholders and all stakeholders and to determine the dividend amount and payment procedure.

The Dividend Policy sets forth the minimum dividend amount at 40% of the Company's net income. The actual dividend amount may reach or exceed 100%

of the Company's net income unless this contradicts the Company's liabilities.

The largest value of consolidated or separate net income is applied to calculate dividends. The Company's Management Board reserves the right to offer a dividend payment level below the 40% standard, based on the Company's actual performance for the corresponding fiscal year, industry-wide development trends and the capital (investment) cost programme.



## Dividend payments

Dividend accrual period	Dividend payment commencement date	Dividend amount per ordinary share, KZT	Total payment, KZT
01/01/2016 – 31/12/2016	27/06/2017	155	59,617,355,345
01/01/2017 – 31/12/2017	26/06/2018	160	61,540,495,840
01/01/2018 – 31/12/2018	03/07/2019	104	40,001,322,296

The total dividend payments in 2019 based on 2018 amounted to KZT 40,001,322,296 or KZT 104 per ordinary share in the Company. The dividend payment equal to KZT 38,484,983,000 was made, corresponding to 100% of the Company's net profit received in 2018, and part of undistributed profit for previous years for the amount of KZT 1,516,339,296.

## INFORMATION DISCLOSURE

Information disclosure by the Company ensures that such information becomes available to all stakeholders, regardless of the purpose for obtaining the information. Information is disclosed in accordance with the RoK Laws *On the Securities Market* and *On Joint-Stock Companies*, the Listing Rules by Kazakhstan Stock Exchange JSC, the Company's Charter and other requirements of the RoK laws and the Company's internal documents.

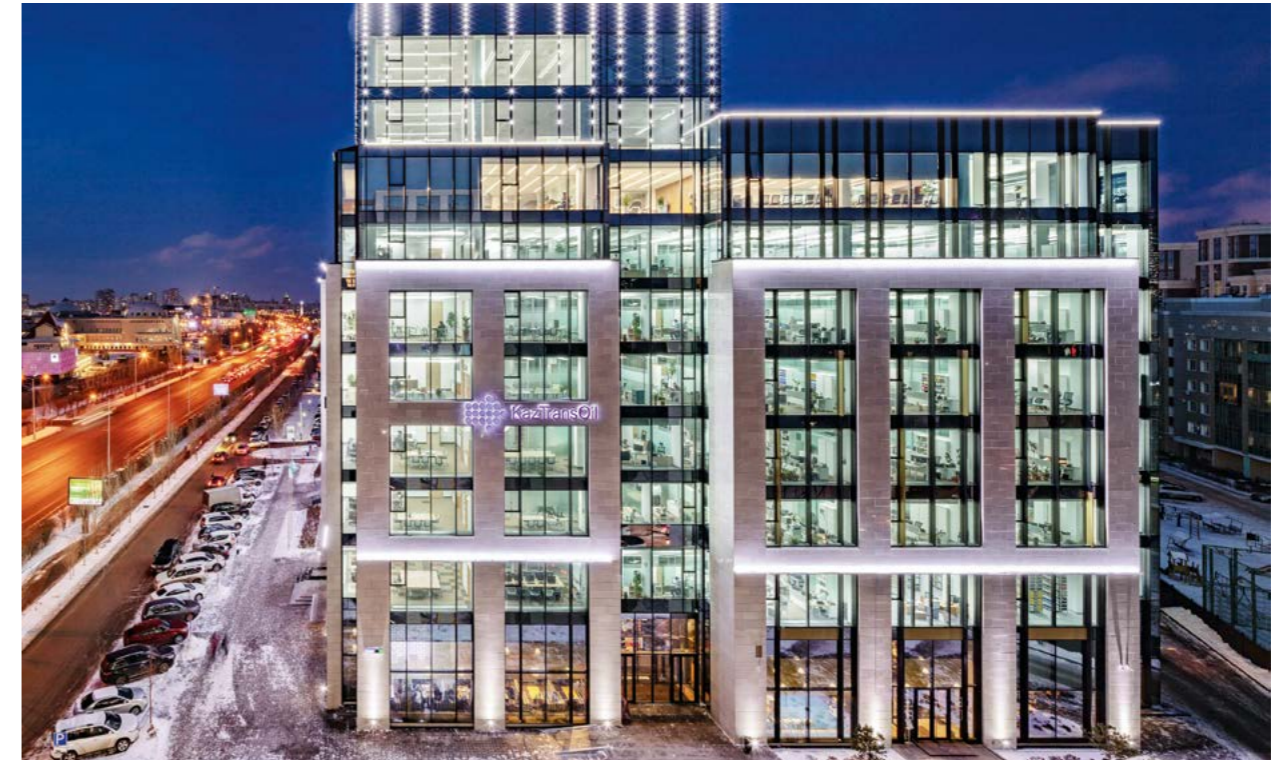
At the end of 2019, Kazakhstan Stock Exchange JSC awarded KazTransOil JSC a certificate to recognise "Commitment to Transparency". The Company became a leader in terms of information disclosures in excess of the listing requirements.

Establishment of effective relations with shareholders based on information transparency and mutual respect is one of the Company's priorities. The Company has an Investor Relations Service to ensure feedback between the Company and its shareholders, potential investors, analysts, professional securities market players and representatives of the investment community in general.

In 2019, the Investor Relations Service gave explanations regarding production and financial performance, decisions made by the Company's management bodies, corporate events and exercising the shareholders' rights to participate in the Company's management and to receive dividends.

The Company plans to further maintain the information transparency.

## Board of Directors



The Board of Directors is a management body responsible for strategic management of the Company and supervision over the Management Board within its competence. The Board of Directors is accountable to the General Meeting of Shareholders and is responsible for effective management and supervision over the Company's activities in accordance with the current decision-making system.

The Board of Directors is governed by the RoK Law *On Joint-Stock Companies*, other RoK legal acts, decisions made at the General Meeting of Shareholders, the Company's Charter, the Corporate Management Code and the Regulations on the KazTransOil JSC Board of Directors.

Within its competence, the Board of Directors determines the Company's development strategy and priority development areas, including in the following areas:

- Corporate management
- Risk management and internal control
- Sustainable development

- Implementation of major investment and other key strategic projects.

The Board of Directors also exercises regular control over performance in the priority areas of the Company's development, establishes KPIs in the Company's development plan and monitors their implementation.

KZT **40** BILLION

TOTAL DIVIDENDS PAID IN  
2019 BASED ON 2018

JANUARY **28**, 2019

NEW MEMBERS OF THE BOARD  
OF DIRECTORS APPOINTED

## MEMBERS OF THE BOARD OF DIRECTORS

A new six-member Board of Directors was established and members of the Board of Directors, including the Chairman of the Company's Board of Directors, were elected at the Extraordinary General Meeting of the Company's Shareholders held on January 28, 2019 due to expiration of the term of office of the current Company's Board of Directors.

In accordance with the share capital structure (90% of the total number of ordinary shares are held by NC KazMunayGas JSC), three members of the Board of Directors are representatives of the major shareholder, namely NC KazMunayGas JSC. Three members of the Company's Board of Directors are independent directors, thereby ensuring protection of the rights and interests of minority shareholders, in accordance with the best practices in corporate management. The General Director (Chairman of the Board) is also a member of the Company's Board of Directors.

The Chairman of the Board of Directors is Daniyar Berlibayev, a representative of NC KazMunayGas JSC.

All members of the Board of Directors have a sound professional reputation and significant industry experience. All members also have the necessary knowledge and competences in strategic planning, financial reporting and audit, business planning and project management.



### Dimash DOSSANOV

**Member of KazTransOil JSC Board of Directors, KazTransOil JSC General Director (Chairman of the Management Board)**

Nationality: Republic of Kazakhstan  
Date of birth: November 2, 1981

#### EDUCATION

Graduated from Al-Farabi Kazakh State University with a degree in International Relations as a qualified International Relations Specialist; T. Ryskulov Kazakh Economic University with a degree in Finance and Credit as a qualified Economist. MA in Business Administration (MBA), Georgetown University, Washington, USA.

#### WORK EXPERIENCE:

January – August 2016 – KazTransOil JSC First Deputy General Director

Since August 6, 2016 – KazTransOil JSC General Director (Chairman of the Management Board)

Since October 20, 2016 – Member of the KazTransOil JSC Board of Directors

Member of CPC-R JSC and CPC-K JSC Board of Directors

He does not hold any of the Company's or SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.



### Daniyar BERLIBAYEV

**Chairman of KazTransOil JSC Board of Directors  
Representative of NC KazMunayGas JSC**

Nationality: Republic of Kazakhstan  
Date of birth: December 21, 1968

#### EDUCATION

Graduated from Al-Farabi Kazakh State University with a degree in law as a qualified lawyer.

#### WORK EXPERIENCE:

2016–2017 – NC KazMunayGas JSC Executive Vice President for Transportation, Processing and Marketing

2017 – February 2019 – Advisor to Chairman of NC KazMunayGas JSC Management Board

Since February 7, 2019 – Deputy Chairman of the NC KazMunayGas JSC Management Board for oil transportation, international projects and construction of the Saryarka gas pipeline

Since January 29, 2016 – Chairman of KazTransOil JSC Board of Directors, Representative of NC KazMunayGas JSC

Chairman of KMG International N.V. and AstanaGas KMG JSC Board of Directors

Mr. Berlibayev holds 9,655 Company's shares, or 0.00251 % of the total number of the placed shares.

He does not hold any SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.



### Nurtas SHMANOV

**Member of KazTransOil JSC Board of Directors  
Representative of NC KazMunayGas JSC**

Nationality: Republic of Kazakhstan  
Date of birth: December 24, 1956

#### EDUCATION

Graduated from Ufa Oil Institute with a degree in Design and Operation of Oil and Gas Pipelines, Gas Storage Facilities and Tank Farms as a qualified Mechanical Engineer; Market Institute under Kazan State Agrarian University with a degree in Finance and Credit as a qualified Economist. Mr. Shmanov has an MBA degree from the University of Massachusetts, Boston, USA where he completed a special course for oil and gas industry managers.

#### WORK EXPERIENCE:

2016–2018 – NC KazMunayGas JSC Senior Vice President for Oil Transportation

2018 – December 2019 – NC KazMunayGas JSC Managing Director for Oil Transportation.

Since January 29, 2016 – March 13, 2020 – Member of KazTransOil JSC Board of Directors

Mr. Shmanov owns 9,655 shares in KazTransOil JSC, or 0.00251 % of the total number of placed shares.

He does not hold any SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.



## INDEPENDENT DIRECTORS

The Company's Board of Directors includes three independent directors. According to best international corporate management practices, this contributes to safeguarding the rights and interests of minority shareholders.

The presence of independent directors in the Board of Directors is predetermined by the Company's aspiration to achieve an optimum balance of experience, skills and qualifications among the members of the Board of Directors. The independent directors also bring in valuable know-how in corporate management and risk management, as well as international experience, strategic vision and extensive understanding of the oil transportation industry.

In addition to their participation in the activities of the Board of Directors, independent directors act as chairpersons in the Committees under the Board of Directors, actively participate in discussing

the meeting agendas and ensure that unbiased decisions are made to respect the interests of all shareholders.

In the reporting period, the Company's independent directors fully complied with the independence criteria established by the RoK laws, the Company's Charter and the Regulations on the Company's Board of Directors.

Detailed information on the procedure for independent director election may be found at the Company's corporate website in the [Corporate Management](#) section.



### Almasbek MUKHASHOV

Independent Director

Nationality: Republic of Kazakhstan  
Date of birth: June 5, 1980

#### EDUCATION

Mr. Mukhashov graduated from the American University of Rome and is a Bachelor of Science in Business Administration.

#### WORK EXPERIENCE:

Mr. Mukhashov has international experience in oil and gas industry. In different periods, he worked with Eni S.p.A., Agip Caspian Sea B.V., Eni Exploration and Production and Agip Kazakhstan North Caspian Offshore Operating Company.

Since January 28, 2019 – he is an independent director at KazTransOil JSC.

He does not participate in management bodies of any other organisations.

He does not hold any of the Company's or SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.



### Vinicius AGOSTINI

Independent Director

Nationality: Federative Republic of Brazil  
Date of birth: March 8, 1981

#### EDUCATION

Mr. Agostini graduated from Universidade Federal de Minas Gerais (Brazil) with the degree of Bachelor of Business Administration, McDonough Georgetown University Business School (USA) and ESADE Business School (Spain). He is a Master of Business Administration (MBA).

#### WORK EXPERIENCE:

Mr. Agostini has extensive strategic development experience in such industries as cybersecurity, steel production, mining, logistics, telecommunications and management consulting. He is currently engaged as Head of Strategy and Marketing at Exceda (a cloud computing and web security provider in Latin America and the United States) and coordinates the launch of operations in seven countries in the region.

During his time at Usiminas (Brazil), he coordinated the Company's long-term strategic plan with the management board and major shareholders (Nippon Steel, Ternium / Tenaris groups).

Since January 28, 2019 – he is an independent director at KazTransOil JSC.

He does not participate in management bodies of any other organisations.

He does not hold any of the Company's or SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.



### Hadrien FRAISSINET

Independent Director

Nationality: Swiss Confederation  
Date of birth: December 13, 1979

#### EDUCATION

Mr. Fraissinet holds a B.A. from Wheaton College, MA, and an M.B.A. from Georgetown University, DC, and ESADE Business School.

#### WORK EXPERIENCE:

Mr. Fraissinet is a private equity professional with significant international experience in direct investments and advisory across multiple sectors. He specializes in identifying growth opportunities and designing value-add strategies. Since beginning his career at Rothschild & Co, Mr. Fraissinet has held senior positions at Baring Vostok Capital Partners and at the International Finance Corporation, member of the World Bank Group, where he made and managed investments in Africa, Asia, Latin America and Russia & CIS.

Since January 28, 2019 – he is an independent director at KazTransOil JSC.

He does not participate in management bodies of any other organisations.

He does not hold any of the Company's or SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

## CRITERIA FOR SELECTION AND ELECTION TO THE BOARD OF DIRECTORS

The criteria developed to select and elect members of the Board of Directors, including independent directors and the Chairman of the Board of Directors, are set out in the RoK Law *On Joint-Stock Companies*, the Company's Charter, the Corporate Governance Code and the Regulations on the Company's Board of Directors.

The General Meeting of Shareholders elects members of the Board of Directors using clear and transparent procedures, with due regard to the knowledge, skills,

achievements, business reputation and professional experience of candidates. Their contribution to the performance of the Company's Board of Directors is taken into account during re-election of individual members or all members of the Board of Directors for a new term.

A balance of skills, experience and knowledge is maintained among members of the Board of Directors and its Committees to ensure independent, unbiased and effective decision-making to respect the interests of the Company and the shareholders, as well as long-term value growth and sustainable development of the Company.

## PERFORMANCE ATTAINED BY THE BOARD OF DIRECTORS

### Attendance at the Board of Directors meetings in 2019

Director	Attendance of meetings		Term as a member of the Board of Directors in the reporting period
	Number of meetings attended	Percentage of meetings attended	
Daniyar Berlibayev	10 of 10	100%	01/01/2019 – 31/12/2019
Vinicius Agostini	10 of 10	100%	28/01/2019 – 31/12/2019
Dimash Dossanov	10 of 10	100%	01/01/2019 – 31/12/2019
Almasbek Mukhashov	10 of 10	100%	28/01/2019 – 31/12/2019
Hadrien Fraissinet	10 of 10	100%	28/01/2019 – 31/12/2019
Nurtas Shmanov	10 of 10	100%	01/01/2019 – 31/12/2019

10 meetings of the Board of Director were held *in presentio* in 2019. Their participants reviewed and took decisions on 124 issues, including those related to the Company's core business:

### Strategic development:

- Review of the 2018 Business Plan Implementation Report
- Approval of the 2020–2024 Business Plans on the revalued and historical fixed asset costs
- Review of the 2018 report on implementation of KazTransOil JSC Development Strategy up to 2025.

### Financial and business activities:

- Convocation of the annual General Meeting of KazTransOil JSC Shareholders
- Preliminary approval of the Company's annual financial statements and consolidated annual financial statements for 2018
- Proposals from the Board of Directors to the General Meeting of the Company's Shareholders on allocation of the Company's net income for 2018, the undistributed profits for the previous years and the dividend amount for 2018 per ordinary share of the Company
- Execution of the Company's self-dealing transactions.

### Corporate management:

- Approval of KazTransOil JSC Annual Report for 2018
- Approval of the incentive KPIs for the Company's senior executives and corporate secretary for 2019 and their target values
- Approval of the Report on the Company's compliance with the concepts and provisions of the Corporate Management Code for 2018
- Review of the annual report issued by KazTransOil JSC Board of Directors on the activities completed in 2018
- Approval of the Rules for Internal Control over KazTransOil JSC Insider Information Management and Use.

### Internal audit:

- Approval of the Strategic Plan for KazTransOil JSC Internal Audit Service for 2020–2022
- Approval of the annual audit plan for KazTransOil JSC Internal Audit Service for 2020
- Approval of the Regulations on KazTransOil JSC Internal Audit Service
- Approval of the budget for KazTransOil JSC Internal Audit Service for 2020
- Hearing of the Internal Audit Service reports.

### Risk management and internal control:

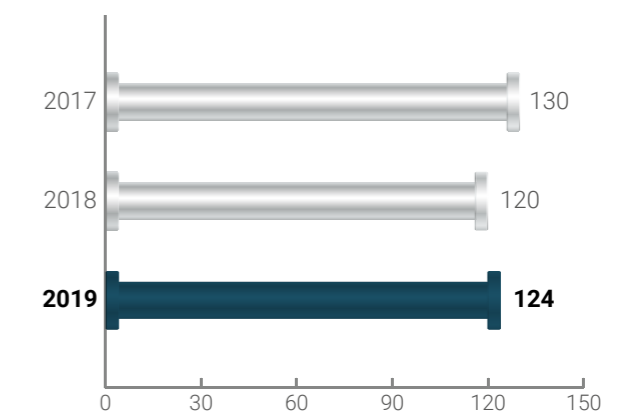
- Approval of quarterly reports on occupational and non-occupational risks for KazTransOil JSC, its subsidiaries and jointly controlled entities
- Approval of the results obtained by identification and assessment of occupational and non-occupational risks for KazTransOil JSC, its subsidiaries and jointly controlled entities for 2020.

### Sustainable development:

- Approval of KazTransOil JSC headquarters organisation
- Approval of the Rules on Business Trips for KazTransOil JSC Employees.

The Board of Directors also considered a number of issues within the competence of the General Meetings of Participants/Shareholders in the Company's subsidiaries and jointly controlled organisations.

### Number of issues reviewed at the meetings of the Company's Board of Directors



Additional information on the decisions taken by the Board of Directors in 2019 can be found on the Company's corporate website in the Corporate Management section.

### PERFORMANCE ATTAINED BY THE COMMITTEES UNDER THE BOARD OF DIRECTORS

Three committees were established under the Board of Directors to enhance its performance by reviewing and preparing recommendations on the most relevant issues that require special expertise: Strategic Planning Committee, HR and Remuneration Committee, and Internal Audit Committee. Committee members are appointed by a decision of the Company's Board of Directors.

Roles, rights and responsibilities, establishment and management of the Committees are set forth in the relevant internal documents: Regulations on the Strategic Planning Committee under KazTransOil JSC Board of Directors, Regulations on HR and Remuneration Committee under KazTransOil JSC Board of Directors and Regulations on the Internal Audit Committee under KazTransOil JSC Board of Directors. The Regulations are available on the Company's corporate website in the Corporate Management section.



## Strategic Planning Committee

### THE COMMITTEE'S MAIN OBJECTIVES

The main objective of the Strategic Planning Committee is preliminary review and preparation of recommendations for the Board of Directors on the Company's development strategy, including priority areas.

The meetings of the Committee are held as and when necessary, but at least once every six months.

### COMPOSITION OF THE COMMITTEE

The Committee consists of the members of the Board of Directors and experts with the professional knowledge required to work at the Committee. The composition of the Strategic Planning Committee is determined by the Company's Board of Directors. Moreover, in accordance with the Company's internal regulations, the Committee Chairman should be an independent director.

Members of the Strategic Planning Committee (elected by the decision of the Company's Board of Directors dated January 29, 2019):

- Vinicius Agostini, Independent Director, Chairman
- Almasbek Mukhashov, Independent Director
- Hadrien Fraissinet, Independent Director
- Nurtas Shmanov, Representative of NC KazMunayGas JSC

### THE KEY ISSUES DISCUSSED BY THE COMMITTEE IN 2019

Five meetings of the Strategic Planning Committee were held *in presentio* in 2019. The following key issues were discussed with the respective recommendations developed:

- Review of KazTransOil JSC updated business plans for 2019–2023 as part of the budget for 2019, in terms of the revalued and historical fixed asset cost
- Proposal from the Board of Directors to the General Meeting of Shareholders on allocation of the Company's net income for 2018, the undistributed profits for the previous years and the dividend amount for 2018 per ordinary share of the Company
- Review of the 2018 report on implementation of KazTransOil JSC Development Strategy up to 2025
- Review of draft KazTransOil JSC Digital Technology Development Programme
- Review of KazTransOil JSC business plans for 2020–2024, in terms of the revalued and historical fixed asset cost.

## HR and Remuneration Committee

### THE COMMITTEE'S MAIN OBJECTIVES

The main goal of the HR and Remuneration Committee is to assist the Board of Directors in exercising its powers related to selection, appointment (election), appraisal and remuneration for the members of the Board of Directors, the General Director (Chairman of the Management Board), the members of the Management Board and the Corporate Secretary.

The meetings of the Committee are held as and when necessary, but at least twice a year.

### COMPOSITION OF THE COMMITTEE

In accordance with the Company's internal regulations, the majority of the Committee members, including the Chairman, shall be independent directors. The Chairman of the Board of Directors and the General Director (Chairman of the Management Board) cannot be Committee members.

The members of the HR and Remuneration Committee (elected by the decision of the Company's Board of Directors dated January 29, 2019):

- Almasbek Mukhashov, Independent Director, Chairman
- Vinicius Agostini, Independent Director
- Hadrien Fraissinet, Independent Director.

### THE KEY ISSUES DISCUSSED BY THE COMMITTEE IN 2019

Six meetings of the HR and Remuneration Committee meetings were held *in presentio* in 2019. The following key issues were discussed with the respective recommendations developed:

- Approval of updated incentive KPIs for a number of the Company's senior executives for 2019 and the corresponding target values
- Review of the Report on Incentive KPIs Attained by the Company's Executives for the first six months of 2019
- Review of the Report on Incentive KPIs Attained by the Company's Executives for nine months of 2019
- Review of the Report on Incentive KPIs Attained by the Company's Corporate Secretary for the first six months of 2019
- Remuneration of the Company's senior executives and Corporate Secretary, based on their performance in 2018
- Approval of the candidates to be appointed by the Company's Board of Directors.

## Internal Audit Committee

### THE COMMITTEE'S MAIN OBJECTIVES

The objective of the Internal Audit Committee is to assist the Board of Directors on external and internal audits, financial statements, internal control and risk management, asset valuations, compliance with the RoK laws and other issues assigned by the Company's Board of Directors.

The meetings of the Internal Audit Committee are held as and when necessary, but at least once a quarter.

### COMPOSITION OF THE COMMITTEE

In accordance with the Company's internal regulations, the members of the Board of Directors who are also the members of the Committee, including the Committee Chairman, shall be independent directors.

Members of the Internal Audit Committee (elected by the decision of the Company's Board of Directors dated January 29, 2019):

- Hadrien Fraissinet, Independent Director, Chairman
- Vinicius Agostini, Independent Director
- Almasbek Mukhashov, Independent Director.

Where necessary and upon invitation from the Committee Chairman, the Lead Partner and/or other representatives of the Company's external auditor, Ernst & Young LLP, may attend Committee meetings to jointly consider audit findings.

### THE KEY ISSUES DISCUSSED BY THE COMMITTEE IN 2019

In the reporting period, the Internal Audit Committee held seven meetings *in presentio* and two meetings by voting *in absentia*. Recommendations were developed on the following key issues:

- Preliminary endorsement of the Company's annual financial statements and consolidated annual financial statements for 2018
- Review of the data on compliance with the Rules for Internal Control over the Company's Insider Information Management and Use and the Report on the Company's Insider Training for 2018
- Preliminary approval of the Annual Audit Plan of the Company's Internal Audit Service for 2020
- Preliminary approval of the Company's Internal Audit Service budget for 2020
- Preliminary approval of the Strategic Audit Plan of the Company's Internal Audit Service for 2020–2022
- Preliminary approval of the Regulations on the Company's Internal Audit Service
- Preliminary approval of the Report on Third-Party evaluation of the Company's Internal Audit Service.

Additional information on the requirements related to the membership, goals and competencies of the Committees under the Board of Directors and the procedure for the meetings of such Committees

is available on the Company's corporate website in the [Corporate Management](#) section.

# 124 ISSUES

REVIEWED AND DECIDED UPON BY  
THE BOARD OF DIRECTORS

## REMUNERATION FOR MEMBERS OF THE BOARD OF DIRECTORS

The procedure for remuneration and cost reimbursement payments to independent directors is established by the Rules on Remuneration and Cost Reimbursement Payments to Independent Directors of NC KazMunayGas JSC Joint-Stock Companies.

Representatives of NC KazMunayGas JSC and the General Director (Chairman of the Management Board), who are members of the Board of Directors, do not receive any remuneration for their participation in this body.

Independent directors receive the following remuneration for their duties as the members of the Board of Directors:

- Fixed remuneration of USD 80,000 per year
- Additional remuneration of USD 1,000 for attending *in presentio* meetings of Committees under the Board of Directors.

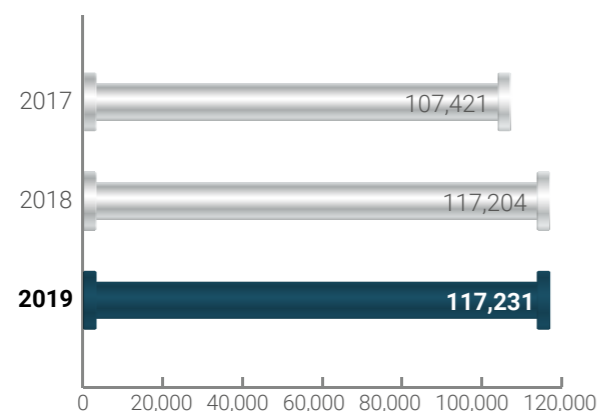
Independent directors also receive reimbursement to cover the costs (travel, accommodation, subsistence) related to travelling to the meetings of the Board of Directors and its Committees held outside the permanent residence of the independent director.

The total amount of remuneration paid to the Company's independent directors based on their performance in 2019 was KZT 117,231 thousand, including taxes.

### Remuneration paid to the Company's independent directors in 2019, KZT thousand

Independent Director	Annual remuneration	Attendance at in presentio meetings of the Committees	Total, net of taxes	Total, including taxes
Vinicius Agostini	28,307	6,525	34,832	38,714
Almasbek Mukhashov	28,307	6,525	34,832	39,803
Hadrien Fraissinet	28,307	6,525	34,832	38,714
<b>Total:</b>	<b>84,921</b>	<b>19,575</b>	<b>104,496</b>	<b>117,231</b>

### Profile of remuneration paid to the Company's independent directors, thousand KZT



Additional information about the terms and conditions of remuneration payments to members of the Board of Directors is available at the Company's corporate website in the [Corporate Management](#) section.

## Management Board

KazTransOil JSC Management Board is a collegial executive body that manages the Company's daily activities.

The main goals of the Management Board are to ensure successful fulfilment of the objectives established for the Company and implementation of the Development Strategy. The Management Board strives to achieve these goals using the main concepts of honesty, integrity, sound judgement, prudence, coherence and the maximum possible respect for the rights and interests of the Company's shareholders and accountability for implementing the decisions of the General Meeting of the Company's Shareholders and the Company's Board of Directors.

The Management Board's activity is governed by the RoK laws, the Company's Charter, the Corporate Management Code, the Regulations on the Management Board and other internal regulations of the Company.

The Management Board is established by the Board of Directors and reports to the Board of Directors

### Composition of the Management Board in 2019

First and last name	Position
Dimash Dossanov	General Director (Chairman of the Management Board)
Sabit Arynov	Deputy General Director
Bolat Otarov	Deputy General Director
Alibi Kultumiyev (up to July 08, 2019)	Deputy General Director
Alen Tanatarov (since July 09, 2019)	Deputy General Director
Zhaiyk Makhin	Deputy General Director
Chinghiz Seissekenov	Deputy General Director
Oral Idyrysov	Deputy General Director
Shara Adilova	Deputy General Director
Zhaidarman Issakov	Managing Director

on the activities performed to achieve the Company's goals. The Management Board is chaired by the General Director (Chairman of the Management Board), who manages and coordinates its activities.

The Management Board is responsible for allocating financial and human resources necessary to achieve the goals set by the General Meeting of Shareholders and the Board of Directors.

Additional information about the authority and performance of the Company's Management Board is available on the Company's corporate website in the [Corporate Management](#) section.

### MEMBERS OF THE MANAGEMENT BOARD

In 2019 the Management Board had nine members. Reelection of the members of the Management Board took place on May 23, 2018 (to elect the members of the Management Board for 3 years).





### Dimash DOSSANOV

**KazTransOil JSC General Director  
(Chairman of the Management Board)**

Nationality: Republic of Kazakhstan

Date of birth: November 2, 1981

#### EDUCATION

Graduated from Al-Farabi Kazakh State University with a degree in International Relations as a qualified International Relations Specialist; T. Ryskulov Kazakh Economic University with a degree in Finance and Credit as a qualified Economist. MA in Business Administration (Executive MBA), Georgetown University, Washington, USA.

#### WORK EXPERIENCE:

January through August 2016 – KazTransOil JSC First Deputy General Director

Since August 6, 2016 – KazTransOil JSC General Director (Chairman of the Management Board)

From August 6, 2016 to the present moment – KazTransOil JSC Chairman of the Management Board

From October 20, 2016 to the present moment – Member of KazTransOil JSC Board of Directors

Member of CPC-R JSC and CPC-K JSC Board of Directors

He does not hold any of the Company's or SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.



### Bolat OTAROV

**KazTransOil JSC Deputy  
General Director**

Nationality: Republic of Kazakhstan

Date of birth: February 23, 1966

#### EDUCATION

Graduated from the Kazakh Polytechnic Institute named after V.I. Lenin with a degree in Mechanical Engineering, Metal-Cutting Machines and Tools as a qualified Mechanical Engineer.

#### WORK EXPERIENCE:

2007–2017 – KazTransOil JSC Deputy General Director for Transportation.

Since January 3, 2018 – KazTransOil JSC Deputy General Director.

From February 20, 2008 – February 1, 2020 – Member of KazTransOil JSC Management Board

He does not participate in management bodies of any other organisations.

Mr. Otarov owns 135 Company's shares, or 0.00004% of the total number of the placed shares.

He does not hold any SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.



### Sabit ARYNOV

**KazTransOil JSC Deputy  
General Director.**

Nationality: Republic of Kazakhstan

Date of birth: June 29, 1977

#### EDUCATION

Graduated from K.I. Satpayev Kazakh State University with a degree in Mineral Deposit Development Technology and Engineering as a qualified Mining Engineer.

#### WORK EXPERIENCE:

2009–2017 – Director of KazTransOil JSC Operational Department

2017 – Director of KazTransOil JSC West Branch

Since January 3, 2018 – KazTransOil JSC Deputy General Director.

From January 3, 2018 to the present moment – Member of KazTransOil JSC Management Board

He is a member of Main Waterline LLP Supervisory Board.

Mr. Arynov owns 7,567 Company's shares, or 0.00197% of the total number of the placed shares.

He does not hold any SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.



### Alen TANATAROV

**KazTransOil JSC Deputy  
General Director.**

Nationality: Republic of Kazakhstan

Date of birth: August 23, 1981

#### EDUCATION

Graduated from the University of Tulsa (USA), Petroleum Engineering Major. He holds a degree of Master of Business Administration (MBA) from the University of Suffolk (USA). In 2016, he studied at Harvard Business School under the Management Personnel Programme.

#### WORK EXPERIENCE:

2016–2019 – General Director at Kazakhstan – China Pipeline LLP

Since July 9, 2019 – KazTransOil JSC Deputy General Director

From July 9, 2019 to the present moment – Member of KazTransOil JSC Management Board

Chairman of the Supervisory Board at Kazakhstan – China Pipeline LLP

He does not hold any of the Company's or SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.



### Zhaiyk MAKHIN

**KazTransOil JSC Deputy  
General Director**

Nationality: Republic of Kazakhstan  
Date of birth: June 30, 1982

#### EDUCATION

He graduated from the Moscow State Institute (University) of International Relations under the Ministry of Foreign Affairs of the Russian Federation with a degree in Finance and Credit and bachelor's degree in economics, and was further awarded a master's degree with foreign language skills in the field of World Economy in 2005. In 2014, he graduated from the Russian Presidential Academy of National Economy and Public Administration under the MBA Programme in International Business Management and was awarded the qualifications of Master of Business Administration (MBA).

#### WORK EXPERIENCE:

2016–2017 – Deputy General Director for Economics at Kazakhstan – China Pipeline LLP

December 2017 – Deputy General Director for Economics and Finance at KazTransOil JSC

Since January 3, 2018 – KazTransOil JSC Deputy General Director

From December 20, 2017 to the present moment – Member of KazTransOil JSC Management Board

Chairman of the Supervisory Board at Batumi Oil Terminal LLC, Member of the Supervisory Board at Main Waterline LLP

He does not hold any of the Company's or SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.



### Chinghiz SEISSEKENOV

**KazTransOil JSC Deputy General  
Director**

Nationality: Republic of Kazakhstan  
Date of birth: April 11, 1981

#### EDUCATION

Graduated from Ryskulov Kazakh Economic University with a degree in International Economic Relations, International Currency and Financial Relations as a qualified International Currency and Financial Relations Specialist. In 2005, he completed a postgraduate course at the T. Ryskulov Kazakh Economic University in Finance, Money Circulation and Credit. He has a degree of the Candidate of Economic Sciences. In 2019, he graduated from the Leonard N. Stern School of Business at the New York University, the London School of Economics and Political Science and the Ecole Supérieure de Commerce de Paris NES. He is a Master of Business Administration (MBA).

#### WORK EXPERIENCE:

2016–2017 – Deputy General Director for Business Support at KazTransOil JSC

Since January 3, 2018 – KazTransOil JSC Deputy General Director

From October 24, 2016 to the present moment – Member of KazTransOil JSC Management Board

Member of the Supervisory Board at Batumi Oil Terminal LLC, Member of the Board of Directors at Petrotrans Limited, Member of the Supervisory Board at Main Waterline LLP

He does not hold any of the Company's or SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.



### Shara ADILOVA

**KazTransOil JSC Deputy  
General Director**

Nationality: Republic of Kazakhstan  
Date of birth: November 30, 1978

#### EDUCATION

She graduated from the University of Massachusetts with a degree in Accounting and Finance. She also has a Master of Business Administration (MBA) degree from the University of Massachusetts. In 2009, she graduated from the International School of Management and was awarded the academic degree of Doctor of Economic Sciences (PhD).

#### WORK EXPERIENCE:

2016–2017 – Deputy General Director for Corporate Development and Assets at KazTransOil JSC

Since January 3, 2018 – KazTransOil JSC Deputy General Director

From October 24, 2016 to the present moment – Member of KazTransOil JSC Management Board

Member of the Supervisory Board at Batumi Oil Terminal LLC, Member of the Board of Directors at Petrotrans Limited, Member of the Supervisory Board at MunaiTas LLP

She does not hold any of the Company's or SJCE's shares.

She does not hold any shares of the Company's suppliers or competitors.

She has not performed any transactions with the Company's shares.



### Oral IDYRYSOV

**KazTransOil JSC Deputy  
General Director.**

Nationality: Republic of Kazakhstan  
Date of birth: February 12, 1959

#### EDUCATION

Graduated from Alma-Ata Institute of National Economy as a qualified Labour Economist.

#### WORK EXPERIENCE:

2016–2017 – Director of HR Management and Remuneration Department at KazTransOil JSC

Since June 2017 – Deputy General Director for Transformation at KazTransOil JSC

Since January 3, 2018 – KazTransOil JSC Deputy General Director

From June 1, 2017 to the present moment – Member of KazTransOil JSC Management Board

Member of the Supervisory Board at Batumi Oil Terminal LLC

He does not hold any of the Company's or SJCE's shares.

He owns 4 shares in KazMunayGas EP JSC, or 0.00000538% of the total number of placed shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.





### Zhaidarman ISSAKOV

**KazTransOil JSC Managing Director**

Nationality: Republic of Kazakhstan  
Date of birth: October 29, 1965

#### EDUCATION

Graduated from S.M. Kirov Kazakh State University with a degree in law as a qualified lawyer. In 2003, he studied at the Academy of National Economy under the Government of the Russian Federation as a major in Oil and Gas Industry Law.

#### WORK EXPERIENCE:

2014–2017 – Managing Director for Legal Support at KazTransOil JSC

Since January 3, 2018 – KazTransOil JSC Managing Director

From May 12, 2003 to the present moment – Member of KazTransOil JSC Management Board

Member of the Supervisory Board at Batumi Oil Terminal LLC

He does not hold any of the Company's or SJCE's shares.

He does not hold any shares of the Company's suppliers or competitors.

He has not performed any transactions with the Company's shares.

#### Attendance at the meetings of the Company's Management Board in 2019

Member of the Management Board	Attendance of meetings		Term as a member of the Management Board in the reporting period
	Number of meetings attended	Percentage of meetings attended	
Dimash Dossanov	23 of 25	92%	01/01/2019 – 31/12/2019
Sabit Arynov	18 of 25	72%	03/01/2019 – 31/12/2019
Bolat Otarov	14 of 25	56%	01/01/2019 – 31/12/2019
Alibi Kultumiyev	11 of 13	85%	01/01/2019 – 08.07.2019
Alen Tanatarov	11 of 12	92%	09/07/2019 – 31/12/2019
Zhaiyk Makhin	23 of 25	92%	01/01/2019 – 31/12/2019
Chinghiz Seissekenov	19 of 25	76%	01/01/2019 – 31/12/2019
Oral Idyryssov	22 of 25	88%	01/01/2019 – 31/12/2019
Shara Adilova	24 of 25	96%	01/01/2019 – 31/12/2019
Zhaidarman Issakov	23 of 25	92%	01/01/2019 – 31/12/2019

The participants of the Management Board meetings reviewed the issues and took decisions in a number of key areas, including the following:

#### Strategic development:

- Endorsement of the 2018 Report on implementation of KazTransOil JSC Development Strategy up to 2025
- Endorsement of the 2018 Report on implementation of KazTransOil JSC business plan
- Approval of the Action Plan on JSC KazTransOil Performance Improvement
- Approval of KazTransOil JSC Level 1, 2 and 3 business process maps "as is" and KazTransOil JSC Business Process Architecture "as is"
- Approval of KazTransOil JSC Digitalisation Development Strategy.

#### Corporate management

- Endorsement of KazTransOil JSC Annual Report for 2018
- Approval of KazTransOil JSC corporate KPIs for 2019 and the corresponding target values
- Approval of incentive KPIs for KazTransOil JSC senior executives for 2019 and the corresponding target values
- Approval of functional KPIs for heads of business units at the headquarters, heads of KazTransOil JSC RTC Branch, representative offices and other SBUs

and head of KazTransOil JSC Operating Service Department with actual values and final performance for 2018

- Approval of incentive KPIs for KazTransOil JSC managers for 2019 and the corresponding target values.

#### Financial and business activities

- Endorsement of KazTransOil JSC annual financial statements and consolidated annual financial statements for 2018
- Endorsement of the annual financial statements and consolidated annual financial statements of subsidiaries and jointly controlled entities
- Endorsement of the updated KazTransOil JSC Business Plans for 2019–2023 to reflect revalued and historical fixed asset costs as related to the budget for 2019
- Execution of KazTransOil JSC self-dealing transactions with Samruk-Kazyna JSC group entities.

#### Risk management and internal control

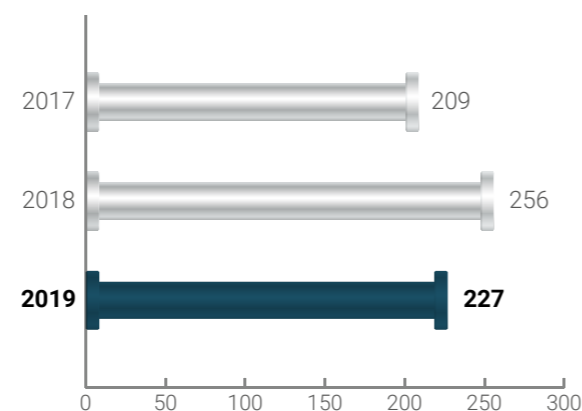
- Review of KazTransOil JSC Risk Committee Performance Report for 2018
- Approval of the Action Plan for KazTransOil JSC Risk Committee for 2019
- Approval of the quarterly report on key risk trends and progress under the Action Plan on Key

#### MANAGEMENT BOARD PERFORMANCE

In 2019, the Management Board held 25 in presentio meetings. No meetings were held *in absentia*.

The Company's Management Board reviewed and decided on a total of 227 issues and prepared 219 instructions. As of December 31, 2019, all instructions have been closed. As a result of the Management Board activities, 86 issues were escalated for consideration by the Board of Directors, eight of which were presented for consideration at the General Meeting of the Company's Shareholders.

#### Number of issues considered at the meetings of the Company's Management Board



Risk Management for KazTransOil JSC and its subsidiaries and jointly controlled entities

- Preliminary reviews of quarterly reports on occupational and non-occupational risks at KazTransOil JSC and its subsidiaries and jointly controlled entities.

### RISK COMMITTEE PERFORMANCE

The Risk Committee is a separate consultative body established under the Management Board for preliminary consideration of the Company's risk management issues. The Risk Committee's functions include comprehensive consideration of the issues related to risk management at the Company and its SJCEs and preparation of recommendations to facilitate adoption of balanced risk management decisions by the Management Board.

The Risk Committee's activities are governed by the RoK laws, the Company's Charter, the Corporate Management Code, the Regulations on KazTransOil JSC Risk Committee and other internal regulations of the Company.

Below are the Committee's key objectives:

- To assist the Company's Management Board in the decision-making process with regard to the Company's risk management
- To prepare recommendations and proposals on introducing and maintaining an effective corporate risk management system at the Company
- To develop processes aimed at identifying, measuring, monitoring and controlling the Company's risks
- To prepare recommendations and proposals on supervising coordination of the Company's risk management activities.

The General Director (Chairman of the Management Board) is the Chairman of the Risk Committee.

The Risk Committee meetings are held based on the Risk Committee Action Plan approved by the Company's Management Board.

According to the Risk Committee Action Plan for 2019 approved by the decision of the Company's Management Board on January 21, 2019 (Minutes of the Meeting No. 2), the Risk Committee held 5 scheduled meetings, as well as 2 unscheduled meetings in the reporting period, which resulted in the following:

- Agreement reached on quarterly reports on occupational and non-occupational risks for the Company and its subsidiaries and jointly controlled entities for Q4 2018 and Q1–Q3 2019
- Agreement reached on the draft Company's Business Process Classifier for 2019 and the Schedule for Development and/or Update of Risks and Controls Matrices and Flowcharts of the Company's Headquarters for 2019
- Agreement reached on the draft Risks and Controls Matrices of the Company's Headquarters for individual business processes
- Agreement reached on the results obtained by identification and assessment of occupational and non-occupational risks for the Company and its subsidiaries and jointly controlled entities for 2020
- Information heard on the actions taken and planned to prevent critical (significant) risk factors for the Company and its subsidiaries and jointly controlled entities, as well as to improve the efficiency of the Company's production processes. The associated activities are in progress and the implementation status is recorded in quarterly risk reports.

All scheduled issues considered by the Risk Committee in the reporting period were submitted to the corresponding bodies or officials of the Company for further consideration and/or approval pursuant to the established procedure.

### HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The Company established the Health, Safety and Environment Committee (HSE Committee), which is a permanent consultative and advisory body under the Company's Management Board in the field of industrial, fire and transport safety, health and safety, sustainable use of resources, environmental protection and other activities within its competence.

The HSE Committee held no meetings in 2019. The HSE Committee is scheduled to start its actual operations in 2020.

### REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

The Company's existing remuneration approach for members of the Management Board is intended to attract and retain highly skilled managers and to ensure that they have a financial incentive to effectively perform the tasks faced by the Company.

The procedure for remuneration and bonus payments to the members of the Company's Management Board is determined by the Regulations on KazTransOil JSC Management Board, the Rules for Performance Appraisal of KazTransOil JSC Executives and Management Employees and the Corporate Secretary, as well as the Rules on Remuneration Payments to KazTransOil JSC Executives and Management Employees, Head of the Internal Audit Service and Corporate Secretary.

The remuneration system for the Chairman and members of the Management Board includes a fixed remuneration part and a bonus based on annual performance.

In 2019, the members of KazTransOil JSC Management Board received remuneration for a total amount of KZT 770,573 thousand.

The bonus based on annual performance is paid to KazTransOil JSC executives within the funds allocated for this purpose in KazTransOil JSC budget upon approval of the Company's consolidated annual financial statements.

The following are the main eligibility criteria for receiving the bonus based on annual performance:

- Availability of consolidated total profit in the reporting year
- Attaining the incentive KPIs needed to receive the bonus based on annual performance
- Employee's compliance with the performance and labour discipline rules.

Incentive KPIs, which include corporate and functional KPIs developed using the top-down approach for the strategic goals of NC KazMunayGas JSC and KazTransOil JSC, are used to appraise performance among executives.

The bonus based on an executive's annual performance cannot exceed such executive's three-fold annual remuneration for the time actually worked during the reporting period.

The actual achievement of KPIs by executives is approved by the Company's Board of Directors in view of the established data agreement and verification procedures.

# 25

 IN PRESENTIO MEETINGS

OF THE COMPANY'S MANAGEMENT BOARD HELD IN 2019



# AKTOBE REGION

The Zhamanshin Meteorite Crater is another unique landmark located in the Aktobe Region. The meteorite that fell here approximately a million years ago left a huge crater with a diameter of 13 km, which is now a nature reserve area in the Irgiz District. The crater is a popular tourist destination and has become a true tourist attraction in the Aktobe Region.

## KAZTRANSOIL JSC REGIONAL INDICATORS



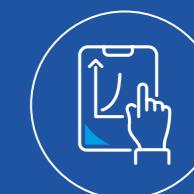
Number  
of oil tanks

**11**  
ea.



Number  
of shippers

**8**  
ea.



Social stability  
rating

**72 %**

## Role and Activities of the Company's Corporate Secretary

The Company's Corporate Secretary acts in accordance with the RoK laws, the Company's Charter, the Corporate Management Code, the Regulations on KazTransOil JSC Corporate Secretary, other internal regulations of the Company and decisions of the General Meeting of the Company's Shareholders and the Company's Board of Directors.

The Company's Corporate Secretary is accountable and reports to the Board of Directors. The Corporate Secretary's main tasks comprise the following:

- To ensure compliance by the Company's units and officials with corporate management standards and to improve the corporate management policies and practices
- To ensure effective activities of the Board of Directors and its Committees
- To ensure holding of General Meetings of Shareholders

- To ensure storage, disclosure and submission of material information and to maintain a high level of information transparency
- To ensure clear and effective communications between the Company and its shareholders and among the Company's units.

Airat Makhambetovich Shmanov was appointed as KazTransOil JSC Corporate Secretary with a term of office equal to three years by the decision of KazTransOil JSC Board of Directors dated July 2, 2018.

The objectives, roles, rights, duties and responsibilities of the Company's Corporate Secretary are stipulated in the Corporate Management Code and the Regulations on KazTransOil JSC Corporate Secretary.

The Regulations on the Corporate Secretary are available on the Company's corporate website in the Corporate Management section.

## Risk Management and Internal Control

The activities implemented by KazTransOil JSC as an oil transportation company are associated with various risks and opportunities that may influence successful achievement of the Company's operating and strategic goals. Thus, a risk management system is adopted and operated in the Company. This system is aimed at ensuring reasonable guarantees that the established goals will be achieved and mitigating adverse impact of risks on the Company's activities.

The risk management system is an integrated system that consists of two subsystems: the Corporate Risk Management System (CRMS) and the Internal Control System (ICS).

The Company's Board of Directors plays a key role in managing and supervising the CRMS and ICS operation. The Company's Management Board is responsible for developing and applying internal controls and risk management policies and procedures.

### CORPORATE RISK MANAGEMENT SYSTEM GRI 102-11

The Corporate Risk Management System comprises a combination of concepts, methods and procedures that ensure the management and effective operation of the risk management process at all management levels of the Company and its SJCEs. The CRMS forms an integral part of the Company's Corporate Management System.

The main goals of the CRMS are the timely identification, analysis, assessment, monitoring and development of actions to reduce the likelihood and consequences of risk events.

The Company's risk management approach was developed in view of the external and internal situation and complies with the concepts set forth in international risk management standards, including ISO 31000:2018 and COSO ERM:2017.

The key internal document that governs the CRMS operations is the KazTransOil JSC Corporate Risk Management System Policy. A unified methodological database is used at the Company that comprises the documents governing the risk management process, including:

- Rules for Occupational and Non-Occupational Risk Management Process at KazTransOil JSC
- Methodology for Risk Identification and Assessment and Risk Management Method Selection at KazTransOil JSC.

The CRMS organisation is vertically integrated, which enables to cover risks at all organisational levels within the Company. The Company's management, represented by the Board of Directors and the Management Board, is proactive in ensuring CRMS efficiency.

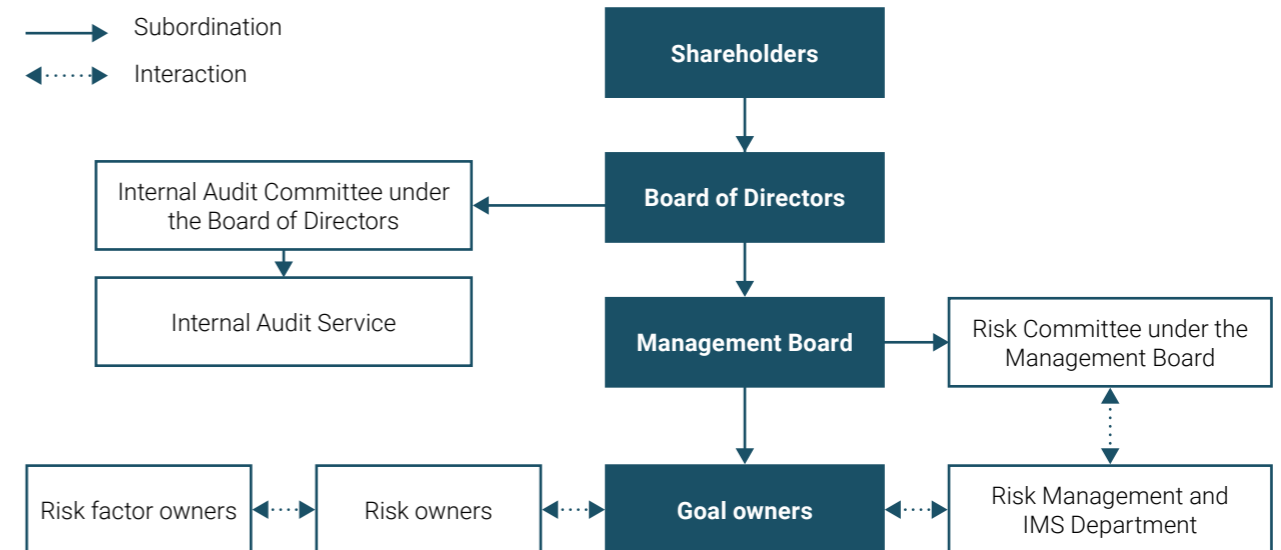
The Risk Committee under the Management Board plays a key role in aligning and tracking the effectiveness of the risk management process. Within its competence, the Risk Committee provides detailed recommendations to the Management Board regarding risk management issues and reviews reports on the status of all risks faced by the Company.

Information on the Risk Committee performance is given in the Management Board section of the Report.

The Risk Management and IMS Department is responsible for coordinating and providing continuous methodological support to the risk management process. This department renders continuous consultative and methodological assistance on identification, analysis and assessment of the risks faced by the Company's SBUs and SJCEs.

The employees of the Company's headquarters, SBUs and SJCEs are intensively involved in the risk management process. A risk coordinator is appointed in each business unit of the Company's headquarters who is responsible for risk management arrangements and coordination in the business unit and interaction with the Risk Management and IMS Department. Risk managers are appointed at SBUs and SJCEs who are responsible for risk management arrangements and coordination.

### Company's CRMS Organisation





**Risk Management Process**

The risk management process arrangements at the Company involve continuous information flow and exchange and interaction on risk management issues at all management levels up to SBUs.

Information transfer along a top-down hierarchy facilitates communication of strategic goals, risk appetite level and risk management approaches to risk owners. A bottom-up information flow provides the Company's management with timely and reliable information on the status of the Company's identified

risks, changes in likelihood and impact assessments and implementation status of risk management actions.

The Company's management prepares the Development Strategy by detailed elaboration of alternative options and review of the risks that could influence achievement of the established goals. This risk-oriented approach to goal setting facilitates selection of the Company's optimal development areas and assessment of the associated risks and opportunities.

The CRMS facilitates identification, analysis, assessment and priority setting for all risks faced by the Company. Both qualitative and quantitative methods are used as part of the risk assessment approach. Business continuity plans have been developed for the risks that could result in partial or full suspension of the Company's activity.

Due to implementation of the new CRMS methodology initiated by NC KazMunayGas JSC in 2018, risks were identified and assessed in 2019 for the planning year of 2020 on the basis of the updated Unified Risk Classifier of NC KazMunayGas JSC and its subsidiaries and associates. Therefore, all of the Company's risks were divided into two main categories: occupational and non-occupational risks triggered by the respective risk factors (causes). The results obtained by identification of the expected risks for 2020 were approved in December 2019 by the Company's Board of Directors.

The risk reporting system in place at the Company supports the CRMS operations and facilitates adoption of balanced management decisions. Quarterly reports on the Company's risk trends are submitted to the Risk Committee, Management Board and Board of Directors.

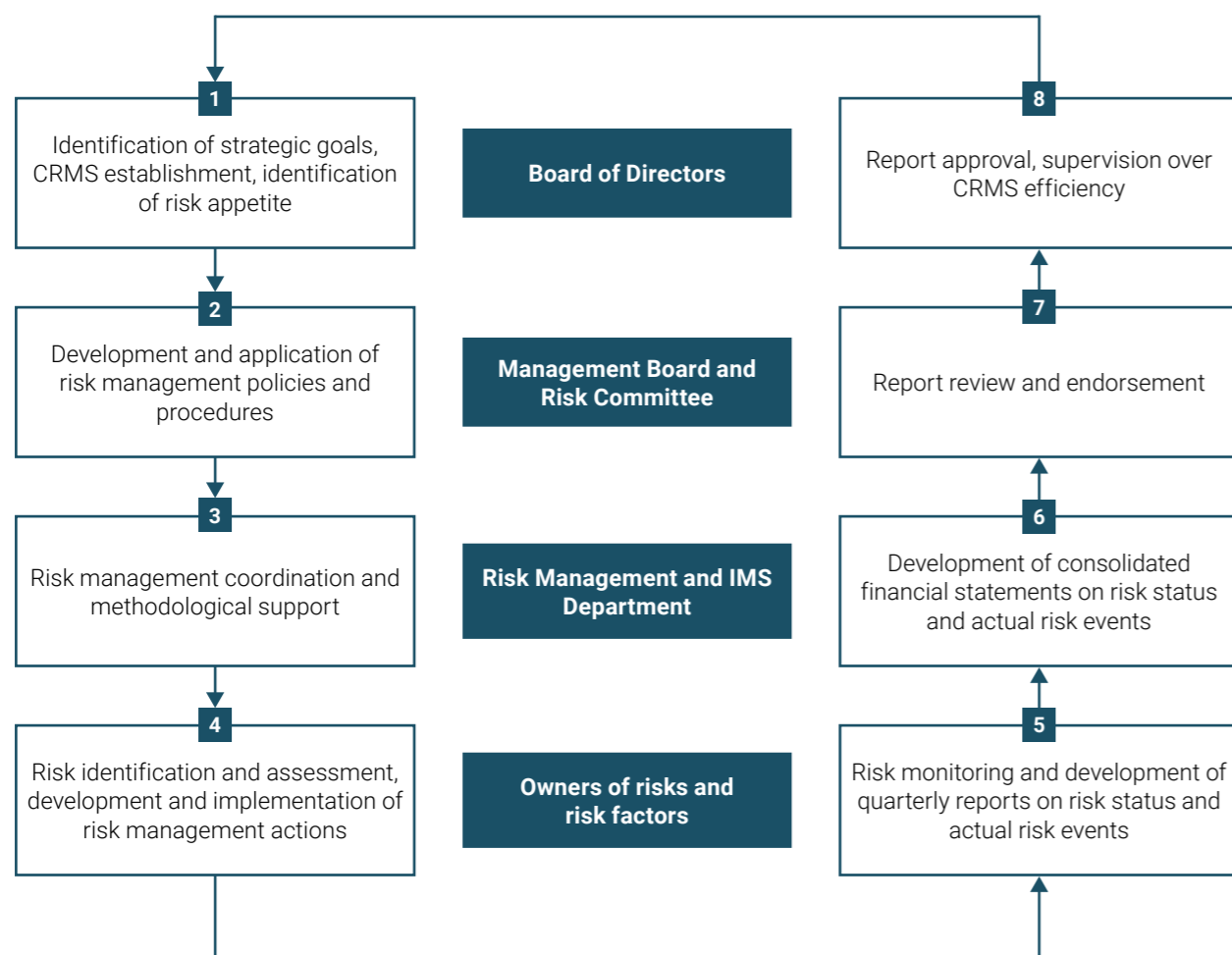
A unified electronic database on actual risk events was created on the corporate portal, in order to record and subsequently review the data on such events at the Company. Maintenance of the electronic database facilitates collection of the data required to perform quantitative assessments of risks and risk factors and to prepare analytical risk reports.

In the reporting period, the Company constantly monitored the status of occupational and non-occupational risks and their inherent risk factors and implementation of the respective risk management actions, recorded the actual risk events in the actual risk events electronic database and prepared quarterly reports for review by the Company's management.

**Company's Risks in 2019**

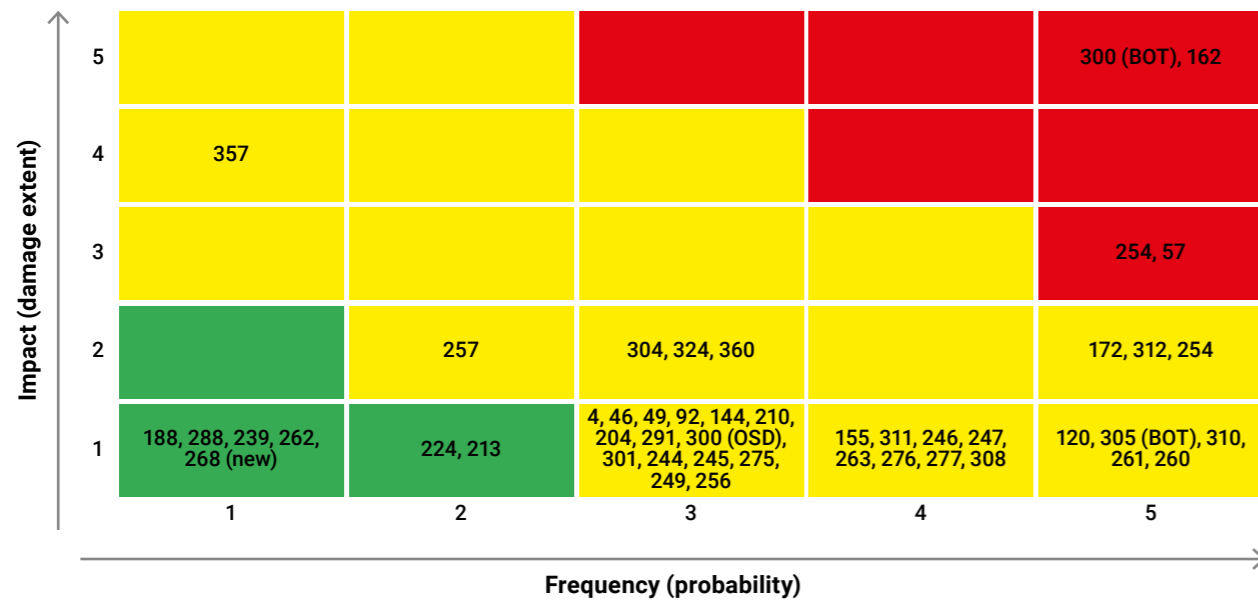
The Company drew up a list of the risks that may have the most material impact on the Company's financial position and achievement of its strategic goals. The Company regularly assesses such risks. The risk assessment results for 2019 are included in KazTransOil JSC Risk Map that clearly demonstrates their impact on the Company's activities. Larger numbers correspond to larger values of the criterion subject to assessment. Risks are assessed in accordance with the Methodology for Risk Identification and Assessment and Risk Management Method Selection at KazTransOil JSC approved by the Board of Directors.

**Main stages of the risk management process**



**100 %**  
RISK MANAGEMENT ACTIONS  
FOR 2019 COMPLETED IN FULL

## KazTransOil JSC Risk Map



## Risk Map Interpretation – Risks and risk factors

Item No.	RISKS/RISK FACTOR	high	middle	low
<b>Non-compliance with production practices</b>				
4	Malfunctions or failure of APMS hardware and software: hardware, software		●	
120	Disruptions in external power supply		●	
254	Incorrect actions/errors by personnel	●		
<b>Late/low-quality repair of equipment</b>				
46	Late execution of contracts to ensure inventory supply for process equipment repairs		●	
49	Selection of unreliable supplier/unfair participant/fake entrepreneur		●	
57	Inadequate work management	●		
<b>Late/low-quality replacement of process equipment</b>				
92	Late equipment supply		●	
144	Workmanship defect identified in new equipment during operation		●	
<b>Income reduction</b>				
300 (BOT)	Reduced demand for services/products (BOT)	●		
305	Late payment of accounts receivable		●	
162	Low quality of approved plans (incorrect investment programme planning)	●		
301	Oil supply reduction or suspension		●	
291	Change in relations with strategic partners		●	

Item No.	RISKS/RISK FACTOR	high	middle	low
300 (OSD)	Reduced demand for services/products (OSD)	●		
304	Event of default on the part of counterparty banks		●	
172	Late tariff estimate adjustment	●		
155	Incorrect output metering		●	
210	Unprofessional services rendered in core activities		●	
188	Inappropriate legal transaction support			●
204	Lack of mechanisms to prevent potential publication of knowingly false or distorted information in the mass media regarding the Company's activities with the associated reputation damage		●	
<b>Cost increase</b>				
312	Decisions made by the authorised body in the field of tariff regulation		●	
311	Time required to obtain the necessary approvals and permits from governmental bodies		●	
261	Non-compliance with environmental protection laws		●	
310	Premeditated illegal actions by third parties		●	
213	Incorrect calculation of cost effectiveness during capital investment planning			●
257	Company's non-compliance with applicable law		●	
228	Incorrect development of financial statements			●
224	Late submission of financial statements			●
239	Non-compliance with financial/non-financial covenants at the Company			●
262	Non-compliance with tax laws			●
244	Late approval of the annual goods, works and services procurement plan		●	
245	Late introduction of the necessary updates and amendments into the approved annual goods, works and services procurement plan		●	
246	Late procurement of goods, works and services		●	
247	Selection of unreliable supplier/unfair participant/fake entrepreneur		●	
254	Incorrect actions/errors by personnel	●		
260	Non-compliance with labour laws		●	
256	Personnel strikes, meetings and protests		●	
249	Inadequate staff qualifications		●	
263	Non-compliance with internal regulations on information security		●	
275	Unauthorised access to the information system		●	
276	Failure (loss) of existing software		●	
277	Failure of existing server equipment		●	
357	Environmental impacts, natural disasters		●	
308	Lawsuits		●	
324	Unauthorised external access to the corporate network		●	
268 (new)	Corruption			●
360	"Fragile supply chain"		●	



In 2019, in order to reduce the likelihood of the actual risk events, the management of the Company's SBU and SJCE implemented the necessary preventative actions. The Company also implemented the corresponding corrective actions to respond to the actual risk events in order to minimise potential financial losses. The Company fully completed all planned risk management actions in 2019.

The detailed information regarding KazTransOil JSC risks and risk management activities is provided in Annex 6 to the Report.

### Training and risk culture development

The Company specifically focuses on developing a risk-oriented culture based on a high awareness of respective risks and employee engagement in the risk management process.

At the time of their recruitment, all employees receive training on the main goals, objectives and concepts as related to CRMS management and operation, which are set forth in the Policy on KazTransOil JSC Corporate Risk Management System.

Regular outreach work and online consultations are envisaged to identify and assess the risks, monitor risk trends and prepare quarterly risk reports. CRMS training presentations and methodology are published on the Company's corporate portal. The main requirements stipulated in the CRMS Policy, the ICS Regulations, goals and objectives, risk management concepts and risk terminology are included in the list of general testing questions used to qualify the Company's personnel and to employ candidates for certain positions.

Three employees of the Risk Management and IMS Department completed training in risk-oriented enterprise management, received their ISO 31000:2009 certificates and participated in the first risk management forum in Kazakhstan.

In 2020, an online CRMS and ICS awareness training course is planned for personnel, along with considering the possibility of annual automated corporate testing to be implemented for the Company's personnel in the field of CRMS and ICS in order to identify the need for additional risk briefings or training.

### Assessment of risk management system efficiency

The Company's priority is to maintain an efficient CRMS and to ensure its continuous improvement. CRMS efficiency is supported by independent assessments, internal and/or external audits, and may also be acknowledged by the Company's units and management, ratings agencies and other stakeholders.

CRMS efficiency assessment may result in a plan to eliminate any identified inconsistencies and to develop the corresponding risk management practices.

### INTERNAL CONTROL SYSTEM

The Internal Control System covers all of the Company's business processes and is aimed at timely identification and analysis of process-level risks inherent to the Company's activity, as well as identification and analysis of control procedures to manage these risks in three key areas:

- Operating activity
- Development of financial statements
- Compliance with the legal and regulatory requirements.

ICS operation is governed by the Policy on KazTransOil JSC Internal Control System and the Regulations on KazTransOil JSC Internal Control System.

The standard employment procedures include familiarisation of all new employees with the ICS concepts under the Policy on KazTransOil JSC Internal Control System.

The Company continuously strives to improve the ICS and develop a risk-oriented business culture. The following key actions were implemented in this area in 2019:

- The Business Process Classifier of the Company's headquarters and SBUs was updated.
- The Risks and Controls Matrices for the individual business processes of the Company's headquarters were updated.
- The Risks and Controls Matrices for the individual processes of the Company's SBUs were developed and approved.

## Integrated Management System

An integrated management system (IMS) is introduced and operated at the Company to ensure business continuity and effective quality, safety, health and environmental management and to boost energy efficiency.

The IMS forms an integral part of the Company's management system and meets the requirements of the following international standards:

- ISO 9001:2015: Quality Management System
- ISO 14001:2015: Environmental Management System
- OHSAS 18001:2007: Health & Safety Management System
- ISO 50001:2011: Energy Management Systems.

The Company successfully passed an inspection audit in 2019. Based on this audit, SGS (Société Générale de Surveillance), an international certification company, confirmed compliance of the Company's IMS with the above international standards.

The Company specifically focuses on IMS improvement. For example, an annual internal audit of the IMS is envisaged, with actions to eliminate any identified non-compliances and recommendations to ensure IMS improvement developed based on such audit. In addition, all identified non-compliances and IMS improvement recommendations are documented in the database on the Company's corporate portal.

The Company's management also reviews the IMS on an annual basis in accordance with the provisions of international standards. Based on the analysis, decisions are generated to ensure IMS improvement.

In order to improve the Company's Health and Safety Management System (HSMS) and to execute the 2019 Action Plan to Implement the Company Development Strategy until 2025, to reduce the occupational injury rate and to improve the Company's image, a project is in progress on HSMS adaptation according to ISO 45001:2018. Under this project, a diagnostic audit has been conducted in order to assess HSMS compliance with ISO 45001:2018 requirements (diagnostic audit), with HSMS improvement recommendations developed based on this audit. Training was also provided to 238 employees under the project.

One of the Company's priorities in terms of IMS integration and improvement is arrangement of training events in order to raise awareness and competence among employees as related to IMS. In this regard, the IMS administrators arranged training courses for the Company's employees in 2019 covering the following topics:

- Manager/Internal Auditor of the Integrated Management System under ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 50001:2011 – 22 employees
- Changing the Mindset in Management Systems with New ISO 9001:2015, ISO 14001:2015, ISO 22000:2018, ISO 45001:2018 and ISO 50001:2011 Standards – 49 employees.

### PLANS FOR 2020 AND MEDIUM-TERM PLANS

The main activities aimed at improving the IMS in 2020 and in the mid-term, in addition to maintaining full compliance of the IMS with the requirements of international standards, are to continue transition to the Health and Safety Management System that meets the requirements of ISO 45001:2018, that consists of the following stages:

- Development/update of the required documentation in accordance with the requirements of ISO 45001:2018
- Implementation of the HSMS that meets the requirements of ISO 45001:2018
- Internal audit to identify compliance of the HSMS with the requirements of ISO 45001:2018.

OVER **300** EMPLOYEES  
PASSED IMS TRAINING IN 2019

## Internal Audit Service

The Company's Internal Audit Service was set up on August 8, 2013 by the decision of the Board of Directors as a body directly subordinate and accountable to the Board of Directors.

The main goal of the Internal Audit Service is to submit independent and unbiased information to the Board of Directors to help ensure effective management at the Company by implementing systemic improvements to risk management, internal control and corporate management processes.

The operation of the Internal Audit Service is governed by the RoK laws, the Company's Charter and the provisions of the following internal regulations:

- Regulations on KazTransOil JSC Internal Audit Service
- Manual on Internal Audit Arrangements at KazTransOil JSC.

The Internal Audit Service is governed by the underlying concepts of the International Standards for Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (ISPPA) and the Code of Business Ethics developed by the Institute of Internal Auditors.

Seven audits were conducted in 2019 in accordance with the Annual Audit Plan of the Internal Control Service for 2019. In particular, a comprehensive audit was held to examine production, operational and financial processes at RTC Branch, Main Waterline LLP, MunaiTas LLP, Aktobe and Karaganda Oil Pipeline Administrations of the Company.

Moreover, the Company's corporate management assessment audit was held in the reporting period,

along with the audit of the capital construction and capital repair processes with participation of NC KazMunayGas JSC Internal Audit Service.

Also, in 2019, the Internal Audit Service performance assessment was carried out to check compliance with the ISPPA, the stakeholders' expectations and the best international practices. The assessment was conducted by KPMG Tax and Advisory LLP in accordance with the requirements of ISPPA 1312 – External Assessments.

The audits conducted by the Internal Audit Service in 2019 identified a total of 73 findings and resulted in 96 recommendations. Based on the Company's Corporate Management assessment, the Internal Audit Service provided 24 recommendations.

Based on all recommendations issued by the Internal Audit Service in 2019, Corrective Action Plans were developed and approved to address the revealed non-compliances.

### PLANS FOR 2020 AND MEDIUM-TERM PLANS

The plans to be implemented the Internal Audit Service in 2020 are as follows:

- To assess business processes, policies and procedures in the Company's main disciplines
- To monitor implementation of the recommendations issued by the Internal Audit Service of the Company, NC KazMunayGas JSC and the Company's external auditor.

## External Auditor

The Company engages an independent audit firm to verify correctness of financial statements.

The Company's interaction with the external auditor is governed by KazTransOil JSC Policy on Engaging the Services of Audit Firms, approved by the decision of the Company's Board of Directors dated May 17, 2013. This Policy is aimed at ensuring effective engagement of audit firm services (including non-audit services provided by audit firms), implementing unified procedures on their selection and maintaining the independent status by KazTransOil JSC auditors in the course of audit and non-audit services to rule out any conflicts of interest.

The following key criteria are used to select an audit firm:

- Quality of services
- Prompt and timely service provision
- Cost of services.

The quality of the audit firm services is also determined based on the following criteria:

- Qualification level of the audit firm's specialists
- Work experience of the audit firm's specialists on both Kazakhstan and international markets
- Knowledge of the audit firm's specialists in the oil and gas sector
- Availability of a dedicated technical support group (experts on IFRS accounting issues in the oil and gas sector) in Kazakhstan or the audit firm's commitment to establish such group.

A decision was adopted at the extraordinary General Meeting of KazTransOil JSC Shareholders dated March 5, 2019 to appoint Ernst & Young LLP as the auditor for KazTransOil JSC for 2019–2021, and the fee for the audit of KazTransOil JSC financial statements was established at KZT 253,018,594, including VAT.

The annual remuneration (indicating VAT) for 2019, 2020, and 2021 payable to the audit firm for the audit of financial statements amounted to KZT 81,599,217, KZT 84,328,801, and KZT 87,090,576, respectively.

In the reporting period, Ernst & Young LLP did not provide any advisory services unrelated to the audit of financial statements.

Detailed information on the Company's external auditor, as well as the services provided in 2019, can be found at the Company's corporate website in the [Corporate Management](#) section.

# 7

 AUDITS CARRIED

OUT BY THE INTERNAL AUDIT SERVICE  
IN 2019



## Anti-Corruption

GRI 103 205-1 205-2 205-3

The Company is governed by transparency, good faith and ethical business conduct in its daily activities and also makes continuous efforts to identify and respond to any type of corruption and fraud.

Pursuant to the anti-corruption policy of the Republic of Kazakhstan and in accordance with the RoK Law *On Anti-Corruption Actions*, the Company takes action to prevent corruption, foster anti-corruption culture, prevent and resolve conflicts of interest.

Anti-corruption policies are implemented at the Company by the Corporate Security Department.

The following documents are the main internal regulations that cover anti-corruption issues at the Company:

- KazTransOil JSC Corporate Ethics Code
- KazTransOil JSC Anti-Corruption Standards
- KazTransOil JSC Regulations on Anti-Corruption Monitoring and Internal Analysis of Corruption Risks
- KazTransOil JSC Violation Risk Management Policy
- KazTransOil JSC Policy on Settling Conflicts of Interest between Officials and Employees.

The Company uses the following key tools and mechanisms in its anti-corruption activities:

- Anti-corruption monitoring
- Corruption risk identification, assessment and management
- Feedback channels to report corruption events
- Introduction of an anti-corruption section in all agreements with the Company's contractors (applicable starting from 2019)
- Information provided to employees and contractors
- Regular testing among employees to check the knowledge of the main provisions stipulated in the Company's Corporate Ethics Code.

An internal communications system has been developed at the Company, whereby the management receives

the latest information from any employee and other stakeholders on suspected corruption events, as well as other abuses and violations. The following channels operate at the Company to receive these reports:

- General Director's (Chairman of the Management Board) blog on the Company's corporate website
- Helpline at +7 (7172) 555-210
- E-mail.

Information received via helpline and e-mail is processed by an ombudsman. Claims submitted to the General Director's (Chairman of the Management Board) blog are personally considered by the General Director. Responses to the claims are prepared by the Department of Public Relations and Internal Communications and approved by the Company's General Director (Chairman of the Management Board).

Also, a dedicated hotline *Say No to Corruption* was established in 2019: [5213@kaztransoil.kz](mailto:5213@kaztransoil.kz), which is intended only for reports related to corrupt practices. The reports received are handled and then reviewed according to the RoK Law *On Review of Applications from Individuals and Legal Entities*. The *Say No to Corruption* hotline is operational on a 24/7 basis. Reports are processed from 9:00 to 18:30 on workdays and directly escalated to the Corporate Security Department Director.

To create an anti-corruption culture, the Company took action in 2019 to notify its employees about the concepts of the anti-corruption policy and the associated implementation procedures.

For example, employees of the Company's SBUs attended the awareness lectures (through video conferences) covering the following topics: Anti-corruption in Quasi-Public and Private Sectors and Raising the Level of Anti-Corruption Culture. A topical meeting was held for the employees engaged at the headquarters attended by representatives of Nur-Sultan Municipal Anti-Corruption Department and the Birlik Branch of Nur Otan Party.

In 2019, no instances of corruption or fraud were identified at the Company.

The Company's plans for 2020 include improvement of anti-corruption management efficiency and further outreach work to foster a culture of intolerance among employees towards illegal actions.

## Corporate Ethics, Settlement of Corporate Conflicts and Conflicts of Interest

GRI 102-16

The Company's business activities are governed by honesty, fairness, transparency, good faith and responsibility. KazTransOil JSC key corporate values are decency, reliability, professional competence and effectiveness of employees, mutual assistance and respect for each other, stakeholders and community as a whole.

The business behaviour values, concepts and standards at the Company are set forth in KazTransOil JSC Corporate Ethics Code.

### MANAGING CONFLICTS OF INTEREST

A key factor in safeguarding the interests of the Company and its employees is timely identification and action to settle conflicts of interest.

The procedures in place at the Company to prevent conflicts of interest and to manage any violation risks are regulated by the following internal documents:

- KazTransOil JSC Violation Risk Management Policy
- Policy on Settling Conflicts of Interest between KazTransOil JSC Officials and Employees.

All participants in the violation risk management process are required to study and apply these documents that also establish the duties of the Company's officials and employees to prevent conflicts of interest and the procedure for settling such conflicts. All officials and employees are expected to immediately report any conflict of interest as prescribed by the Company's internal regulations. For example, the Company's officials are required to immediately notify the Chairman of the Board of Directors of any existing or emerging conflict of interest so that the Board of Directors can adopt a decision to settle the conflict. On their part, all other Company's employees are required to immediately report to their line managers on any existing or emerging conflict of interest.

### OMBUDSMAN INSTITUTION

An Ombudsman Institution has been appointed at KazTransOil JSC since 2016 to promote the corporate ethics and to ensure unbiased settlement of corporate conflicts and ethics-related violations. The activity of the Ombudsman is regulated by the RoK laws, the Company's Charter, the Regulations on KazTransOil JSC Ombudsman, the Corporate Management Code and other internal regulations.

The Ombudsman performs the following key tasks within his/her competence:

- Ensures that the Company's employees and officials comply with the Corporate Ethics Code and the Violation Risk Management Policy
- Assists the Company's officials and employees in preventing and settling conflicts of interests
- Assists stakeholders with any business ethics related issues in the course of interactions with the Company, as well as violations of the Corporate Ethics Code and the Violation Risk Management Policy.

The Ombudsman's activities are based on honesty, independence, unbiased and impartial approach, integrity, confidentiality, fairness, sound judgement and objectivity.

The Ombudsman is appointed by a decision of the Board of Directors and is accountable to this body, which ensures his/her independence, impartiality and confidentiality. Due to the expired term of office of Aleksandr Mikhailovich Cherepanov as Ombudsman, Serik Ishanbekovich Akbergenov was appointed the Company's new Ombudsman with the two-year term of office by the decision of KazTransOil JSC Board of Directors dated October 18, 2019.

### DEDICATED HOTLINE

## Say No to Corruption

ESTABLISHED IN 2019

The Company has established direct communication channels with the Ombudsman, which can be used by both the employees of the Company and its stakeholders:

- Helpline: +7 (7172) 555-041
- Help e-mail: [doverie@kaztransoil.kz](mailto:doverie@kaztransoil.kz)
- Mailing address for applications in hard copy: 12 NRB, 20 Turan Ave., 010000, Essil District, Nur-Sultan. The envelope (package) shall be marked "To KazTransOil JSC Ombudsman" and will be handed to the Ombudsman unopened.

In 2019, the active efforts taken by the Ombudsman within his competence included processing of submitted applications, personal meetings with applicants, clarifications regarding the provisions of the Company's Corporate Ethics Code and the Violation Risk Management Policy and advice to employees and any other individuals who contacted him.

#### Number of reports submitted via communication channels.

Communication channel	2017		2018		2019	
	Total number of reports	including reports outside the Ombudsman's competence	Total number of reports	including reports outside the Ombudsman's competence	Total number of reports	including reports outside the Ombudsman's competence
Helpline (telephone)	45	40	17	3	11	–
Helpline (email)	6	–	33	25	37	29
Written report	–	–	1	–	3	–
Personal appointment	1	–	9	–	6	–
City telephone	–	–	4	4	6	2
E-mail	–	–	6	1	2	–
<b>Total:</b>	<b>52</b>	<b>40</b>	<b>70</b>	<b>33</b>	<b>65</b>	<b>31</b>

As for breakdown by regions, in the reporting period, reports were received from Aktobe, Almaty, Atyrau, West Kazakhstan, Pavlodar and Mangistau Regions, the cities of Nur-Sultan, Almaty and Shymkent.

On November 22, 2019, jointly with NC KazMunayGas JSC Ombudsman, a meeting was held in Atyrau with employees of the management departments of the Atyrau Oil Pipeline Administration and West Operating Service Administration. The roles of the Ombudsman were explained and the issues related to compliance with NC KazMunayGas JSC Business Ethics Code and Corporate Ethics Code were discussed at this meeting.

To raise awareness among the employees, information regarding the Ombudsman's activities was published in Munaibyrshy news bulletin.

In 2019, the Ombudsman received a total of 65 reports via different communication channels, which also included repeated reports.

21 reports were received from employees engaged at the headquarters, SBUs and RTC Branch (as compared to 29 reports in 2018), including 13 reports

related to social and labour disputes. Six personal appointments were held.

The main topics of the reports submitted to the Ombudsman via communication channels in 2019 were related to disagreement with imposed disciplinary sanctions, improper behaviour, disagreement with transfer to outsourcing, legitimacy of potential penalty for refusing to participate in a community clean-up event, etc.

All reports are promptly registered and thoroughly reviewed by the Ombudsman. If required in a specific case, the Company's SBUs are engaged to review certain reports. Upon review of the reports, applicants receive feedback, including respective clarifications.

In 2019, no confirmed incidents were observed as related to abuse of office, serious conflicts or gross violations of the Corporate Ethics Code and the Violation Risk Management Policy.

#### COMPLIANCE CONTROL

The Company also has a compliance control service in place, with its main goal to ensure the Company's compliance with the RoK laws, regulatory acts and internal regulations governing disclosure of information about the Company and insider information in order to prevent potential violations of the requirements imposed on KazTransOil JSC as a listed company.

In 2019, 80 publications were posted at KASE with information regarding corporate events and changes in the Company's activities. 11 publications were posted on the website of the Financial Statements Depository with information regarding corporate events and changes in the Company's activities.

In 2019, 225 employees, including 178 SBU employees acting as the Company's insiders, completed the training course on Insider Information: Legal Regulation and Responsibility of the Company and its Insiders.

The training course covered the specific features of insider information disclosure, potential risks associated with unauthorised use of insider information and types of liability envisaged by the RoK laws for violations in this area, and also addressed case studies based on daily activities.

# 65

 REPORTS

RECEIVED BY THE OMBUDSMAN IN 2019



# KARAGANDA REGION



Karaganda's history started 185 years ago, when a shepherd named Apat Baizhanov accidentally stumbled upon the first black coal pieces while tending to his sheep. The stone picked up by the curious shepherd led to a true breakthrough amidst the Kazakh steppe. This is how Kazakhstan's coal industry began to evolve. A monument now exists in Karaganda to commemorate the person who discovered the Karaganda field.

## KAZTRANSOIL JSC REGIONAL INDICATORS



Length of oil  
pipelines

**1,493**  
km



Staff  
headcount

**609**  
persons



Air emission  
volume

**7,104**  
tonnes



# FINANCIAL AND ECONOMIC PERFORMANCE

## MANAGEMENT REPORT

This section presents the results obtained from discussions and review by the Company's management. It is aimed at disclosing information on KazTransOil JSC current financial position, impact of production performance and changes in the external environment on the Company's financial indicators.

This Report is based on KazTransOil JSC audited annual consolidated financial statements prepared in accordance with IFRS, and should be read in conjunction with the annual consolidated financial statements and accompanying notes, as well as other information presented in other sections of the Report.

The Consolidated Statement of Comprehensive Income includes income and expenses of the Company and its subsidiaries, namely BOT, Petrotrans Limited and Main Waterline LLP (hereinafter jointly referred to as "the Group"). The financial performance of the jointly controlled entities, namely KCP LLP and MunaiTas LLP, is presented on an equity basis under Share in (Loss)/ Profit of Jointly Controlled Entities item.

## KEY CONSOLIDATED FINANCIAL PERFORMANCE

Changes in the financial performance achieved by the Group in 2019 as compared to 2018 are due to the following main factors:

- Increase in tariffs for oil transportation to the domestic market, for transit and for export
- Expansion in the scope of operation and maintenance of third-party main oil pipelines
- Increased consolidated costs, mainly due to main asset depreciation and increased operating costs
- Increased share in profits of jointly controlled entities.

The consolidated revenue for 2019 amounted to KZT 239,626 million. The Group's consolidated net profit for 2019 amounted to KZT 45,121 million.

## Group Financial Performance, KZT million

Consolidated indicators	2017	2018	2019	Variation (%)
Revenues	222,450	225,400	239,626	▲ 6.3
Cost of sales	-146,599	-152,394	-159,872	▲ 4.9
<b>Gross profit</b>	<b>75,851</b>	<b>73,006</b>	<b>79,754</b>	<b>▲ 9.2</b>
General and administrative expenses	-16,021	-16,871	-17,878	▲ 6.0
Miscellaneous operating income	2,447	1,113	1,558	▲ 40.0
Miscellaneous operating expenses	-963	-3,151	-3,707	▲ 17.6
Depreciation of fixed and intangible assets	-38	-2,649	-13,185	▲ 397.7
<b>Operating profit</b>	<b>61,277</b>	<b>51,448</b>	<b>46,542</b>	<b>▼ -9.5</b>
Net foreign exchange profit (loss)	-652	2,594	104	▼ -96.0
Financial income	4,938	2,820	2,675	▼ -5.1
Financial costs	-3,082	-2,590	-3,884	▲ 50.0
Depreciation of investments in bonds	-3,640	-	-	-
Share in profit/(loss) of jointly controlled entities	7,101	-2,076	13,638	▼ -756.9
<b>Profit before tax</b>	<b>65,942</b>	<b>52,196</b>	<b>59,075</b>	<b>▲ 13.2</b>
Corporate income tax expenses	-15,824	-13,711	-13,954	▲ 1.8
<b>Consolidated net profit for the reporting period</b>	<b>50,118</b>	<b>38,485</b>	<b>45,121</b>	<b>▲ 17.2</b>

## Income breakdown (excluding the share in jointly controlled entities), %

Consolidated indicators	2017	2018	2019
Revenues	96.8	97.2	98.2
Financial income	2.1	1.2	1.1
Miscellaneous income*	1.1	1.6	0.7

\* Miscellaneous operational income and net foreign exchange income

In 2019, the share of revenue in total profit made up 98.2%, while in 2018 it was 97.2%.



**Revenue breakdown, KZT million**

Consolidated indicators	2017	2018	2019	Variation (%)
<b>Revenues</b>	<b>222,450</b>	<b>225,400</b>	<b>239,626</b>	<b>▲ 6.3</b>
Crude oil transportation*	184,818	189,600	199,874	▲ 5.4
Pipeline operations and maintenance services	10,599	13,233	16,077	▲ 21.5
Transshipment of oil and petroleum products and transportation by rail	8,201	3,002	4,438	▲ 47.8
Water supply	7,046	7,536	7,577	▲ 0.5
Oil freight forwarding and sea port services	5,376	6,145	5,637	▼ -8.3
Fees for under-delivered oil	5,198	4,853	5,249	▲ 8.2
Other revenues	1,212	1,031	774	▼ -24.9

\* The Crude Oil Transportation section includes oil pumping, unloading, loading and transshipment via KazTransOil JSC main oil pipeline system

Revenue for 2019 amounted to KZT 239,626 million, i.e. 6.3% or KZT 14,226 million more as compared to 2018.

**Crude oil transportation**

KazTransOil JSC revenue from crude oil transportation in 2019 increased by KZT 10,274 million as compared to the actual value for 2018, which is mainly due to the following:

- Increase in the tariff for KazTransOil JSC services on oil pumping via main pipelines to the domestic market of the Republic of Kazakhstan: since January 1, 2019 the tariff for the domestic market amounted to KZT 4,721.72 per 1 tonne per 1,000 km (excluding VAT), while from September 1, 2019 the temporary compensation tariff for the domestic market amounted to KZT 4,716.62 per 1 tonne per 1,000 km (excluding VAT) (in 2018 the tariff was KZT 4,292.40 per 1 tonne per 1,000 km, excluding VAT)
- Increase in the tariff for KazTransOil JSC services on oil pumping via main pipelines for export outside the Republic of Kazakhstan: since April 1, 2018 the tariff for export amounted to KZT 6,398.92 per 1 tonne per 1,000 km (excluding VAT) (before April 1, 2018 the tariff was 5,817.2 KZT per 1 tonne per 1,000 km, excluding VAT)
- Increase in the tariff for transportation of Russian oil for the purpose of transit through the territory of the Republic of Kazakhstan via the Kazakhstan section of the Tuimazy – Omsk – Novosibirsk-2 main pipeline: from April 1, 2018 the tariff was KZT 4,292.4 per 1 tonne per 1,000 km (excluding VAT) (before April 1, 2018 the tariff was KZT 1,727.1 per 1 tonne per 1,000 km, excluding VAT)

- Increase in the tariff for oil transportation at the border of the Russian Federation and the Republic of Kazakhstan (Priirtyshsk) – Atasu (Republic of Kazakhstan), including oil transshipment at Atasu POPS: the tariff for 2019 was USD 4.23 per 1 tonne (excluding VAT) (before January 1, 2019 the tariff was USD 3.11 per 1 tonne, excluding VAT).

**Operation and maintenance of main oil pipelines owned by third parties**

Revenues from operation and maintenance of main oil pipelines increased by 21.5% or KZT 2,844 million.

Revenues increased due to growth in recoverable costs related to provision of these services. All costs related to provision of oil pipeline operation and maintenance services are recovered by the owners of main oil pipelines.

In addition, since July 1, 2018, the Company began to provide maintenance services at CPC-K JSC main oil pipeline facilities.

**Transshipment of oil and petroleum products and transportation by rail**

In 2019, revenues from transshipment and transportation of oil and petroleum products by the Company's foreign subsidiaries (BOT and Petrotrans Limited) increased by 47.8% or KZT 1,436 million as compared to the same period of the previous year.

This increase is due to growth of gas transshipment volumes.

**Water supply**

Revenue from water supply increased by 0.5% or by KZT 41 million due to an increase in water supply volumes (in 2019 the volume was 28,900 thousand m<sup>3</sup>, while in 2018 it was 28,730 thousand m<sup>3</sup>).

**Oil freight forwarding and sea port services**

Revenues reduced by 8.3% or KZT 508 million due to decrease in dry cargo transshipment volumes as compared to 2018.

**Fees for under-delivered oil**

In the reporting period, the fee for under-delivered oil increased by KZT 396 million (8.2%) from KZT 4,853 million to KZT 5,249 million. Revenues for under-delivered oil are acknowledged based on contracts for oil transportation on a "pump or pay" basis. In the reporting year of 2019, 2,133 thousand

tonnes of oil were under-delivered out of 2,234 thousand tonnes declared by shippers.

**Other revenues**

Other revenues reduced by 24.9% or KZT 257 million in 2019 as compared to 2018, mainly due to decrease in demurrage income provided by Batumi Sea Port LLC.

**Financial income**

Financial income in 2019 amounted to KZT 2675 million mainly due to fees related to free cash from the Company's operating activities placed on deposits in 2019. Interest income on bank deposits and current accounts in the reporting period amounted to KZT 2,357 million, while the corresponding income in 2018 amounted to KZT 2,672 million. The decrease was due to lower interest rates.

**Expenses**

The total expenses for 2019 amounted to KZT 198,526 million (excluding the share in jointly controlled entities), which is 11.7% higher than the total expenses for 2018 (KZT 177,655 million).

**Breakdown of expenses, %**

Consolidated indicators	2017	2018	2019
Cost of sales	85.7	85.8	80.5
General and administrative expenses	9.4	9.5	9.0
Depreciation of fixed and intangible assets	–	1.5	6.6
Depreciation of investments in bonds	2.1	–	–
Financial costs	1.8	1.5	2.0
Miscellaneous expenses*	1	1.8	1.9

\* Miscellaneous operating costs and net foreign exchange losses

Cost of sales for 2019 amounted to KZT 159,872 million, i.e. 4.9% or KZT 7,478 million more as compared to 2018. This growth is due to the following:

- Increased depreciation and amortisation expenses for facilities under construction commissioned in late 2018, revaluation of fixed assets and recognition of assets as right-to-use assets in the reporting period
- Increased personnel expenses due to indexation of operational personnel remuneration
- Increased rail transportation expenses due to increased gas transportation volumes in Georgia

- Increased current environmental protection expenses due to reclamation of (previously polluted) lands along the main oil pipeline.

However, transportation and operating rental expenses reduced in 2019 due to introduction of the new IFRS 16 *Rental* since January 1, 2019, which treats these expenses as rental with the assets recognised as right-to-use assets. Air surveillance expenses also reduced in the reporting period due to temporary suspension of flights from Q2 2019.

**Cost of sales breakdown, %**

Consolidated indicators	2017	2018	2019
Personnel expenses	35.0	33.7	34.2
Depreciation and amortisation	32.5	33.3	32.8
Fuel and materials	5.5	5.4	5.5
Power	5.0	4.8	4.3
Taxes other than income tax	5.0	5.5	5.4
Capital asset operation, repair and maintenance expenses	3.9	4.5	5.2
Security services	2.9	3.3	3.3
Gas expenses	2.5	1.9	1.7
Air surveillance services	0.8	0.7	0.1
Rail transportation services	1.9	0.2	1.0
Miscellaneous	5.0	6.7	6.5

General and administrative expenses in 2019 amounted to KZT 17,878 million, which is 6% more than in 2018 (KZT 16,871 million).

**Breakdown of general and administrative expenses, %**

Consolidated indicators	2017	2018	2019
Personnel expenses	54.3	53.4	53.7
Depreciation and amortisation	7.9	9.8	7.8
Accrual of contingency for compensation tariff	–	6.2	1.8
Accrual of contingency for expected credit losses	10.1	4.6	1.2
Office maintenance	3.1	3.4	2.9
Repair and maintenance	1.8	2.5	1.6
Consulting services	3.2	2.1	2.0
Refundable VAT write-off expenses	0.6	2.1	0.6
Travel expenses	1.8	1.9	1.9
Taxes other than income tax	2.2	1.7	2.2
Secondment services	3.1	1.3	1.4
Informational support	0.7	0.8	0.7
Communication services	0.6	0.8	0.9
Materials and fuel	0.8	0.6	0.3
Advertising expenses	0.4	0.5	0.6

Consolidated indicators	2017	2018	2019
Bank services	0.7	0.5	0.4
Insurance and security	0.8	0.4	0.3
Charity expenses	0.3	0.2	12.5
Miscellaneous	7.6	7.2	7.2

In 2019 as compared to 2018, the increase in consolidated general and administrative expenses was mainly due to the sponsorship (charity) payment to construct a facility in the city of Turkestan for the amount of KZT 2,200 million. However, the increase was partially offset by lower expenses on certain items.

Financial costs amounted to KZT 3,884 million. Financial costs were mainly represented by discount depreciation as related to decommissioning and land reclamation obligations and net interest expense on long-term employee remuneration.

**Depreciation of fixed and intangible assets**

A significant increase in depreciation losses for 2019 as compared to 2018 is due to depreciation upon fixed asset revaluation in 2019.

**Share in profit/(loss) of jointly controlled entities**

The recognised share of KazTransOil JSC profit in the financial performance of jointly controlled entities increased from a net loss of KZT 2,076 million in 2018 to a profit of KZT 13,638 million in 2019.

**Share of KazTransOil JSC in net profit/(loss) of jointly controlled entities, KZT million**

Indicators	2017	2018	2019	Variation (%)
Share in MunaiTas LLP net profit	1,712	1,650	943	▼ -42.8
Share in KCP LLP in net (loss)/net profit	5,389	-3,726	12,696	▲ 440.7
<b>Total</b>	<b>7,101</b>	<b>-2,076</b>	<b>13,638</b>	<b>▲ 756.9</b>

KCP LLP. Net profit of KCP LLP for 2019 amounted to KZT 25,392 million, while the corresponding share of the Company was KZT 12,696 million. The growth compared to 2018 is related to foreign exchange loss in 2018 due to an increase in the USD-KZT exchange rate under KCP LLP currency loan. The additional impact factor was an increase in the tariff for oil transportation via Atasu – Alashankou section: the tariff for 2019 was USD 10.77 per 1 tonne (excluding VAT) (before January 1, 2019 the tariff was USD 8.25 per 1 tonne, excluding VAT).

MunaiTas LLP. Net profit of MunaiTas LLP for 2019 amounted to KZT 1,848 million, while the corresponding

share of the Company was KZT 943 million, which is 42.8% lower than in 2018 (KZT 1,650 million). The decrease is due to the change in the supply route via Kenkiyak – Kumkol main oil pipeline (KCP LLP) based on oil delivery schedules approved by the Ministry of Energy of the Republic of Kazakhstan.

**Income Tax**

The corporate income tax expenses in 2019 amounted to KZT 13,954 million, which is 1.8% higher than in 2018 (KZT 13,711 million).



**Corporate income tax expenses, KZT million**

Consolidated indicators	2017	2018	2019	Variation (%)
Current corporate income tax expenses	16,785	20,452	18,191	▼ -11.1
Savings on deferred income tax	-961	-6741	-4237	▲ 37.1
<b>Income Tax</b>	<b>15,824</b>	<b>13,711</b>	<b>13,954</b>	<b>▲ 1.8</b>

**ASSETS, EQUITY AND LIABILITIES****Assets, equity and liabilities, KZT million**

Consolidated indicators	For the year ending on December 31			
	2017	2018	2019	Variation (%)
<b>Assets</b>	<b>764,227</b>	<b>803,441</b>	<b>912,813</b>	<b>▲ 13.6</b>
Long-term assets	662,622	712,479	808,124	▲ 13.4
Current assets	101,605	90,962	104,689	▲ 15.1
<b>Equity and liabilities</b>	<b>764,227</b>	<b>803,441</b>	<b>912,813</b>	<b>▲ 13.6</b>
Equity	599,691	625,416	702,979	▲ 12.4
Long-term liabilities	98,710	109,869	135,135	▲ 23.0
Current liabilities	65,826	68,156	74,699	▲ 9.6

In 2019, the Company's assets increased by 13.6%. The increase was mainly due to revaluation of fixed assets in 2019, increased investments in jointly

controlled entities against operating income, as well as an increase in bank deposits due to growing cash flows from KazTransOil JSC operating activities.

**Breakdown of fixed assets, KZT million**

Consolidated indicators	2017 (actual)	2018 (actual)	2019 (actual)	Variation (%)
Pipelines	207,303	199,530	227,757	▲ 14.1
Process oil	102,840	160,975	166,122	▲ 3.2
Machinery and equipment	128,986	131,007	155,519	▲ 18.7
Buildings and structures	100,842	94,044	85,201	▼ -9.4
Construction in progress	35,879	36,097	49,264	▲ 36.5
Land	19,890	21,751	23,949.50	▲ 10.1
Transportation assets	11,817	18,152	18,118	▼ -0.2
Miscellaneous	11,704	10,218	8,492	▼ -16.9
<b>Total</b>	<b>619,261</b>	<b>671,774</b>	<b>734,422</b>	<b>▲ 9.3</b>

Increases in the fixed assets value are recorded for the following groups of fixed assets:

- Construction in progress: increase by 36.5% or KZT 13,167 million, including the following production facilities:
  - Replacement of the pipeline section at the Astrakhan – Mangyshlak main waterline
  - Overhaul including replacement of the Uzen – Atyrau – Samara and Prorva – Kulsary main oil pipeline sections
  - Replacement and refurbishment of main oil pipeline facilities (communication lines, power supply, automation system, etc.).
- Machinery and equipment: increase by 18.7%, or by KZT 24,512 million, due to revaluation.
- Pipelines: increase by 14.1%, or by KZT 28,227 million, due to revaluation.

The equity capital increased by 12.4% or KZT 77,563 million, mainly due to the growth of asset revaluation reserves and retained earnings.

The Company's current liabilities at the end of 2019 amounted to KZT 74,699 million and increased by KZT 6,543 million as compared to 2018 (KZT 68,156 million), mainly due to the following:

- Increase in liabilities on contribution to MunaiTas LLP authorised capital for the amount of KZT 5,000 million
- Increase in trade and other payables for the amount of KZT 2,226 million due to capital projects to replace pipeline sections at the Prorva – Kulsary main oil pipeline and Astrakhan – Mangyshlak main waterline and fibre optic communication line upgrade
- Increase in rental liabilities for the amount of KZT 1,912 million due to introduction of the new IFRS 16 *Rental* standard from January 1, 2019.

**Performance indicators****Key performance indicators**

Key financial indicators	2017	2018	2019	Variation
EBITDA, KZT million	108,796	108,544	115,766	▲ 6.7%
EBITDA margin (EBITDA to revenue ratio), %	48.9	48.2	48.3	▲ 0.1 p.p.
Gross profit rate (gross profit to revenue ratio), %	34.1	32.4	33.3	▲ 0.9 p.p.
Net profit rate (net profit to revenue ratio), %	22.5	17.1	18.8	▲ 1.7 p.p.

The table below shows the EBITDA operating indicator components based on the profit for the reporting year.

**EBITDA calculation, KZT million**

Indicators	2017	2018	2019	Variation (%)
<b>Profit for the reporting year</b>	<b>50,118</b>	<b>38,485</b>	<b>45,121</b>	<b>▲ 17.2</b>
+ income tax expenses	15,824	13,711	13,954	▲ 1.8
<b>Profit before tax</b>	<b>65,942</b>	<b>52,196</b>	<b>59,075</b>	<b>▲ 13.2</b>
- foreign exchange income (net)	-	-2,595	-104	▼ -96.0
+ foreign exchange loss (net)	652	-	-	-
+ financial costs	3,082	2,590	3,884	▲ 50.0
- financial income	-4,938	-2,820	-2,675	▼ -5.1
+ depreciation of long-term investments in bonds	3,640	-	-	-
+ share in profit loss of jointly controlled entities	-	2,076	-	-
- share in loss profit of jointly controlled entities	-7,101	-	-13,638	-
<b>Operating profit</b>	<b>61,277</b>	<b>51,447</b>	<b>46,542</b>	<b>▼ -9.5</b>
+ depreciation and amortisation	48,966	52,410	53,890	▲ 2.8
+ other operational costs	963	3,151	3,707	▲ 17.6
- other operational income	-2,447	-1,113	-1,558	▲ 40.0
+ fixed and intangible asset depreciation	37	2,649	13,185	▼ -397.7
<b>EBITDA</b>	<b>108,796</b>	<b>108,544</b>	<b>115,766</b>	<b>▲ 6.7</b>

**Key performance indicators, %**

Description	2017	2018	2019
ROA (net profit/total annual average assets)	6.6	4.9	5.3
ROE (net profit/total annual average equity)	8.4	6.3	6.8

**Liquidity and financial stability indicators**

The main source of the Company's liquidity and financial stability is the cash generated from its core activities.

The liquidity indicator indicates the Company's ability to meet its short-term obligations based on its current

assets. The total (current) liquidity ratio indicates the coverage of current liabilities by current assets. As shown in the table below, 1 KZT of current liabilities is averagely covered by 1.40 KZT of current assets.

**Liquidity ratios**

Consolidated indicators	Standard criteria	2017	2018	2019
Liquidity coverage ratio (current assets / current liabilities)	1.5–2.5	1.54	1.33	1.40
Quick liquidity ratio ((current assets – inventory) / current liabilities)	1.5–2.5	1.48	1.26	1.32

The quick liquidity ratio reflects the portion of current liabilities that can be covered not only from cash available to the Company, but also from expected receipts for services rendered (cash and cash equivalents and short-term accounts receivable). Thus, this quick liquidity ratio for the reporting period shows that 1 KZT of current liabilities is covered by 1.32 KZT of easily marketable assets.

**Cash and cash equivalents**

Group cash and cash equivalents as of December 31, 2019 amounted to KZT 28,649 million.

**Cash turnover, KZT million**

Consolidated indicators	For the year ending on December 31			Variation, %
	2017	2018	2019	
Net cash flow from operating activities	98,945	97,452	94,363	▼ -3.2
Net cash flow used in investment activities	-67,271	-44,854	-57,336	▲ 27.8
Net cash flow used in financial activities	-59,617	-61,540	-41,853	▼ -32.0
Net change in cash and cash equivalents	-27,943	-8,942	-4,826	▼ -46.0
Net exchange difference	-481	1,367	208	▼ -84.8
Change in contingency for expected credit losses	-	-17	-11.42	▼ -32.8
Cash and cash equivalents as of the beginning of the period	69,294	40,871	33,279	▼ -18.6
Cash and cash equivalents as of the end of the period	40,871	33,279	28,649	▼ -13.9

Net positive cash flows from the Group's operating activities in 2019 amounted to KZT 94,363 million, which is 3.2% lower than in 2018. The main drivers contributing to this decrease were the increase in income tax payments and the decrease in interest received on deposits and current accounts with Tier 2 banks.

Net negative cash flows used in the Group's investing activities in 2019 amounted to KZT 57,336 million, which is 27.8% lower than in 2018. These changes were mainly due to the deposits with Tier 2 banks and fixed asset acquisition.

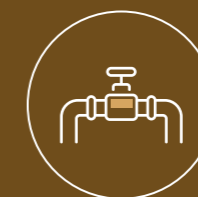
Net cash flows used in the Group's financing activities in 2019 amounted to KZT 41,853 million, which is 32% lower than in 2018. The changes are due to dividend payments in 2019 based on 2018 (based on KZT 104 per 1 share in KazTransOil JSC). In 2018, dividends paid for 2017 amounted to KZT 61,540 million (based on KZT 160 per ordinary share in KazTransOil JSC).



# TURKESTAN REGION

The Turkestan Region is a renowned centre of historical and educational tourism in Kazakhstan. The region is home to the landmarks included in the UNESCO Cultural Heritage List, namely the Khoja Ahmad Yasawi Mausoleum, the old cities of Otrar and Sauran in the Otrar District, the Arystan Baba Mausoleum, the Baidibek-Ata and Domalak-Ana Mausoleums and the Akmechet Cave in Baidibek District, as well as the Aksu-Zhabagyly and Karatau Nature Reserves and the Sairam-Ogem State National Natural Park.

## KAZTRANSOIL JSC REGIONAL INDICATORS



Length of oil  
pipelines

**501.4**  
km



Length  
of OPL

**485**  
km



Staff  
headcount

**390**  
persons

# APPENDICES

## Appendix 1 – GRI Content Index

GRI 102-55

Indicator	Reference	Comments	Section and page in the Report
<b>GENERAL STANDARD REPORTING COMPONENTS</b>			
<b>Organizational profile</b>			
102-1	Name of the organization		Company Overview, Description of Industry and Company's Market Position, page <a href="#">22</a>
102-2	Activities, brands, products, and services		Business Model, pages <a href="#">20-21</a> Company Overview, Company's Development Strategy up to 2025, KazTransOil JSC Strategic Development Areas up to 2025, page <a href="#">26</a>
102-3	Location of headquarters		Contact Details, page <a href="#">318</a>
102-4	Location of operations		Map of Oil Pipelines, pages <a href="#">12-13</a> Company Overview, Description of Industry and Company's Market Position, page <a href="#">22</a> Company's Subsidiaries and Jointly-Controlled Entities, page <a href="#">32</a>
102-5	Ownership and legal form		Company Overview, Development Background, pages <a href="#">14-15</a> Corporate Management, General Meeting of Shareholders, Share Capital Structure, page <a href="#">138</a>

Indicator	Reference	Comments	Section and page in the Report
102-6	Markets served		Company Overview, Description of Industry and Company's Market Position, page <a href="#">22</a>
102-7	Scale of the organization		Business Model, pages <a href="#">20-21</a> Company Overview, Business Structure, Organization, page <a href="#">32</a> Sustainable Development Performance, HR Management and Social Policy, Staff Headcount and Organisation, page <a href="#">92</a>
102-8	Information on employees and other workers		Sustainable Development Performance, HR Management and Social Policy, Staff Headcount and Organisation, page <a href="#">92</a>
102-9	Supply chain		Sustainable Development Performance, Procurement System and Local Content Development, Approach to Procurement System Management, page <a href="#">132</a>
102-10	Significant changes to the organization and its supply chain	In the reporting period there were no material changes to the supply chain at the Company	Company Overview, Business Structure, Organization, page <a href="#">32</a>
102-11	Precautionary Principle or approach	The Company shares the main provisions of the Precautionary Principle (Principle 15 of the Rio de Janeiro Declaration on Environment and Development, UN 1992)	Corporate Management, Risk Management and Internal Control, Corporate Risk Management System, page <a href="#">162</a>
102-12	External initiatives		Sustainable Development Performance, Sustainable Development management, page <a href="#">78</a> Support to UN Initiatives, page <a href="#">81</a> Membership in Associations, page <a href="#">90</a>
102-13	Membership in associations		Sustainable Development Performance, Sustainable Development management, Membership in Associations, page <a href="#">90</a>
<b>Strategy</b>			
102-14	Statement from the senior decision-maker		Message from the Chairman of the Board of Directors, pages <a href="#">2-3</a> Message from the General Director (Chairman of the Management Board), pages <a href="#">4-5</a>



Indicator	Reference	Comments	Section and page in the Report
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behavior		Company Overview, Mission, Vision and Values, page <a href="#">25</a> Corporate Management, Corporate Ethics, Settlement of Corporate Conflicts and Conflicts of Interest, page <a href="#">173</a>
<b>Governance</b>			
102-18	Governance structure		Corporate Management, page <a href="#">137</a>
<b>Stakeholder communications</b>			
102-40	List of stakeholder groups		Sustainable Development Performance, Sustainable Development management, Stakeholder Engagement, pages <a href="#">81-87</a>
102-41	Collective bargaining agreements		Sustainable Development Performance, HR Management and Social Policy, Social Policy, page <a href="#">101</a>
102-42	Identifying and selecting stakeholders		Sustainable Development Performance, Sustainable Development management, Stakeholder Engagement, pages <a href="#">81-87</a>
102-43	Approach to stakeholder engagement		Sustainable Development Performance, Sustainable Development management, Stakeholder Engagement, pages <a href="#">81-87</a>
102-44	Key topics and concerns raised		Sustainable Development Performance, Sustainable Development management, Stakeholder Engagement, pages <a href="#">81-87</a>
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements		Report Overview, Report Scope page <a href="#">8</a>
102-46	Defining report content and topic boundaries		Report Overview, Report Scope page <a href="#">8</a>
102-47	List of material topics		Report Overview, Report Preparation and Determination of Material Topics, page <a href="#">6</a>
102-48	Restatement of information		Report Overview, Report Scope page <a href="#">8</a>
102-49	Changes in reporting		Report Overview, Report Scope page <a href="#">8</a>

Indicator	Reference	Comments	Section and page in the Report
102-50	Reporting period		Report Overview, Report Development Approach, page <a href="#">6</a>
102-51	Date of most recent report		Report Overview, Report Development Approach, page <a href="#">6</a>
102-52	Reporting cycle		Report Overview, Report Development Approach, page <a href="#">6</a>
102-53	Contact point for questions regarding the report		Report Overview, Contact Detail, page <a href="#">9</a>
102-54	Claims of reporting in accordance with the GRI Standards		Report Overview, Report Development Approach, page <a href="#">6</a>
102-55	GRI content index		Appendix 1 – GRI Content Index, page <a href="#">190</a>
102-56	External assurance		Report Overview, Independent Verification, page <a href="#">9</a>

**MATERIAL TOPICS****CATEGORY: ECONOMIC****201 – Economic performance**

103	Management approach		Appendix 7 – Consolidated Financial Statements, page <a href="#">223</a>
201-1	Direct economic value generated and distributed	The information is presented as consolidated income and expenses, and also as paid dividends recognized in the financial statements and in the disclosures to the financial statements	Appendix 7 – Consolidated Financial Statements, page <a href="#">223</a>

**202 – Market presence**

103	Management approach		Sustainable Development Performance, HR Management and Social Policy, HR and Social Policy Management Approach, page <a href="#">91</a>
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Indicator	Reference	Comments	Section and page in the Report
202-1	Ratios of standard entry-level wages by gender compared to local minimum wage		Sustainable Development Performance, HR Management and Social Policy, Remuneration and Incentives, page <a href="#">96</a>
<b>204 – Procurement practices</b>			
103	Management approach		Sustainable Development Performance, Procurement System and Local Content Development, Approach to Procurement System Management, page <a href="#">132</a>
204-1	Proportion of spending on local suppliers		Sustainable Development Performance, Procurement System and Local Content Development, Local Content Development, page <a href="#">133</a>
<b>205 – Anti-corruption</b>			
103	Management approach		Corporate Management, Anti-corruption, page <a href="#">172</a>
205-1	Operations assessed for risks related to corruption		Corporate Management, Anti-corruption, page <a href="#">172</a>
205-2	Communication and training about anti-corruption policies and procedures		Corporate Management, Anti-corruption, page <a href="#">172</a>
205-3	Confirmed incidents of corruption and actions taken		Corporate Management, Anti-corruption, page <a href="#">172</a>
<b>CATEGORY: ENVIRONMENTAL</b>			
<b>302 – Energy</b>			
103	Management approach		Sustainable Development Performance, Energy Consumption and Energy Conservation, Approach to Energy Efficiency Management, page <a href="#">128</a>
302-1	Energy consumption within the organization		Sustainable Development Performance, Energy Consumption and Energy Conservation, Energy Consumption, page <a href="#">129</a>

Indicator	Reference	Comments	Section and page in the Report
302-3	Energy intensity		Sustainable Development Performance, Energy Consumption and Energy Conservation, Energy Consumption, page <a href="#">129</a>
302-4	Reducing energy consumption		Sustainable Development Performance, Energy Consumption and Energy Conservation, Energy Consumption, page <a href="#">129</a>
<b>303 – Water and Effluents</b>			
103	Management approach		Sustainable Development Performance, Environmental Protection, Approach to Environmental Protection Management, page <a href="#">119</a>
303-1	Interactions with water as a shared resource		Sustainable Development Performance, Environmental Protection, Water Resources, page <a href="#">122</a>
303-2	Management of water discharge-related impacts		Sustainable Development Performance, Environmental Protection, Water Resources, page <a href="#">122</a>
303-3	Water withdrawal		Sustainable Development Performance, Environmental Protection, Water Resources, page <a href="#">122</a>
303-4	Water discharge		Sustainable Development Performance, Environmental Protection, Water Resources, page <a href="#">122</a>
<b>305 – Emissions</b>			
103	Management approach		Sustainable Development Performance, Environmental Protection, Approach to Environmental Protection Management, page <a href="#">119</a>
305-1	Direct (Scope 1) GHG emissions		Sustainable Development Performance, Environmental Protection, Ambient Air Impact, page <a href="#">121</a>
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		Sustainable Development Performance, Environmental Protection, Ambient Air Impact, page <a href="#">121</a>



Indicator	Reference	Comments	Section and page in the Report
<b>306 – Effluents and waste</b>			
103	Management approach		Sustainable Development Performance, Environmental Protection, Approach to Environmental Protection Management, page <a href="#">119</a>
306-1	Water discharge by quality and destination		Sustainable Development Performance, Environmental Protection, Water Resources, page <a href="#">122</a>
306-2	Waste by type and disposal method		Sustainable Development Performance, Environmental Protection, Waste Management, page <a href="#">123</a>
306-3	Significant spills		Sustainable Development Performance, Environmental Protection, Investments and Environmental Payments, page <a href="#">120</a>
<b>307 – Environmental compliance</b>			
103	Management approach		Sustainable Development Performance, Environmental Protection, Approach to Environmental Protection Management, page <a href="#">119</a>
307-1	Non-compliance with environmental laws and regulations		Sustainable Development Performance, Environmental Protection, Investments and Environmental Payments, page <a href="#">120</a>
<b>CATEGORY: SOCIAL</b>			
<b>401 – Employment</b>			
103	Management approach		Sustainable Development Performance, HR Management and Social Policy, HR and Social Policy Management Approach, page <a href="#">91</a>
401-1	New employee hires and employee turnover		Sustainable Development Performance, HR Management and Social Policy, Personnel Recruitment, page <a href="#">95</a> Personnel Turnover, page <a href="#">96</a>
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Sustainable Development Performance, HR Management and Social Policy, page <a href="#">101</a>

Indicator	Reference	Comments	Section and page in the Report
401-3	Parental leave		Sustainable Development Performance, HR Management and Social Policy, Social policy, page <a href="#">101</a>
<b>402 – Labor/Management Relations</b>			
103	Management approach		Sustainable Development Performance, HR Management and Social Policy, HR and Social Policy Management Approach, page <a href="#">91</a>
402-1	Minimum notice periods regarding operational changes		Sustainable Development Performance, HR Management and Social Policy, Staff Headcount and Organisation, page <a href="#">92</a>
<b>403 – Occupational Health and Safety</b>			
103	Management approach		Sustainable Development Performance, Occupational Safety and Health, Approach to Occupational Safety and Health Management, page <a href="#">109</a>
403-1	Occupational health and safety management system	Production Council	Sustainable Development Performance, Occupational Safety and Health, Approach to Occupational Safety and Health Management, page <a href="#">109</a>
403-2	Hazard identification, risk assessment, and incident investigation		Sustainable Development Performance, Occupational Safety and Health, Approach to Occupational Safety and Health Management, page <a href="#">109</a> Occupational Injuries, page <a href="#">113</a>
403-3	Occupational health services		Sustainable Development Performance, Occupational Safety and Health, Health, page <a href="#">114</a>
403-4	Worker participation, consultation and communication on occupational health and safety		Sustainable Development Performance, Occupational Safety and Health, Industrial and Fire Safety, page <a href="#">115</a> Training and Raising Awareness on Occupational Health and Safety, page <a href="#">118</a>
403-5	Worker training on occupational health and safety		Sustainable Development Performance, Occupational Safety and Health, Training and Raising Awareness on Occupational Health and Safety, page <a href="#">118</a>

Indicator	Reference	Comments	Section and page in the Report
403-6	Promotion of worker health		Sustainable Development Performance, HR Management and Social Policy, Social Policy, page <a href="#">101</a> Healthy Lifestyle, page <a href="#">103</a>
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		Sustainable Development Performance, Occupational Safety and Health, Approach to Occupational Safety and Health Management, page <a href="#">109</a>
403-8	Workers covered by an occupational health and safety management system		Sustainable Development Performance, Occupational Safety and Health, Approach to Occupational Safety and Health Management, page <a href="#">109</a>
403-9	Work-related injuries	Lost Time Accident Frequency Rate per 1,000 people = (number of injuries related to production)/(average number staff) * 1000 LTIFR = (total work time lost as a result of injuries) * 200 000 / (total number of hours worked)	Sustainable Development Performance, Occupational Safety and Health, Occupational Injuries, page <a href="#">113</a> Injury Rate among Contractors' Employees, page <a href="#">113</a>
403-10	Work-related ill health		Sustainable Development Performance, Occupational Safety and Health, Health, page <a href="#">114</a>
<b>404 – Training and education</b>			
103	Management approach		Sustainable Development Performance, HR Management and Social Policy, HR and Social Policy Management Approach, page <a href="#">91</a>
404-2	Programs for upgrading employee skills and transition assistance programs		Sustainable Development Performance, HR Management and Social Policy, Training and Development, page <a href="#">99</a>

Indicator	Reference	Comments	Section and page in the Report
<b>405 – Diversity and equal opportunities</b>			
103	Management approach		Sustainable Development Performance, HR Management and Social Policy, HR and Social Policy Management Approach, page <a href="#">91</a>
405-1	Diversity of governance bodies and employees		Sustainable Development Performance, HR Management and Social Policy, Staff Headcount and Organisation, page <a href="#">92</a>
<b>406 – Non-discrimination</b>			
103	Management approach		Sustainable Development Performance, HR Management and Social Policy, HR and Social Policy Management Approach, page <a href="#">91</a>
406-1	Incidents of discrimination and corrective actions taken		Sustainable Development Performance, HR Management and Social Policy, Personnel recruitment, page <a href="#">95</a>



## Appendix 2 – UN Global Compact Principles and Sustainable Development Goals

UN Global Compact Principles	Associated UN Sustainable Development Goals (SDG)	Evidence to support KazTransOil JSC compliance with the Principles and SDG	Section and page of the Report
<b>HUMAN RIGHTS PRINCIPLES</b>			
<p><b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights.</p> <p><b>Principle 2.</b> Businesses should not be complicit in human rights abuses.</p>	<p><b>SDG 16. Peace, justice and strong institutions</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	<ul style="list-style-type: none"> <li>Business ethics standards established by the Company's Corporate Ethics Code</li> <li>The Ombudsman Institution, with the Ombudsman's contact details available on the Company's corporate website</li> </ul>	<p>Sustainable Development Management, page <a href="#">78</a></p> <p>HR Management and Social Policy, page <a href="#">91</a></p>
<b>LABOUR PRINCIPLES</b>			
<p><b>Principle 3.</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p> <p><b>Principle 4.</b> Business should promote elimination of all forms of forced and compulsory labour.</p> <p><b>Principle 5.</b> Business should uphold effective abolition of child labour.</p> <p><b>Principle 6.</b> Business should uphold elimination of discrimination in respect of employment and occupation.</p>	<p><b>SDG 1. No poverty</b> End poverty in all its forms everywhere</p> <p><b>SDG 8. Decent work and economic growth</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p><b>SDG 4. Quality education</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p> <p><b>SDG 3. Good health and well-being</b> Ensure healthy lives and promote well-being for all at all ages</p>	<ul style="list-style-type: none"> <li>Collective Agreement covering 100% of the Company's personnel</li> <li>Social Responsibility Code</li> <li>Company's HR Policy</li> <li>Company's Social Policy</li> <li>Company's <i>Golden Rules</i> Occupational Health and Safety Code</li> <li>Company's Health, Safety and Environment Policy</li> <li>OHSAS 18001:2007 certificate acknowledged by an international accredited body</li> <li>Investments in health and safety for the amount of KZT 1,880.9 million in 2019</li> </ul>	<p>HR Management and Social Policy, page <a href="#">91</a></p> <p>Occupational Health and Safety, page <a href="#">109</a></p>

UN Global Compact Principles	Associated UN Sustainable Development Goals (SDG)	Evidence to support KazTransOil JSC compliance with the Principles and SDG	Section and page of the Report		
<b>ENVIRONMENTAL PRINCIPLES</b>					
<b>Principle 7.</b> Business should uphold a precautionary approach to environmental challenges.	<b>SDG 13. Climate action</b> Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> <li>■ Company's Health, Safety and Environment Policy</li> <li>■ Water Management Rules</li> <li>■ Environmental Management Rules</li> <li>■ Waste Management Rules</li> <li>■ ISO 14001:2015 certificate acknowledged by an international accredited body</li> <li>■ Investments in environmental protection activities for the amount of KZT 2,277 million in 2019</li> </ul>	Environmental Protection, page <a href="#">119</a>		
<b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility.	<b>SDG 15. Life on land</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss				
<b>Principle 9.</b> Businesses should encourage the development and diffusion of environmentally friendly technologies.	<b>SDG 6. Clean water and sanitation</b> Ensure availability and sustainable management of water and sanitation for all				
	<b>SDG 17. Partnership for the goals</b> Strengthen the means of implementation and revitalise the global partnership for sustainable development				
	<b>SDG 7. Affordable and clean energy</b> Ensure access to affordable, reliable, sustainable and modern energy for all				
	<b>SDG 9. Industry, innovation and infrastructure</b> Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation				
	<b>SDG 12. Responsible consumption and production</b> Ensure sustainable consumption and production patterns				
<b>ANTI-CORRUPTION PRINCIPLES</b>					
<b>Principle 10.</b> Businesses should work against corruption in all its forms, including extortion and bribery.	<b>SDG 16. Peace, justice and strong institutions</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels			<ul style="list-style-type: none"> <li>■ Company's Corporate Ethics Code</li> <li>■ Company's Anti-Corruption Standards</li> <li>■ Company's Violation Risk Management Policy</li> <li>■ Policy on Settling Conflicts of Interest between the Company's Officials and Employees</li> <li>■ General Director's (Chairman of the Management Board) blog on the Company's corporate website</li> <li>■ Helpline at +7 (7172) 555-210</li> <li>■ Dedicated <i>Say No To Corruption</i> helpline at <a href="mailto:5213@kaztransoil.kz">5213@kaztransoil.kz</a> and other information in the Company's corporate website section related to anti-corruption issues.</li> <li>■ No violations of RoK anti-corruption laws observed at the Company in 2019</li> </ul>	Anti-Corruption, page <a href="#">172</a>



## Appendix 3 – Procurement report for 2019, KZT million

	The Central Office	The SEC Branch	TOTAL
<b>OPEN TENDER</b>			
Number	1,938	–	<b>1,938</b>
Budget	29,003.49	–	<b>29,003.49</b>
Amount of procurement contracts	27,422.22	–	<b>27,422.22</b>
<b>ONE SOURCE</b>			
Number	3,589	72	<b>3,661</b>
Budget	37,373.31	78.70	<b>37,452.01</b>
Amount of procurement contracts	36,827.58	78.04	<b>36,905.62</b>
<b>PROCUREMENT BY PRICE PROPOSAL REQUEST</b>			
Number	2,191	2	<b>2,193</b>
Budget	1,225.94	2.97	<b>1,228.91</b>
Amount of procurement contracts	745.09	2.70	<b>747.78</b>
<b>Total budget</b>	<b>67,602.74</b>	<b>81.67</b>	<b>67,684.41</b>
<b>Total amount of procurement contracts</b>	<b>64,994.89</b>	<b>80.74</b>	<b>65,075.63</b>
<b>Savings on procurements</b>	<b>2601.95</b>	<b>0.93</b>	<b>2,602.89</b>

## Appendix 4 – List of KazTransOil JSC Self-Dealing Transactions Concluded in 2019

Item No.	Name of Transaction	Decision Taken by KazTransOil JSC Body
<b>TURGAI PETROLEUM JSC</b>		
1	Contract for TURGAI PETROLEUM JSC Oil Pipeline Operation	Decision of KazTransOil JSC Board of Directors dated January 29, 2019 (Minutes of the Meeting No. 1/2019)
2	Oil Supply Contract	Decision of KazTransOil JSC Board of Directors dated March 4, 2019 (Minutes of the Meeting No. 2/2019)
3	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. TR 25/2019//KZ-18-8100-0500 dated November 23, 2018	Decision of KazTransOil JSC Board of Directors dated October 18, 2019 (Minutes of the Meeting No. 7/2019)
4	Contract for TURGAI PETROLEUM JSC Oil Pipeline Operation	Decision of KazTransOil JSC Board of Directors dated December 11, 2019 (Minutes of the Meeting No. 10/2019)
<b>JV SMCC LLP</b>		
5	Contract for Lease of a Part of Communication Centre Premises in Administrative and Amenity Building	Decision of KazTransOil JSC Board of Directors dated January 29, 2019 (Minutes of the Meeting No. 1/2018)
6	Contract for Lease of a Part of Communication Centre Premises in Administrative Building	Decision of KazTransOil JSC Board of Directors dated December 11, 2019 (Minutes of the Meeting No. 10/2019)
<b>KMG Automation LLP</b>		
7	Pilot Testing Contract	Decision of KazTransOil JSC Board of Directors dated June 28, 2019 (Minutes of the Meeting No. 5/2019)
<b>Tengizchevroil LLP, GAZ Stroy Montazh KZ LLP</b>		
8	Amendment No. 2 to Tripartite Contract for Design, Procurement, Construction and Commissioning of the Kulsary – Tengiz Process Water Supply Pipeline No. 1612814/6/2018 dated January 22, 2018	Decision of KazTransOil JSC Board of Directors dated June 28, 2019 (Minutes of the Meeting No. 5/2019)
<b>Mangistaumunaigas JSC</b>		
9	Contract for Water Supply to Kalamkas POPS and Karazhanbas OPS of KazTransOil JSC	Decision of KazTransOil JSC Board of Directors dated March 4, 2019 (Minutes of the Meeting No. 2/2019)
10	Contract for Oil Transportation Services	Decision of KazTransOil JSC Board of Directors dated October 18, 2019 (Minutes of the Meeting No. 7/2019)

Item No.	Name of Transaction	Decision Taken by KazTransOil JSC Body
11	Contract for Oil Transit Management	Decision of KazTransOil JSC Board of Directors dated December 11, 2019 (Minutes of the Meeting No. 10/2019)
<b>PetroKazakhstan Oil Products LLP</b>		
12	Contract for Water Supply and Waste Water Collection at Shymkent Custody Transfer Point	Decision of KazTransOil JSC Board of Directors dated March 4, 2019 (Minutes of the Meeting No. 2/2019)
<b>SNPS-AMG JSC</b>		
13	Contract for Oil Transportation Services	Decision of KazTransOil JSC Board of Directors dated October 18, 2019 (Minutes of the Meeting No. 7/2019)
14	Contract for Oil Transit Management	Decision of KazTransOil JSC Board of Directors dated December 11, 2019 (Minutes of the Meeting No. 10/2019)
<b>Kazakhoil-Aktobe LLP</b>		
15	Contract for Oil Transportation Services	Decision of KazTransOil JSC Board of Directors dated October 18, 2019 (Minutes of the Meeting No. 7/2019)
16	Contract for Oil Transit Management	Decision of KazTransOil JSC Board of Directors dated December 11, 2019 (Minutes of the Meeting No. 10/2019)
<b>Uranenergo LLP</b>		
17	Contract for Property Lease at 110/35/6kV GPP-Mynkuduk Step-Down Station	Decision of KazTransOil JSC Board of Directors dated December 11, 2019 (Minutes of the Meeting No. 10/2019)
<b>Kazgermunai JV LLP</b>		
18	Contract for Oil Transportation Services	Decision of KazTransOil JSC Board of Directors dated October 18, 2019 (Minutes of the Meeting No. 7/2019)
<b>CNPC Kazakhstan B.V.</b>		
19	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. TR 20/2019 dated December 10, 2018	Decision of KazTransOil JSC Board of Directors dated October 18, 2019 (Minutes of the Meeting No. 7/2019)
20	Contract for Oil Transit Management	Decision of KazTransOil JSC Board of Directors dated December 11, 2019 (Minutes of the Meeting No. 10/2019)
<b>PetroKazakhstan Kumkol Resources JSC</b>		
21	Contract for Oil Transportation Services	Decision of KazTransOil JSC Board of Directors dated October 18, 2019 (Minutes of the Meeting No. 7/2019)

Item No.	Name of Transaction	Decision Taken by KazTransOil JSC Body
<b>TengizChevroil LLP</b>		
22	Contract for Oil Transportation Services	Decision of KazTransOil JSC Board of Directors dated October 18, 2019 (Minutes of the Meeting No. 7/2019)
23	Contract for Oil Transit Management	Decision of KazTransOil JSC Board of Directors dated December 11, 2019 (Minutes of the Meeting No. 10/2019)
<b>Karazhanbasmunay JSC</b>		
24	Contract for Oil Transportation Services	Decision of KazTransOil JSC Board of Directors dated October 18, 2019 (Minutes of the Meeting No. 7/2019)
25	Contract for Oil Transit Management	Decision of KazTransOil JSC Board of Directors dated December 11, 2019 (Minutes of the Meeting No. 10/2019)
<b>KMG M JSC</b>		
26	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. TR 03/2019 dated November 21, 2018	Decision of KazTransOil JSC Board of Directors dated October 18, 2019 (Minutes of the Meeting No. 7/2019)
27	Contract for Oil Transit Management	Decision of KazTransOil JSC Board of Directors dated December 11, 2019 (Minutes of the Meeting No. 10/2019)
<b>KMG-Security LLP</b>		
28	Contract for Accommodation Services	Decision of KazTransOil JSC Management Board dated January 31, 2019 (Minutes of the Meeting No. 4)
<b>Facilities Construction Company Corporate Fund</b>		
29	Sponsorship (Charity) Agreement	Decision of KazTransOil JSC Management Board dated February 18, 2019 (Minutes of the Meeting No. 5)
30	Supplementary Agreement No. 1 to Sponsorship (Charity) Agreement No. 174/2019 dated February 18, 2019	Decision of KazTransOil JSC Management Board dated May 15, 2019 (Minutes of the Meeting No. 10)
<b>Main Waterline LLP</b>		
31	Contract for Main Waterline Maintenance And Repair	Decision of KazTransOil JSC Management Board dated February 18, 2019 (Minutes of the Meeting No. 5)
32	Supplementary Agreements to Supply Contracts with Service Consumers	Decision of KazTransOil JSC Management Board dated June 12, 2019 (Minutes of the Meeting No. 11)
33	Contract for Property Transfer as an Additional Contribution to Main Waterline LLP Authorised Capital	Decision of KazTransOil JSC Management Board dated June 04, 2019 (Minutes of the Meeting No. 13)



Item No.	Name of Transaction	Decision Taken by KazTransOil JSC Body
34	KazTransOil JSC self-dealing transaction: by additional monetary contribution to the authorised capital of Main Waterline LLP	Decision of KazTransOil JSC Management Board dated June 04, 2019 (Minutes of the Meeting No. 13)
35	Agreements on replacement of persons indicated in the obligations under contracts concluded by KazTransOil JSC, with respective transfer of rights and obligations (with service consumers)	Decision of KazTransOil JSC Management Board dated June 04, 2019 (Minutes of the Meeting No. 13)
36	Contract for Main Waterline Maintenance And Repair	Decision of KazTransOil JSC Management Board dated December 26, 2019 (Minutes of the Meeting No. 25)
<b>Mangystau Service Company LLP</b>		
37	Supplementary Agreement No. 3 to Contract for Business Process Outsourcing Services (catering for KazTransOil JSC personnel at the facilities of KazTransOil JSC Mangystau Oil Pipeline Administration in 2017 to 2021) No. ADM 397/2017 dated August 29, 2017	Decision of KazTransOil JSC Management Board dated May 15, 2019 (Minutes of the Meeting No. 10)
38	Supplementary Agreement No. 2 to Contract No. ADM 526/2018 dated March 30, 2018	Decision of KazTransOil JSC Management Board dated May 15, 2019 (Minutes of the Meeting No. 10)
<b>IC Group Service LLP, Dos Support LLP</b>		
39	Supplementary Agreements to Contracts for Janitor Services in Buildings/Premises/Areas/Transport and Similar Facilities	Decision of KazTransOil JSC Management Board dated May 15, 2019 (Minutes of the Meeting No. 10)
<b>TOO KazakhTurkMunai</b>		
40	Supplementary Agreement No. 1 to Contract for Oil Transportation Services No. TR 11/2017 dated December 09, 2016	Decision of KazTransOil JSC Management Board dated September 23, 2019 (Minutes of the Meeting No. 17)
<b>Ozenmunaigas JSC</b>		
41	Contract for Oil Transportation Services	Decision of KazTransOil JSC Management Board dated September 23, 2019 (Minutes of the Meeting No. 17)
42	Contract for Oil Transit Management	Decision of KazTransOil JSC Management Board dated December 26, 2019 (Minutes of the Meeting No. 25)
<b>Embamunaigas JSC</b>		
43	Contract for Oil Transportation Services	Decision of KazTransOil JSC Management Board dated September 23, 2019 (Minutes of the Meeting No. 17)
44	Agreement to Terminate Contract for Oil Transportation Services No. TR 01/2020//1904-117 dated September 23, 2019	Decision of KazTransOil JSC Management Board dated December 26, 2019 (Minutes of the Meeting No. 25)
<b>KazMunayTeniz Marine Oil Company LLP</b>		
45	Contract for Oil Transportation Services	Decision of KazTransOil JSC Management Board dated September 23, 2019 (Minutes of the Meeting No. 17)

Item No.	Name of Transaction	Decision Taken by KazTransOil JSC Body
<b>KMG Kashagan B.V. PLLC</b>		
46	Contract for Oil Transportation Services	Decision of KazTransOil JSC Management Board dated September 23, 2019 (Minutes of the Meeting No. 17)
47	Contract for Oil Transit Management	Decision of KazTransOil JSC Management Board dated December 26, 2019 (Minutes of the Meeting No. 25)
<b>OzenMunayGas JSC, Department of Water Production and Transportation LLP</b>		
48	Supplementary Agreement No. 3 to Contract for Transportation and Collection of Industrial Waste Water (Produced Water) from Aktau POPS of KazTransOil JSC Mangystau Oil Pipeline Administration via Main Pipeline, No. 2867-203//WPA111/2017 dated December 30, 2016	Decision of KazTransOil JSC Management Board dated September 23, 2019 (Minutes of the Meeting No. 17)
<b>MunaiTas LLP</b>		
49	KazTransOil JSC self-dealing transaction: additional monetary contribution to the authorised capital of MunaiTas LLP	Decision of KazTransOil JSC Management Board dated October 30, 2019 (Minutes of the Meeting No. 20)
<b>Embamunaygas JSC represented by NC KazMunayGas JSC, Kazakhturkmunay LLP represented by NC KazMunayGas JSC</b>		
50	Contracts for Oil Transportation Services	Decision of KazTransOil JSC Management Board dated December 26, 2019 (Minutes of the Meeting No. 25)
51	Contracts for Oil Transit Management	Decision of KazTransOil JSC Management Board dated December 26, 2019 (Minutes of the Meeting No. 25)
<b>MAEK-Kazatomprom LLP</b>		
52	Supplementary Agreement No. 4 to Distillate Supply and Consumption Contract K003-D//EKH86/2018 dated December 27, 2017	Decision of KazTransOil JSC Management Board dated December 26, 2019 (Minutes of the Meeting No. 25)
53	Supplementary Agreement No. 6 to Heat Supply Contract K003T//EKH81/2018 dated December 27, 2017	Decision of KazTransOil JSC Management Board dated December 26, 2019 (Minutes of the Meeting No. 25)
<b>MAEK-Kazatomprom LLP, Caspiy Zhylu Su Arnasy GKP</b>		
54	Supplementary Agreement No. 6 the Heat Supply Contract No. Yu08009-T//EKH52/2018 dated December 26, 2017	Decision of KazTransOil JSC Management Board dated December 26, 2019 (Minutes of the Meeting No. 25)
<b>KazTransGas Aimak JSC</b>		
55	Sales Gas Retail Contracts	Decision of KazTransOil JSC Management Board dated December 26, 2019 (Minutes of the Meeting No. 25)
56	Supplementary Agreements to Sales Gas Retail Contracts	Decision of KazTransOil JSC Management Board dated December 26, 2019 (Minutes of the Meeting No. 25)

## Appendix 5 – Report on KazTransOil JSC Compliance with the Principles and Provisions Stipulated in the Corporate Management Code for 2019

In accordance with the Corporate Management Code approved by the decision of the General Meeting of KazTransOil JSC Shareholders dated May 27, 2016 (Minutes of the Meeting No. 3/2016) (the Code), the Corporate Secretary prepares an annual report on compliance/non-compliance with the principles and provisions stipulated in the Code.

The goals set forth by the Code are to improve KazTransOil JSC corporate management, to ensure transparent management and to confirm the Company's commitment to the appropriate corporate management standards. The principles stipulated in the Code are stated below.

1. The Government as Samruk-Kazyna JSC<sup>1</sup> Shareholder
2. Interaction between Samruk-Kazyna JSC and Entities – Role of Samruk-Kazyna JSC as a National Management Holding

3. Sustainable Development
4. Rights of Shareholders and Equitable Treatment of Shareholders
5. Efficiency of the Board of Directors and the Executive Body
6. Risk Management, Internal Controls and Audit
7. Transparency

The Company acknowledges significance of corporate management and thus lays an emphasis on the need for compliance of the Company's internal regulations and practices with the corporate management principles.

Item No.	Corporate Management Code Standard/ Corporate Management Principle	Observed/ Not Observed	Actions Implemented to Comply with Corporate Management Standards/ Principles
1	Interaction between Samruk-Kazyna JSC and Entities – Role of Samruk-Kazyna JSC as a National Management Holding.	Observed	<p>KazTransOil JSC corporate management system ensures appropriate management and control over its activities and is aimed at increasing long-term value and sustainable development.</p> <p>The Company and its officials are responsible for increasing the Company's long-term value growth and sustainable development with the respective decisions and actions/omissions implemented pursuant to the RoK laws and internal regulations.</p>

<sup>1</sup> The first principle stipulated in the Code is a specific provision dedicated to Samruk-Kazyna JSC management features and interaction between Samruk-Kazyna JSC and the Government of the Republic of Kazakhstan.

Item No.	Corporate Management Code Standard/ Corporate Management Principle	Observed/ Not Observed	Actions Implemented to Comply with Corporate Management Standards/ Principles
2	Sustainable Development	Observed partially	<p>Sustainable development is the Company's priority with a goal to develop the business, maintain and protect the environment, create favourable working conditions and safe workplaces and contribute to development of the local communities in the Company's operating areas.</p> <p>The Company's activities cover development and implementation of a set of legal, socio-economic, administrative and engineering, sanitary and epidemiological, recovery, medical treatment and preventive measures to create and ensure safe and healthy working conditions at production facilities, to prevent occupational injuries and occupational diseases, to create and ensure favourable conditions for the environment, biodiversity and human life pursuant to international sustainable development standards.</p> <p>In accordance with the Annual Audit Plan of the Company's Internal Audit Service for 2019, the Company's corporate management appraisal has been conducted based on the methodology for corporate management diagnostics in legal entities with more than fifty percent of the voting shares directly or indirectly held by Samruk-Kazyna JSC.</p> <p>Based on the corporate management appraisal, the top priority improvement areas have been identified along with recommendations related to improvement of the Company's corporate management efficiency, including sustainable development.</p> <p>In addition, the Company has prepared the Action Plan for KazTransOil JSC Corporate Management System Improvement for 2020–2021, which will ensure active involvement of the Board of Directors and the Company's management in sustainable development management, regular reviews and analysis of the Company's key performance indicators related to sustainable development, including HR management, environmental protection and integrated management system.</p>
2.1	Environmental Protection	Observed	<p>Environmental protection and environmental safety are critical elements that ensure sustainable development at the Company.</p> <p>The Company focuses on actions aimed at mitigating the negative environmental impacts of its activities and implementing the sustainable nature use principles.</p> <p>The Company strictly adheres to the Environmental Code of the Republic of Kazakhstan, best international practices and provisions of internal corporate documents, identifies and assesses environmental aspects and ensures transparent and open environmental protection actions.</p> <p>The environmental management system covers all of the Company's production disciplines and is certified pursuant to ISO 14001:2015.</p>



Item No.	Corporate Management Code Standard/ Corporate Management Principle	Observed/ Not Observed	Actions Implemented to Comply with Corporate Management Standards/ Principles
2.2	Health and Safety	Observed	In terms of health and safety, the Company seeks to ensure failure-free operation of production facilities, creates and maintains safe working conditions, cares for the health of its employees and strictly adheres to the RoK laws, international and national standards and the Company's internal documents.
2.3	HR and Social Policy	Observed	<p>Improvement of KazTransOil JSC HR Policy is one of the critical drivers for the Company's long-term sustainable development.</p> <p>The priorities under the Company's HR Policy are to ensure an appropriate remuneration level and create a social assistance system for employees, to provide professional development and career progress opportunities, to build and implement an effective personnel motivation system and to increase personnel satisfaction.</p> <p>The Company builds its HR and Social Policy in accordance with the RoK laws and the collective agreement concluded with the Company's team.</p>
2.4	Procurement System and Local Content	Observed	<p>An effective procurement system and timely provision of high-quality goods, works and services are essential to ensure sustainable development of the Company's business in view of its scale.</p> <p>The Company selects its suppliers based on the Rules for Procurement of Goods, Works and Services applicable to Sovereign Wealth Fund Samruk-Kazyna JSC and legal entities with more than fifty percent of the voting shares directly or indirectly owned or held in trust management by Samruk-Kazyna JSC.</p>
3	Rights of Shareholders (Participants) and Equitable Treatment of Shareholders (Participants)	Observed	<p>Open and effective interaction with shareholders to the maximum possible extent is a key operating principle adopted by the Company. The main rights of shareholders are exercised pursuant to the legal acts and the KazTransOil JSC Charter (Charter).</p> <p>The Company's Board of Directors guarantees equitable treatment of all shareholders and offers an opportunity for the shareholders to participate in the Company's management, to obtain information on the Company's activities and to exercise their right to receive dividends. The method and procedures for holding the General Meeting of Shareholders ensure equitable treatment of all shareholders.</p>

Item No.	Corporate Management Code Standard/ Corporate Management Principle	Observed/ Not Observed	Actions Implemented to Comply with Corporate Management Standards/ Principles
4	Efficiency of the Board of Directors and the Executive Body	Observed	<p>The Board of Directors is the Company's management body that ensures the Company's strategic management, supervises the Company's Management Board within its competence and is accountable to the Company's General Meeting of Shareholders for effective management and appropriate monitoring of the Company's activities.</p> <p>Committees under the Company's Board of Directors are established to carry out preliminary reviews of the most relevant issues and to prepare recommendations for the Board of Directors.</p> <p>The Company conducts regular comprehensive performance appraisals of the Board of Directors and its Committees, as well as individual performance appraisals of directors in accordance with the best international practices.</p> <p>The Company's daily activities are managed by the Management Board, which is a collegiate executive body.</p>
5	Risk Management, Internal Controls and Audit	Observed	<p>An important element of the Company's corporate management system is the Risk Management System that includes the Corporate Risk Management System (CRMS) and the Internal Control System (ICS).</p> <p>The CRMS is intended to promptly identify, assess, monitor and mitigate potential risk events that may have an adverse impact on attaining the Company's strategic and operating goals.</p> <p>The ICS is adopted to promptly identify and analyse process-level risks, as well as to determine and analyse the corresponding risk management procedures in the main ICS areas.</p> <p>The Internal Audit Service also operates at the Company in order to monitor the Company's financial and business activities, to assess internal controls, risk management and adherence to corporate management documents and to give advice on performance improvement.</p>
6	Transparency	Observed	The Company makes sure that information on all areas of its activities is promptly and fully disclosed pursuant to the applicable RoK laws, requirements of regulatory authorities, listing rules and the Company's internal documents.

A detailed report on KazTransOil JSC compliance with the principles and provisions of the Corporate Management Code for 2019 is available on the Company's corporate website in the **Corporate Management** section.

## Appendix 6 – List of KazTransOil JSC Risks in 2019

Risk	Risk Factors	Risk Management Actions	Actual Risk Events in 2019
Occupational risks			
Non-compliance with production practices	<ul style="list-style-type: none"> <li>Disruptions in external power supply</li> <li>Malfunctions or failure of APMS hardware and software</li> <li>Incorrect actions/errors by personnel</li> </ul>	<ul style="list-style-type: none"> <li>To implement and monitor adherence to optimal production practices for main oil pipeline operations</li> <li>To ensure timely and quality maintenance and routine repairs in accordance with the regulatory documents, including standby equipment</li> <li>To develop an action plan to prevent failures in the emergency shutdown system and to appoint the responsible departments</li> <li>To hold scheduled briefings on equipment technical operation and maintenance</li> <li>To keep work record logs</li> <li>To hold emergency drills</li> <li>To ensure control by work supervisor</li> <li>To ensure internal control over occupational health and safety/industrial control</li> <li>To ensure control over timely personnel training and retraining</li> <li>To implement the Regulations on Protection Cards</li> </ul>	Yes
Late/low-quality equipment repair (including process equipment)	<ul style="list-style-type: none"> <li>Late execution of contracts to ensure inventory supply for process equipment repairs</li> <li>Selection of unreliable supplier/unfair participant/fake entrepreneur</li> <li>Inadequate work management</li> </ul>	<ul style="list-style-type: none"> <li>To impose penalties on suppliers in case of late supply of spare parts and materials</li> <li>To hold tenders and to execute contracts for supply of inventory for priority process equipment repairs</li> <li>To ensure expert review of tender documentation (terms of reference/specifications, draft contract) in accordance with the requirements of the Procurement Rules</li> <li>To screen suppliers using the electronic procurement information system (ISEZ 2.0)</li> <li>To control and monitor implementation of goods, works and services contract by Procurement Administrator</li> <li>To execute contracts with suppliers pre-qualified by the Holding Company</li> <li>To issue hot, gas hazardous and hazardous work permits and to hold briefings</li> <li>To keep work record logs</li> <li>To hold emergency drills</li> <li>To ensure control by work supervisor</li> <li>To ensure internal control over occupational health and safety/industrial control</li> <li>To ensure control over timely personnel training and retraining</li> <li>To implement the Regulations on Protection Cards</li> </ul>	No No Yes

Risk	Risk Factors	Risk Management Actions	Actual Risk Events in 2019
Late/low-quality replacement of process equipment	<ul style="list-style-type: none"> <li>Late equipment supply</li> <li>Workmanship defect identified in new equipment during operation</li> </ul>	<ul style="list-style-type: none"> <li>To hold tenders and to execute contracts for priority process equipment supply</li> <li>To execute contracts for equipment supply directly with manufacturing plants</li> <li>To execute contracts with suppliers pre-qualified by the Holding Company</li> <li>To impose penalties on suppliers in case of late equipment supply</li> <li>To ensure expert review of contracts for new equipment supply in terms of the supplier's liabilities and warranties</li> </ul>	No
Non-occupational risks			
Income reduction	Reduced demand for services/products (BOT/OSD)	<ul style="list-style-type: none"> <li>To monitor market changes</li> <li>To attract new cargo volumes/additional cargo flows</li> <li>To apply a flexible and effective tariff policy</li> <li>To cooperate with the governmental authorities and businesses in Georgia</li> <li>To engage in marketing activities and to hold negotiations with potential partners</li> </ul>	Yes (for BOT)
Income reduction	Late payment of accounts receivable (BOT)	<ul style="list-style-type: none"> <li>To perform legal due diligence reviews of the contracts to be executed</li> <li>To demand that contractors submit tax clearance certificates prior to BOT contract execution</li> <li>To continuously monitor attainment of BOT business plan targets and to make timely adjustments</li> </ul>	No
Income reduction	Low quality of approved plans	<ul style="list-style-type: none"> <li>To improve planning of actions under the investment programme</li> <li>To make timely adjustments to the investment programme in the authorised body of the Republic of Kazakhstan for regulation of natural monopolies</li> <li>To develop and implement the action plan to minimise the risk related to introduction of temporary compensation tariffs for the Company's regulated services as applicable to investment programme and capital investment planning improvements</li> </ul>	Yes
Income reduction	Oil supply reduction or suspension	<ul style="list-style-type: none"> <li>To execute long-term contracts with shippers</li> <li>To attract new shippers</li> </ul>	No



Risk	Risk Factors	Risk Management Actions	Actual Risk Events in 2019
Income reduction	Change in relations with strategic partners	<ul style="list-style-type: none"> <li>To execute long-term contracts for oil transportation services with strategic partners</li> </ul>	No
Income reduction	Event of default on the part of counterparty banks	<ul style="list-style-type: none"> <li>Comply with Samruk Kazyna JSC requirements</li> <li>To invest into counterparty banks with high ratings</li> <li>To diversify temporarily disposable funds to be invested</li> <li>To monitor financial risks by generation and submission of quarterly reports to NC KazMunayGas JSC</li> </ul>	No
Income reduction	Late tariff estimate adjustment	<ul style="list-style-type: none"> <li>To control, monitor and analyse timely provision of information and supporting documents related to implementation of tariff estimates</li> <li>To ensure timely submission of adjusted tariff estimates (applications) to the authorised body for regulation of natural monopolies</li> <li>To agree and substantiate tariff estimates (applications) in the RoK authorised body for regulation of natural monopolies To control, monitor and analyse timely provision of information and supporting documents related to implementation of tariff estimates</li> <li>To ensure timely submission of adjusted tariff estimates (applications) to the authorised body for regulation of natural monopolies</li> <li>To agree and substantiate tariff estimates (applications) in the RoK authorised body for regulation of natural monopolies</li> </ul>	Yes
Income reduction	Incorrect output metering	<ul style="list-style-type: none"> <li>To ensure metrological support of oil metering instruments</li> <li>To ensure operational control, registration and analysis of the main oil pipeline process parameters and oil balance</li> <li>To maintain operating oil balance</li> </ul>	No

Risk	Risk Factors	Risk Management Actions	Actual Risk Events in 2019
Income reduction	Unprofessional services rendered in core activities	<ul style="list-style-type: none"> <li>To control quality of received, transported and sold oil to ensure compliance with the requirements of the existing contracts for oil transportation services and technical agreements on oil receipt, transportation and sale</li> <li>To ensure operational control, registration and analysis of the main oil pipeline process parameters and oil balance</li> <li>To perform annual consumer satisfaction surveys and to calculate the overall consumer satisfaction rating</li> <li>Where necessary, to develop remedial and/or preventive actions with the follow-up on their efficiency</li> <li>To pass an independent audit performed by an international certification body to check compliance with ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007, ISO 50001:2011 and ISO 27001:2013 international standards</li> </ul>	No
Income reduction	Lack of mechanisms to respond to negative publications containing distorted or unfavourable information on the Company's activities	<ul style="list-style-type: none"> <li>To promptly prepare information based on internal investigations, to ensure its immediate publication upon coordination with the Company's affected business units and to obtain approval by the Company's management in information agencies prior to publication of negative information in mass media</li> <li>To arrange briefings, press conferences and public speeches by the Company's management to notify the mass media on different events related to the Company's activities</li> </ul>	No
Cost increase	Decisions made by the authorised body in the field of tariff regulation	<ul style="list-style-type: none"> <li>To control, monitor and analyse timely provision of information and supporting documents related to implementation of tariff estimates</li> <li>To ensure timely submission of adjusted tariff estimates (applications) to the authorised body for regulation of natural monopolies</li> <li>To agree and substantiate tariff estimates (applications) in the RoK authorised body for regulation of natural monopolies</li> </ul>	Yes
Cost increase	Time required to obtain the necessary approvals and permits	<ul style="list-style-type: none"> <li>To timely introduce changes to the Company's internal documents on separate accounting</li> <li>To ensure timely approval of the Company's internal documents on separate accounting by the authorised body of the Republic of Kazakhstan for regulation of natural monopolies</li> </ul>	Yes

Risk	Risk Factors	Risk Management Actions	Actual Risk Events in 2019
Cost increase	Non-compliance with environmental protection laws	<ul style="list-style-type: none"> <li>To ensure timely development of draft emission standards and to obtain permits for the emission volumes indicated in the application</li> <li>To monitor compliance with environmental emission limits</li> <li>To monitor compliance with equipment operation rules</li> <li>To elaborate production practices to govern equipment operation at facilities</li> <li>To provide for mandatory environmental insurance</li> <li>To carry out industrial environmental control</li> </ul>	No
Cost increase	Premeditated illegal actions by third parties (tie-ins into the main oil pipeline system, inventory theft)	<ul style="list-style-type: none"> <li>To execute contracts for security services at the Company's facilities with a security company</li> <li>To introduce and operate systems and equipment to protect main oil pipelines</li> <li>To ensure availability of an effective system for physical protection of the Company's assets</li> </ul>	Yes
Cost increase	Incorrect calculation of cost effectiveness during capital investment planning	<ul style="list-style-type: none"> <li>To process input data in cooperation with the Company's business units</li> <li>To submit investment projects for review to the Company's Investment Committee</li> </ul>	No
Cost increase	Company's non-compliance with applicable law	<ul style="list-style-type: none"> <li>To monitor compliance with the RoK Law <i>On the Securities Market</i>, the Listing Rules and the Company's internal documents on disclosure of information related to the Company's affiliates and insiders</li> </ul>	No
Cost increase	<ul style="list-style-type: none"> <li>Late/incorrect submission of financial statements</li> <li>Non-compliance with financial/non-financial covenants at the Company</li> </ul>	<ul style="list-style-type: none"> <li>To develop a Financial Period Closing Schedule</li> <li>To monitor closing of financial periods in the accounting system in accordance with the deadlines approved in the Financial Period Closing Schedule</li> <li>To include timely submission of financial statements in the KPIs for responsible personnel</li> </ul>	No

Risk	Risk Factors	Risk Management Actions	Actual Risk Events in 2019
Cost increase	Non-compliance with tax laws	<ul style="list-style-type: none"> <li>To monitor correctness of tax reports issued by the Company's tax services and timely submission of such reports to the tax authorities of the Republic of Kazakhstan</li> <li>To render methodological support to the Company's personnel in respect of tax laws of the Republic of Kazakhstan</li> <li>To reconcile tax accounting data with taxation accounts</li> <li>To prepare additional tax reports (analysis, preparation and recalculation of previously submitted tax reports and introduction of the corresponding adjustments for submission to the tax authorities of the Republic of Kazakhstan)</li> <li>To perform annual tax review/audit/analysis of the Company's tax risks</li> <li>To ensure annual competence development of tax specialists in the field of tax laws of the Republic of Kazakhstan and accounting laws</li> <li>To subscribe to information services to track changes and amendments to the tax laws of the Republic of Kazakhstan</li> </ul>	No
Cost increase	<ul style="list-style-type: none"> <li>Late approval of the annual goods, works and services procurement plan/ Late introduction of the necessary updates and amendments into the approved annual goods, works and services procurement plan</li> <li>Late procurement of goods, works and services</li> <li>Selection of unreliable supplier/ unfair participant/ fake entrepreneur</li> </ul>	<ul style="list-style-type: none"> <li>To ensure timely goods, works and services procurement planning, development and approval of the annual Goods, Works and Services Procurement Plan (GWSPP)</li> <li>To monitor timely procurements according to the GWSPP schedule</li> <li>To introduce timely adjustments to the GWSPP</li> <li>To ensure expert review of tender documentation (terms of reference/specifications, draft contract) in accordance with the requirements of the Rules for Procurement of Goods, Works and Services Procurement Rules</li> <li>To screen suppliers using the electronic procurement information system (ISEZ 2.0)</li> <li>To control and monitor GWS contract implementation of goods, works and services contracts by GWS Procurement Administrator</li> <li>To execute contracts with suppliers pre-qualified by the Holding Company</li> </ul>	No
Income reduction	Inappropriate legal transaction support	<ul style="list-style-type: none"> <li>To perform legal reviews of contracts</li> <li>To participate in negotiations with the Company's contractors regarding contract conclusion, amendment, implementation and termination</li> </ul>	No



Risk	Risk Factors	Risk Management Actions	Actual Risk Events in 2019
Cost increase	Incorrect actions/errors by personnel	<ul style="list-style-type: none"> <li>To raise health and safety awareness among the Company's employees</li> <li>To hold briefings and to ensure internal control over occupational health and safety</li> <li>To ensure industrial control by work supervisor</li> </ul>	Yes (see Occupational Risks)
Cost increase	Non-compliance with labour laws	<ul style="list-style-type: none"> <li>To ensure internal control over occupational health and safety</li> <li>To hold occupational health and safety teleconferences</li> <li>To raise health and safety awareness among the Company's employees</li> <li>To provide for occupational injury insurance for personnel</li> <li>To ensure annual medical examination and to provide for health insurance</li> </ul>	No
Cost increase	Personnel strikes, meetings and protests	<ul style="list-style-type: none"> <li>To provide explanations to personnel</li> <li>To raise the corporate spirit (team building, sports competitions, contests, etc.)</li> <li>To increase personnel motivation</li> <li>To execute and follow up on the collective agreement between the Company and its personnel</li> </ul>	No
Cost increase	Inadequate staff qualifications	<ul style="list-style-type: none"> <li>To review compliance of the personnel's professional competencies with job requirements</li> <li>To carry out competitive selection to fill vacancies</li> <li>To monitor compliance with the Rules for Development of Job Descriptions for the Company's Personnel and the requirements of the Managing and Professional Personnel Qualifications Manual</li> <li>To carry out personnel evaluation to check fitness for the current position</li> </ul>	No
Cost increase	Non-compliance with internal regulations on information security	<ul style="list-style-type: none"> <li>To make sure that all employees sign business or trade secrets non-disclosure agreements</li> <li>To compile a list of information that constitutes business or trade secrets</li> <li>To monitor access to information granted to third parties</li> </ul>	No
Cost increase	Failure (loss) of existing software (SW)	<ul style="list-style-type: none"> <li>To ensure software technical support</li> <li>To ensure software and hardware protection against malware</li> <li>To create software back-ups</li> </ul>	No
Cost increase	Failure of existing server equipment	<ul style="list-style-type: none"> <li>To analyse capacity of power sources in case new equipment is connected</li> <li>To ensure availability of uninterrupted power supplies for critical systems</li> <li>To ensure availability of emergency power supplies</li> </ul>	No

Risk	Risk Factors	Risk Management Actions	Actual Risk Events in 2019
Cost increase	Environmental impacts, natural disasters	<ul style="list-style-type: none"> <li>To arrange examinations to check integrity of facilities, pipelines and equipment</li> <li>To develop an emergency response plan, to hold classroom training and drills</li> <li>To ensure aircraft surveillance of main oil pipeline routes</li> <li>To install observation posts oil pipeline crossings with water bodies</li> <li>To develop action plans to ensure reliability of main oil pipelines in the autumn and winter seasons and during the spring flood</li> <li>To develop emergency response plans, to hold classroom training and drills in emergency response</li> <li>To interact with local meteorological and environmental services</li> </ul>	No
Cost increase	Lawsuits	<ul style="list-style-type: none"> <li>To make sure that the Company's personnel has access to the electronic legal reference system, including but not limited to the database containing laws and the Company's internal documents</li> <li>To render legal support to the Company's business units</li> </ul>	No
Cost increase	Unauthorised external access to the corporate network	<ul style="list-style-type: none"> <li>To implement communication system protection</li> <li>To use anti-malware protection tools, to ensure timely updates of anti-virus databases and update control</li> <li>To carry out antivirus scanning of any information received and transmitted via the telecommunication channels as well as information stored on removable media</li> <li>To carry out testing anti-virus scanning of software updates before installation</li> <li>To control the use of unlicensed software at the Company</li> <li>To use attack-resistant authentication facilities</li> </ul>	No

Risk	Risk Factors	Risk Management Actions	Actual Risk Events in 2019
Cost increase	Corruption	<ul style="list-style-type: none"> <li>■ To identify causes and conditions that contribute to corruption; to analyse the data obtained from audits by the Internal Audit Service, internal investigations and reports via hotline communication channels addressed to the Ombudsman. To prevent and settle conflicts of interest</li> <li>■ To develop and timely implement the Company's Anti-Corruption Action Plan</li> <li>■ To familiarise newly employed personnel with the Company's anti-corruption standards during briefings</li> <li>■ To take preventive, awareness raising and explanatory actions with regard to compliance with the applicable RoK anti-corruption laws and the Company's internal documents, as well as prevention and response to fraud and corruption. To arrange and hold meetings with the officials of the Anti-Corruption Agency of the Republic of Kazakhstan</li> </ul>	No
Cost increase	"Fragile supply chain"	<ul style="list-style-type: none"> <li>■ To control and monitor the work schedule</li> <li>■ To prevent late implementation of investment projects</li> <li>■ To impose penalties on contractors</li> <li>■ To execute supplementary agreements with contractors</li> </ul>	No

## Appendix 7 – Consolidated Financial Statements

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For the year ended 31 December 2019 with the independent auditor's report

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«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

## Independent auditor's report

To the Shareholders and board of directors of KazTransOil JSC

### Opinion

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

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

### Basis for opinion

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

### Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<b>Fair value of property, plant and equipment</b>	
<p>The Group assessed fair value of its property, plant and equipment as of 31 July 2019. The Group has property, plant and equipment in Kazakhstan and in Georgia. Property, plant and equipment located in Kazakhstan and in Georgia makes up a significant portion of total assets of the Group as at 31 December 2019.</p> <p>Due to high level of subjectivity in respect of assumptions underlying the assessment of the fair value of property, plant and equipment, we believe that this matter is of the most significance in our audit. The Group uses independent external appraisers in the process of valuation.</p> <p>The fair value of the Group's assets in Kazakhstan was appraised using the income approach for specialized assets and the market approach for non-specialized assets.</p> <p>Significant assumptions used in calculating the fair value included future transportation volumes, tariffs, discount rate and long-term growth rate.</p> <p>The assets in Georgia were divided into two groups for revaluation purposes: the "Batumi Sea Port" (BSP) and the "Batumi Oil Terminal" (BOT).</p>	<p>We overviewed the Group's valuation process and assessed the independence and expertise of the external appraisers.</p> <p>For the assets revalued using the income approach we compared input data used by the independent external appraisers with the Group's business plans. We assessed underlying assumptions and compared them with historical data. We engaged our internal valuation specialists to assess the valuation methods applied.</p> <p>We compared data used in discount rate and long-term growth rate calculations with available external information and checked arithmetical accuracy of these calculations.</p> <p>For the assets, revalued using indexation, we assessed calculation of indexes and compared indexes used in calculation of fair value to available external data.</p> <p>For the assets, revalued using direct cost approach, we compared major inputs (technical characteristics of assets (length, width, volume, etc.), cost of materials, cost of construction works, labor input coefficients) to the Group's internal technical documentation.</p>



Key audit matter	How our audit addressed the key audit matter
<b>Fair value of property, plant and equipment</b>	
<p>Fair value of all BOT's assets and BSP's non-specialized assets was determined using market approach. Fair value of specialized BSP's assets has been determined using income approach.</p> <p>Significant assumptions used in calculating the fair value of BSP included expected volume of transshipment services provided, tariffs, start of transshipment of additional volumes of carbide from 2020, the amount of capital and operating expenditures, discount rate and long-term growth rate.</p>	<p>For the assets, revalued using market approach we compared inputs with available market data for similar items.</p> <p>We checked mathematical accuracy of the fair value calculations.</p> <p>We analyzed the disclosures made in the financial statements about the revaluation of property, plant and equipment.</p>
<p>Information about property, plant and equipment is disclosed in Note 6 to the consolidated financial statements; a description of the accounting policy and key judgements and estimates is included in Notes 4 and 5 to the consolidated financial statements.</p>	

#### **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 committee on internal audit of the board of directors for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the 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 committee on internal audit of the board of directors is responsible for overseeing the Group's financial reporting process.

#### **Auditor's responsibilities for the audit of the consolidated financial statements**

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



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

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

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

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

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

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

*Ernst & Young LLP*



Gulmira Turmagambetova 0374  
Auditor / General Director  
Ernst & 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 15 July 2005

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

16 March 2020

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Notes	31 December 2019	31 December 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	734,421,997	671,773,612
Right-of-use assets	7	3,902,044	–
Intangible assets	8	7,728,097	6,891,299
Investments in joint ventures	9	55,015,339	30,001,323
Advances to suppliers for property, plant and equipment	10	898,475	110,135
VAT recoverable	14	1,958,523	–
Long-term accounts receivable	12	1,128,626	82,987
Bank deposits	16	2,139,767	2,778,076
Investments in bonds	19	919,511	828,437
Other non-current assets		11,866	12,585
		<b>808,124,245</b>	<b>712,478,454</b>
<b>Current assets</b>			
Inventories	11	6,278,501	5,130,498
Trade and other accounts receivable	12	5,858,238	5,627,598
Advances to suppliers	13	1,258,565	744,873
Prepayment for income tax		1,823,885	961,849
VAT recoverable and other prepaid taxes	14	7,121,095	9,504,898
Other current assets	15	6,859,636	7,883,154
Bank deposits	16	45,960,400	25,424,203
Cash and cash equivalents	17	28,649,091	33,278,843
		<b>103,809,411</b>	<b>88,555,916</b>
Non-current assets held for sale	18	879,814	2,406,231
		<b>104,689,225</b>	<b>90,962,147</b>
<b>Total assets</b>		<b>912,813,470</b>	<b>803,440,601</b>

The accounting policy and explanatory notes on pages 238 through 313 form an integral part of these consolidated financial statements.

<i>In thousands of Tenge</i>	Notes	31 December 2019	31 December 2018
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	20	61,937,567	61,937,567
Treasury shares repurchased from shareholders	20	(9,549)	(9,549)
Asset revaluation reserve	20	299,585,499	243,588,977
Foreign currency translation reserve	20	37,737,309	39,572,764
Other capital reserves	20	(1,893,432)	(72,146)
Retained earnings		305,621,572	280,398,586
<b>Total equity</b>		<b>702,978,966</b>	<b>625,416,199</b>
<b>Non-current liabilities</b>			
Employee benefit obligations	21	15,756,306	12,940,911
Deferred tax liabilities	36	80,564,703	67,394,342
Provision for asset retirement and land reclamation obligation	27	27,780,887	21,109,397
Deferred income	22	8,141,994	8,423,897
Lease liabilities	24	2,891,445	–
		<b>135,135,335</b>	<b>109,868,547</b>
<b>Current liabilities</b>			
Employee benefit obligations	21	658,941	663,463
Income tax payable		1,187,559	1,348,926
Trade and other accounts payable	23	15,183,124	12,957,514
Lease liabilities	24	1,912,220	–
Advances received	25	18,478,982	20,660,210
Other taxes payable	26	5,697,566	6,056,874
Provisions	27	306,553	1,635,604
Liability on a contribution to charter capital of a joint venture	9	5,000,000	–
Other current liabilities	28	26,274,224	24,833,264
		<b>74,699,169</b>	<b>68,155,855</b>
<b>Total liabilities</b>		<b>209,834,504</b>	<b>178,024,402</b>
<b>Total equity and liabilities</b>		<b>912,813,470</b>	<b>803,440,601</b>
<b>Book value per ordinary share (in Tenge)</b>	20	<b>1,808</b>	1,608

Signed and approved for issue on 16 March 2020.

Acting General Director (Chairman of the Management Board)

Arynov S.A.

Chief Accountant

Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 238 through 313 form an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

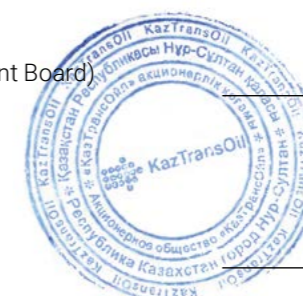
In thousands of Tenge	Notes	For the year ended 31 December	
		2019	2018
Revenue	29	239,625,950	225,399,570
Cost of sales	30	(159,871,851)	(152,393,686)
<b>Gross profit</b>		<b>79,754,099</b>	73,005,884
General and administrative expenses	31	(17,878,396)	(16,871,021)
Other operating income	32	1,558,451	1,112,840
Other operating expenses	33	(3,706,953)	(3,150,563)
Impairment of property, plant and equipment and intangible assets, net	6, 8	(13,185,067)	(2,649,261)
<b>Operating profit</b>		<b>46,542,134</b>	51,447,879
Net foreign exchange gain, net		103,827	2,594,699
Finance income	34	2,675,477	2,820,024
Finance costs	35	(3,884,190)	(2,590,261)
Share in income/(loss) of joint ventures	9	13,638,401	(2,075,937)
<b>Profit before income tax</b>		<b>59,075,649</b>	52,196,404
Income tax expense	36	(13,954,211)	(13,711,421)
<b>Net profit for the year</b>		<b>45,121,438</b>	38,484,983
<b>Earnings per share (in Tenge)</b>	20	<b>117</b>	100
<b>Other comprehensive income</b>			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods			
Exchange difference from translation of foreign operations of the Group		(1,835,455)	6,504,534
<b>Total other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</b>		<b>(1,835,455)</b>	6,504,534
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>			
Revaluation and impairment of property, plant and equipment of the Group, net	6	91,146,458	55,421,707
Income tax effect	36	(18,231,513)	(11,494,525)
		<b>72,914,945</b>	43,927,182

The accounting policy and explanatory notes on pages 238 through 313 form an integral part of these consolidated financial statements.

In thousands of Tenge	Notes	For the year ended 31 December	
		2019	2018
Charge of provision for asset retirement and land recultivation obligation of the Group	27	(3,334,156)	(3,102,220)
Income tax effect	36	666,831	620,445
		<b>(2,667,325)</b>	(2,481,775)
Revaluation of property, plant and equipment of joint ventures		9,005,755	433,192
Income tax effect		(1,801,151)	(86,638)
	9	<b>7,204,604</b>	346,554
Charge of provision for asset retirement and land recultivation obligation of joint ventures		(662,878)	(3,195)
Income tax effect		132,576	638
	9	<b>(530,302)</b>	(2,557)
Actuarial (loss)/gain from employee benefit obligations of the Group	21	(1,872,560)	688,653
Income tax effect	36	51,467	(137,731)
		<b>(1,821,093)</b>	550,922
Actuarial (loss)/gain from employee benefit obligations of joint venture		(242)	434
Income tax effect		49	(87)
	9	<b>(193)</b>	347
<b>Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net</b>		<b>75,100,636</b>	42,340,673
<b>Total other comprehensive income for the year, net of tax</b>		<b>73,265,181</b>	48,845,207
<b>Total comprehensive income for the year, net of tax</b>		<b>118,386,619</b>	87,330,190

Signed and approved for issue on 16 March 2020.

Acting General Director (Chairman of the Management Board)



*(Signature)*

Arynov S.A.

Chief Accountant

*(Signature)*

Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 238 through 313 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 31 December	
<i>In thousands of Tenge</i>	Notes	2019	2018
<b>Cash flows from operating activities</b>			
Profit before income tax		59,075,649	52,196,404
<b>Non-cash adjustment to reconcile profit before tax to net cash flows</b>			
Depreciation and amortization	30, 31	53,890,388	52,409,550
Share in (income)/loss of joint ventures	9	(13,638,401)	2,075,937
Impairment of property, plant and equipment and intangible assets, net	6, 8	13,185,067	2,649,261
Finance costs	35	3,884,190	2,590,261
Finance income	34	(2,675,477)	(2,820,024)
Reversal and revision of estimates on provision on asset retirement and land recultivation obligation, net	33	1,445,338	1,162,914
Write-off of VAT recoverable	31, 33	964,398	346,556
Impairment of non-current assets held for sale	33	960,743	283,956
Employee benefit obligations, current and past services costs	30, 31	352,387	568,282
Charge of other current provisions, net	31, 33	224,398	1,293,697
Charge of expected credit losses, net	31	206,260	774,844
Charge of provision for obsolete inventories	31	201,231	11,562
Expenses on liquidation of idle production facilities	33	134,212	106,084
Net foreign exchange gain		(103,827)	(2,594,699)
Actuarial loss/(gain)	32, 33	77,964	(70,352)
Income on recognition of inventory	32	(74,338)	(3,454)
Loss on disposal of property, plant and equipment and intangible assets, net	33	73,809	1,228,319
Gain on disposal of non-current assets held for sale, net	32	(34,624)	(254,756)
Others		(39,611)	(41,345)
<b>Operating cash flows before working capital changes</b>		<b>118,109,756</b>	<b>111,912,997</b>
<b>(Increase)/decrease in operating assets</b>			
Inventories		(2,270,498)	(1,482,723)
Trade and other accounts receivable		(306,580)	318,366
Advances to suppliers		(514,466)	(214,002)
VAT recoverable and other prepaid taxes		(319,360)	(1,291,167)
Other current assets		876,057	(1,999,423)

The accounting policy and explanatory notes on pages 238 through 313 form an integral part of these consolidated financial statements.

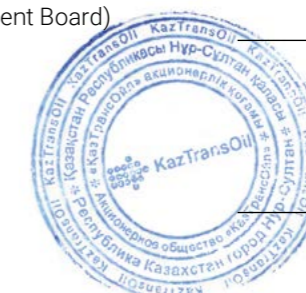
		For the year ended 31 December	
<i>In thousands of Tenge</i>	Notes	2019	2018
<b>Increase/(decrease) in operating liabilities</b>			
Trade and other accounts payable		(664,295)	1,656,515
Advances received		(2,180,689)	2,431,124
Other taxes payable		(609,939)	(680,487)
Other current and non-current liabilities and employee benefit obligations		(1,014,508)	1,249,592
<b>Cash generated from operating activities</b>		<b>111,105,478</b>	<b>111,900,792</b>
Income taxes paid		(18,777,492)	(17,364,973)
Interest received		2,035,120	2,917,095
<b>Net cash flows from operating activities</b>		<b>94,363,106</b>	<b>97,452,914</b>
<b>Cash flows from investing activities</b>			
Withdrawal of bank deposits		58,141,587	33,037,782
Proceeds from disposal of property, plant and equipment and non-current assets held for sale		1,929,361	5,491,706
Proceeds from bonds redemption	19	74,177	43,457
Placement of bank deposits		(78,395,261)	(27,090,320)
Purchase of property, plant and equipment		(38,955,906)	(56,309,790)
Contribution to charter capital of a joint venture	9	(100,000)	-
Purchase of intangible assets		(30,366)	(27,164)
<b>Net cash flows used in investing activities</b>		<b>(57,336,408)</b>	<b>(44,854,329)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	20	(40,001,322)	(61,540,496)
Payment of lease liabilities	24	(1,851,566)	-
<b>Net cash flows used in financing activities</b>		<b>(41,852,888)</b>	<b>(61,540,496)</b>
<b>Net change in cash and cash equivalents</b>		<b>(4,826,190)</b>	<b>(8,941,911)</b>
Net foreign exchange difference		207,858	1,367,345
Change in allowance for expected credit losses	17	(11,420)	(17,118)
Cash and cash equivalents at the beginning of the year		33,278,843	40,870,527
<b>Cash and cash equivalents at the end of the year</b>	17	<b>28,649,091</b>	<b>33,278,843</b>


Signed and approved for issue on 16 March 2020.

Acting General Director (Chairman of the Management Board)

  
Arynov S.A.

Chief Accountant



  
Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 238 through 313 form an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of Tenge</i>	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
<b>As at 31 December 2018</b>	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	280,398,586	625,416,199
Changes in accounting policy (Note 4)	-	-	-	-	-	(822,530)	(822,530)
<b>As at 1 January 2019 (restated)</b>	<b>61,937,567</b>	<b>(9,549)</b>	<b>243,588,977</b>	<b>39,572,764</b>	<b>(72,146)</b>	<b>279,576,056</b>	<b>624,593,669</b>
Net profit for the year	-	-	-	-	-	45,121,438	45,121,438
Other comprehensive income/(loss)	-	-	76,921,922	(1,835,455)	(1,821,286)	-	73,265,181
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>76,921,922</b>	<b>(1,835,455)</b>	<b>(1,821,286)</b>	<b>45,121,438</b>	<b>118,386,619</b>
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(20,925,400)	-	-	20,925,400	-
Dividends (Note 20)	-	-	-	-	-	(40,001,322)	(40,001,322)
<b>As at 31 December 2019</b>	<b>61,937,567</b>	<b>(9,549)</b>	<b>299,585,499</b>	<b>37,737,309</b>	<b>(1,893,432)</b>	<b>305,621,572</b>	<b>702,978,966</b>
<b>As at 31 December 2017</b>	61,937,567	(9,549)	226,395,595	33,068,230	(623,415)	278,922,619	599,691,047
Changes in accounting policy (Notes 9, 12, 16 and 17)	-	-	-	-	-	(64,542)	(64,542)
<b>As at 1 January 2018 (restated)</b>	<b>61,937,567</b>	<b>(9,549)</b>	<b>226,395,595</b>	<b>33,068,230</b>	<b>(623,415)</b>	<b>278,858,077</b>	<b>599,626,505</b>
Net profit for the year	-	-	-	-	-	38,484,983	38,484,983
Other comprehensive income	-	-	41,789,404	6,504,534	551,269	-	48,845,207
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>41,789,404</b>	<b>6,504,534</b>	<b>551,269</b>	<b>38,484,983</b>	<b>87,330,190</b>
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(24,596,022)	-	-	24,596,022	-
Dividends (Note 20)	-	-	-	-	-	(61,540,496)	(61,540,496)
<b>As at 31 December 2018</b>	<b>61,937,567</b>	<b>(9,549)</b>	<b>243,588,977</b>	<b>39,572,764</b>	<b>(72,146)</b>	<b>280,398,586</b>	<b>625,416,199</b>

Signed and approved for issue on 16 March 2020.

Acting General Director (Chairman of the Management Board)



*[Signature]*  
Arynov S.A.

Chief Accountant

*[Signature]*  
Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 238 through 313 form an integral part of these consolidated financial statements.

The accounting policy and explanatory notes on pages 238 through 313 form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General

On 2 May 2001, the Government of the Republic of Kazakhstan issued a resolution to create a new closed joint stock company National Company "Transportation of Oil and Gas" (hereinafter – "TNG") owned by the Government. Based on that resolution, the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan transferred the "KazTransOil" CJSC NOTC shares to TNG, and, as a result, "KazTransOil" CJSC NOTC was re-registered and renamed as "KazTransOil" CJSC.

Under Decree of the President of the Republic of Kazakhstan dated on 20 February 2002, on the basis of closed jointstock companies, National Oil and Gas Company "KazakhOil" and National Company "Transport of Oil and Gas", reorganized by merger, the National Company "KazMunayGas" Closed Joint-Stock Company was created and became the sole shareholder of "KazTransOil" CJSC.

On 31 May 2004 in accordance with the requirements of Kazakhstani legislation, "KazTransOil" CJSC was reregistered as "KazTransOil" JSC (hereinafter – "Company").

As at 31 December 2019 10% of shares of the Company are owned by minority shareholders who acquired them within the "People's IPO" program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company "KazMunayGas" JSC (hereinafter "KMG" or "Parent Company"). 90% of KMG shares are owned by Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter – "Samruk-Kazyna"), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 31 December 2019 and 2018 the Company had ownership interest in the following companies:

	Place of incorporation	Principal activities	Ownership	
			31 December 2019	31 December 2018
"MunaiTas" LLP (hereinafter – "MunaiTas")	Kazakhstan	Oil transportation	51%	51%
"Kazakhstan-China Pipeline" LLP (hereinafter – "KCP")	Kazakhstan	Oil transportation	50%	50%
"Batumi Oil Terminal" (hereinafter – "BOT")*	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	100%	100%
"Petrotrans Limited" (hereinafter – "PTL")**	United Arab Emirates	Forwarding of oil and oil products	100%	100%
"Main Waterline" LLP (hereinafter – Main Waterline)	Kazakhstan	Water transportation	100%	100%

\* BOT has the exclusive right to manage 100% of the shares of "Batumi Sea Port" LLC (hereinafter – "BSP").

\*\* PTL has a branch operating in Republic of Kazakhstan, Nur-Sultan.

The Company and its subsidiaries are hereinafter referred to as the "Group".

The Company's head office is located in Nur-Sultan, Kazakhstan, at 20 Turan Avenue.

The Company has production facilities, which are located in Mangystau, Atyrau, Western-Kazakhstan, Aktubinsk, Karaganda, Pavlodar, Turkestan, North – Kazakhstan regions of the Republic of Kazakhstan and in Shymkent, also the Company has a branch, which is located in Almaty (Research and Development Centre) and representative offices in Russian Federation (Moscow, Omsk and Samara).

The Company is the national operator of the Republic of Kazakhstan on the main oil pipeline. The Group operates network of main oil pipelines of 5,378 km and water pipelines of 1,945 km. The company provides services on oil transportation via main pipelines, a transport expedition of Kazakhstani oil via pipeline networks of other states, services for the operation and maintenance of oil pipelines of other companies, including joint ventures of the Group. Group's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines mainly used for transportation of Kazakhstani crude oil, and also for transit of Russian oil to China.

The Company is a natural monopolist and, respectively, is subject to regulation of the Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer rights of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter – "CRNM" or "CRNMPCandCR"). CRNM is responsible for approving the methodology for calculating the tariff and tariff rates for oil transportation in domestic market of the Republic of Kazakhstan.

According to the Law of the Republic of Kazakhstan *On Natural Monopolies* transit of crude oil through the pipelines on the territory of the Republic of Kazakhstan and export from the Republic of Kazakhstan are excluded from the regulation of natural monopolies.

In accordance with order of CRNMPCandCR the maximum tariff for pumping oil on the domestic market for 2019 is 4,721.72 Tenge per ton for 1,000 kilometers without VAT. Starting from 1 September 2019, CRNM set a temporary compensating tariff in the amount of 4,716.62 Tenge per ton for 1,000 kilometers without VAT.

Starting from 1 April 2018 tariffs for pumping oil on export from the Republic of Kazakhstan equals to 6,398.92 Tenge per ton for 1,000 kilometers without VAT.

Tariff for pumping oil for transit through Kazakhstani part of main oil pipeline "Tuymazy-Omsk-Novosibirsk-2" starting from 1 April 2018 is 4,292.40 Tenge per ton for 1,000 kilometers.

Tariff for transportation of Russian oil through the territory of Kazakhstan to the People's Republic of China on the route border of Russian Federation-border of Republic of Kazakhstan (Priirtyshsk)-Atasu (Republic of Kazakhstan) – Alashankou (People's Republic of China) is 4.23 US Dollars per ton (in Priirtyshsk-Atasu sector) (in 2018: 3.11 US Dollars per ton).

In general, tariff rates are based on the cost of capital return on operating assets. In accordance with the legislation of the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the expenditures required to provide services, and should provide for entity's profitability at the level ensuring effective functioning of a natural monopoly.

These consolidated financial statements for the year ended 31 December 2019 were approved by Internal Audit Committee of the Company's Board of Directors and signed by the Acting General Director (Chairman of the Management Board) and the Chief Accountant on 16 March 2020.



## 2. BASIS OF PREPARATION

The consolidated financial statements of the Group (hereinafter – “the consolidated financial statements”) have been prepared in accordance with International Financial Reporting Standards (hereinafter – “IFRS”) as issued by the International Accounting Standards Board (hereinafter – “IASB”).

The consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment, which are stated at revalued amounts, and other items described in the accounting policies and notes to the consolidated financial statements.

The consolidated financial statements are presented in Tenge and all amounts are rounded to the nearest thousands, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

## 3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 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;
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests 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 assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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, noncontrolling 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.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Interest in a joint venture

The Group has interests in joint operations in the form of joint ventures.

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.

Factors considered in determining joint control are similar to the factors considered in determining the existence of control of subsidiaries.

The Group’s investment in its joint ventures is accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group’s share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group’s other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The Group’s share of profit or loss of a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax of the joint venture.

Financial statements of joint ventures are prepared for the same reporting period as for the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on own investments in its joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in a joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in consolidated statement of comprehensive income under “Share in profit or loss of joint ventures”.

Upon loss of significant influence over the joint control over the joint ventures, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in statement of comprehensive income.

#### 4. Summary of significant accounting policies (continued)

##### 4.2 Foreign currency translation

The Group's consolidated financial statements are presented in Tenge. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency of the Company, Main Waterline and the joint ventures MunaiTas and KCP is Tenge. Functional currency of PTL and BOT is US Dollar, functional currency of BSP is Georgian Lari.

##### Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction first qualified for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All exchange differences arising from repayment and recalculation of monetary items, are included in consolidated profit or loss and other 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.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

##### Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Tenge at the rate of exchange prevailing at the reporting date and their income statements are translated at weighted average currency exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange at the reporting date.

##### Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (hereinafter – "KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

Weighted average currency exchange rates for the year ended 31 December 2019 and 2018 are as follows:

Tenge	For the year ended 31 December	
	2019	2018
US Dollars	382.87	345.04
Russian Rubles	5.92	5.50
Euro	428.61	406.88
Georgian Lari	136.8	136.98

As at 31 December the currency exchange rates of KASE are as follows:

Tenge	2019	2018
US Dollars	382.59	384.20
Russian Rubles	6.16	5.52
Euro	429	439.37
Georgian Lari	134.48	144.44

##### 4.3 Current versus non-current classification of assets and liabilities

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 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 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 twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

##### 4.4 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. 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. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification 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. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.



#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.4 Non-current assets held for sale and discontinued operations (continued)

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

Additional disclosures are provided in *Note 18*. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

##### 4.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation models that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.

For assets and liabilities that are recognised in the consolidated financial statements 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.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group and external appraisers also compares changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purposes of the disclosure of the fair value the Group classified assets and liabilities based on their nature, characteristics and risks inherent in them, as well as the applicable level in the fair value hierarchy, as described above.

An analysis of the fair value of property, plant and equipment and additional information about the methods of its definition are provided in *Note 5*.

##### 4.6 Property, plant and equipment

Property, plant and equipment initially are recognized at cost. The subsequent accounting is at fair value less accumulated depreciation (except for land, technological oil and construction in process) and impairment losses recognised after the date of the revaluation.

In identifying excess of technological oil the Group assesses whether the transferred item from customers meets the definition of an asset, and if it is so, recognises the transferred asset as property, plant and equipment. At initial recognition such property, plant and equipment is measured at zero cost and revalued at each reporting date.

The Group periodically engages independent appraisers to revalue property, plant and equipment to their fair value. According to Accounting Policy property, plant and equipment is revalued each 3 years (except for technological oil, which is revalued during the period when the fair value changes) in order to ensure that fair value of the revalued asset does not significantly differ from its book value.

Any revaluation surplus is recorded in other comprehensive income and, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as expense in the statement of comprehensive income, in this case the increase is recognised through profit in the statement of comprehensive income. A revaluation deficit is recognised as expense in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation and impairment as at the revaluation date, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Further detailed information about the asset retirement and land reclamation obligation disclosed in *Notes 5 and 27*.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	5-50
Machinery and equipment	3-30
Pipelines and transportation assets	5-30
Other	2-10

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.6 Property, plant and equipment (continued)

According to the Group's accounting policy technological oil, construction in progress and land are not subject to depreciation.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

Residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

##### 4.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is provided on a straight-line basis over the estimated useful economic life of the assets. Intangible assets are generally amortized over seven-ten years. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognised.

##### 4.8 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 (hereinafter "CGU") fair value less costs to sell and its value in use.

Recoverable amount 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. When 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 selling costs, recent market transactions are taken into account, if available. If no such transactions can be identified, 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations (including impairment on inventories) are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for the previously overvalued property, plant and equipment when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount previously conducted revaluation.

At each reporting date the Group makes an assessment as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. Previously recognised 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 recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised through profit or loss, unless the asset is carried at revalued amount. In the latter case the reversal is treated as a revaluation increase.

Information on impairment of non-financial assets is disclosed in *Notes 5, 6 and 8*.

##### 4.9 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 and fair value through profit or loss.

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 *Revenue from Contracts with Customers*.

In order for a 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.

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.

The Group's financial assets include cash and short-term bank deposits, trade and other receivables, and investments in bonds.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.9 Financial assets (continued)

###### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

###### 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 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 includes trade and other accounts receivables, funds in credit institutions (cash and cash equivalents, bank deposits).

###### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

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.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group includes bonds of "Special financial company DSFK" LLP to this category (Note 19).

###### Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets

measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group doesn't have financial assets of this category.

###### Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group doesn't have financial assets of this category.

###### Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised (e.g., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- 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 asset is recognised to the extent of the Group's continuing involvement in the asset.

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.

#### 4.10 Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 5);
- Trade and other accounts receivable (Note 12);
- Bank deposits (Note 16);
- Cash and cash equivalents (Note 17).

The Group recognises an allowance for expected credit losses (ECLs) for all loans and other debt financial assets that are 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. ECLs are discounted at an approximation of the original effective interest rate for a similar instrument with a similar credit rating.



## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.10 Impairment of financial assets (continued)

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 receivables and contract assets, 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 model that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For funds in credit institutions (bank deposits, cash and cash equivalents), investments in bonds, the Group calculated ECLs based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

### 4.11 Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other accounts payable.

#### *Subsequent measurement*

The measurement of financial liabilities depends on their classification.

#### *Trade and other accounts payable*

After initial recognition, trade and other accounts payable are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

#### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

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 recognised in the statement of comprehensive income as income or expense.

### 4.12 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.

### 4.13 Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of inventories is determined by using of FIFO basis.

### 4.14 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### 4.15 Provisions

Provisions are recognised 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. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss excluding any reimbursement.

The Group records a provision on asset retirement and land reclamation obligation. Provisions on asset retirement and land reclamation obligation are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pretax rate that reflects the risks specific to the asset retirement and land reclamation obligation. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of comprehensive income as a finance cost.

The estimated future costs on asset retirement and land reclamation obligation are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset (Notes 5 and 27).

### 4.16 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 and its employees and Company's Rule of social support of non-working pensioners and disabled people. The Collective agreement provides for one-off retirement payments, financial aid for employees' disability, anniversaries and funeral. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.16 Employee benefits (continued)

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 on the end of labor activity. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. 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 services 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 rate. 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 interest cost. 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.

The results of the revaluation of employee benefits obligations, including actuarial gains and losses, are recognized by the Group as follows:

- Remuneration after termination of employment through other comprehensive income. In subsequent periods, the revaluation results will not be reclassified to profit or loss;
- Other long-term benefits through profit or loss.

Net interest is calculated by applying the discount rate to the net defined benefit obligations or asset. The Company recognises the following changes in the net defined benefit obligation under "cost of sales", "administration expenses" and "finance expenses" in consolidated statement of comprehensive income (by function):

- Service costs comprising current service costs, past-service costs;
- Net interest expense or income.

Employee benefits 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.

These obligations are valued by independent qualified actuaries on an annual basis.

More information is disclosed in Notes 5 and 21.

##### 4.17 Revenue and other income recognition

The Group's activities mainly relates to the transportation of oil and water through main pipelines on the territory of the Republic of Kazakhstan, as well as to the transshipment of oil and oil products in Georgia.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group has concluded that it is acting as a principal in all of its revenue arrangements (as it typically controls the goods or services before transferring them to the customer), except for transportation expedition contract where the Group is acting as an agent for which the Group recognizes revenue commission for its services.

In the consolidated financial statements, the Group generally recognizes revenue for the following types:

##### **Rendering of transportation services**

Revenue from rendering of transportation and transshipment services is recognized at a point in time on the basis of actual volumes of oil and water transported during the reporting period.

##### **Rendering of pipeline operation and maintenance services**

Revenues from pipeline operation and maintenance services are recognized over time, as the buyer simultaneously receives and benefits from the performance of the Group's contractual obligations.

##### **Rendering of other services**

Revenue from rendering of other services is recognized as services are provided.

##### **Interest income**

For all financial instruments measured at amortized cost and at fair value through profit or loss, as well as at fair value through other comprehensive income, interest income or expense are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through 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.

##### **Dividends**

Dividend income is recognized when the Group's right to receive the payment is established (on the date of dividends approval).

##### **Fees for undelivered oil volumes**

Income from fees for undelivered oil volumes is recognized for nominated and non-delivered oil volumes under oil transportation contracts on "ship or pay" terms.

In preparing to adopt IFRS 15, the Group is considering the following:

##### Variable consideration

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue.

The variable consideration is absent in contracts with customers, due to the absence of discounts, credit payment, concessions in price, incentives, bonuses for results or other similar items. This update will have no effect on revenue recognition.

##### Principal versus agent considerations

IFRS 15 requires assessment of whether the Group controls a specified good or service before it is transferred to the customer/customer's buyer.

The Group determined that it acts as a principal for all contracts under which revenue is recognized (since it controls the promised service before it is transferred to customer or to customer's buyer), except for contracts on oil transportation coordination services where Group determined that it does not control the services before they are accepted by the customer's buyer. Hence, Group is an agent, rather than principal in these contracts on oil transportation coordination services.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.17 Revenue and other income recognition (continued)

###### **Fees for undelivered oil volumes (continued)**

###### Advances received from customers

Advance payments received from customers are contractual obligations. The contractual obligations are the obligation to transfer to the buyer the goods or services for which the Group has received compensation from the buyer. If the buyer pays compensation before the Group transfers the product or service to the buyer, the contractual obligation is recognized at the time the payment is made or at the time the payment becomes payable (whichever is earlier). Contractual liabilities are recognized as revenue when the Group fulfills its contractual obligations.

Under IFRS 15, the Group must determine whether there is a significant financing component in its contracts.

The Group receives only short-term advances from its customers. They are presented as part of advances received. The Group determined that the length of time between the delivery of the services to the customer by the Group and the time when the customer pays for such services is relatively short. Therefore, the Group has concluded that given contracts do not contain significant financing component.

In accordance with the requirements for the consolidated financial statements, the Group has detailed information on revenue recognized under contracts with customers in categories reflecting how economic factors influence the nature, size, timing and uncertainty of revenue and cash flows. Disclosure of detailed revenue is discussed in Note 29.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. These changes did not affect to the consolidated financial statements of the Group.

##### 4.18 Taxes

###### **Current income tax**

Current income tax assets and liabilities 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, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised in other comprehensive income is recognised in equity and not in the statement of comprehensive income. Management of the Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

###### **Deferred tax**

Deferred 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 tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred 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;

- 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 tax assets are recognised for all deductible temporary differences, carry forward 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 carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred 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;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised 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 utilised.

The carrying amount of deferred 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

###### **Value added tax (VAT)**

VAT related to sales is payable to the budget when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier.

Revenue, expenses and assets are recognized after deduction of VAT, except for instances, where amount of VAT is recognized as a part of costs for asset acquisitions or as a part of expenses.

Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the balance sheet date is stated in the consolidated statement of financial position on a net basis.

Due to specifics of tax legislation and the Group's operations a certain part of input VAT can be carried over into subsequent years. Such portion of VAT is classified as long-term asset and assessed for impairment and considered as a corporate asset allocated to existing CGU.

Receivables and payables are stated including VAT.

The net amount of sales tax recoverable from or payable to, the taxation authority is included as part of VAT recoverable, other taxes prepaid and other taxes payable in the statement of financial position.



#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.19 Equity

###### Share capital

External costs directly attributable to the issue of new shares, excluding business combinations are shown as a deduction from the proceeds from share issue in equity.

###### Treasury shares repurchased from shareholders

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

###### Dividends

The Group recognises a liability to make cash or non-cash distributions to shareholders, when the distribution is authorised and the distribution is no longer at the discretion of the Company. According to legislation of the Republic of Kazakhstan, distribution is authorised by the shareholders. A corresponding amount is recognised directly in equity.

At the moment of distribution of non-monetary assets the difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in consolidated statement of comprehensive income.

Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before consolidated financial statements are authorized for issue.

##### 4.20 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as at 1 January 2019.

###### New standards, interpretations and amendments adopted by the Group

The Group applied for the first time certain standards and amendments, which were effective for annual periods starting on or after 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment are described below:

###### IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

Lessor accounting under IFRS 16 is substantially unchanged under 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 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying

the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

###### (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 an operating lease. Any prepaid rent and accrued rent were recognised under Advances to suppliers and Trade 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 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 were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid 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 Group also applied the available practical expedients where in it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to contracts with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

<i>In thousands of Tenge</i>	<b>1 January 2019</b>
<b>Assets</b>	
Right-of-use assets (Note 7)	<b>4,983,284</b>
Investments in joint ventures (Note 9)	<b>(398,494)</b>
<b>Total assets</b>	<b>4,584,790</b>
<b>Liabilities</b>	
Lease liabilities (Note 24)	<b>5,513,329</b>
Deferred tax liability (Note 36)	<b>(106,009)</b>
<b>Total liabilities</b>	<b>5,407,320</b>
<b>Equity</b>	
Retained earnings	<b>(822,530)</b>
<b>Total</b>	<b>(822,530)</b>

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.20 Changes in accounting policies and disclosures (continued)

###### IFRS 16 Leases (continued)

(a) Nature of the effect of adoption of IFRS 16 (continued)

Leases previously accounted for as operating leases (continued)

Upon application of IFRS 16 had the following impact to the financial statements of a joint venture (KCP): as at 1 January 2019, the entity recognized assets in the form of right-of-use in the amount of 1,503,395 thousand Tenge and lease liabilities in the amount of 2,300,383 thousand Tenge, as well as a decrease in retained earnings of 796,988 thousand Tenge. The corresponding decrease in investments in a joint venture amounted to 398,494 thousand Tenge (Note 9).

Below is a reconciliation of liabilities as at 1 January 2019 with contractual commitments for operating leases as at 31 December 2018:

<i>In thousands of Tenge</i>	
<b>Operating lease contractual commitments as at 31 December 2018</b>	<b>7,361,333</b>
The weighted average rate of raising additional borrowings as at 1 January 2019	<b>13.46%</b>
<b>Discounted operating lease liabilities as at 1 January 2019</b>	<b>5,513,329</b>
<b>Less:</b>	
Contractual commitments related to short term lease liabilities	-
Contractual commitments related to low value assets	-
<b>Add:</b>	
Contractual commitments related to lease previously classified as a financial lease	-
Payments in the periods specified in the renewal option, not recognized as at 31 December 2018	-
<b>Lease liabilities as at 1 January 2019 (Note 24)</b>	<b>5,513,329</b>

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

###### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

###### Lease liabilities

At the commencement date of the lease, the Group recognizes 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 recognized 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 at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

###### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

###### Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

The following interpretations and amendments are applied for the first time in 2019 and did not affect the consolidated financial statements of the Group:

###### 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 and does not apply to taxes or levies outside the scope of IAS 12, no 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.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.20 Changes in accounting policies and disclosures (continued)

###### *New standards, interpretations and amendments adopted by the Group (continued)*

(a) *Nature of the effect of adoption of IFRS 16 (continued)*

###### *Significant judgement in determining the lease term of contracts with renewal options (continued)*

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. Using the approach that better predicts the resolution of the uncertainty is required. The interpretation is effective for annual reporting periods starting on or after 1 January 2019, but certain transition reliefs are available. This interpretation do not have any impact on the consolidated financial statements.

###### *Amendments to IFRS 9 Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortised 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 the 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 are applied retrospectively.

###### *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 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;
- Determine 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 also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements and will apply only to any future plan amendments, curtailments, or settlements of the Group.

###### *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 (longterm 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*.

The amendments should be applied retrospectively. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

###### **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. These amendments will apply on future business combinations of the Group.

###### **IFRS 11 Joint Arrangements**

A party 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. These amendments are currently not applicable to the Group but may apply to future transactions.

###### **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 the entity originally recognised those past transactions or events.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

###### **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing 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.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

###### **Standards issued but not yet effective**

The following are the standards and interpretations that were issued but have not yet entered into force on 31 December 2019. The Group intends to apply these standards from the date they enter into force.

###### **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 starting on or after 1 January 2021. The Group does not expect the standard to have a material impact on its consolidated financial statements.

Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.



#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.20 Changes in accounting policies and disclosures (continued)

###### *New standards, interpretations and amendments adopted by the Group (continued)*

###### **Standards issued but not yet effective (continued)**

###### *Revised version of Conceptual Framework for Financial Reporting*

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 starting on or after January 2020. The revised version of Conceptual Framework is not expected to have a significant impact on the consolidated financial statements.

###### *Amendments to IFRS 3 Definition of a Business Combinations*

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 1 January 2020; earlier application is permitted. Since the amendments apply prospectively to transactions or other events after the date of first application these amendments is not expected to have a significant impact on the consolidated financial statements.

###### *Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

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*. Amendments to IAS 1 and IAS 8 introduce the new definition of material.

The amendments to IAS 1 and IAS 8 are effective on or after 1 January 2020; earlier application is permitted.

The Group does not expect the amendments to have a material impact on its consolidated financial statements.

###### *Amendments to IFRS 7 Financial instruments: Disclosures and IFRS 9 Financial Instruments Named Interest Rate Benchmark Reform*

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 1 January 2020; earlier application is permitted.

These amendments is not expected to have a significant impact on the consolidated financial statements.

###### *Amendments to IAS 1 Presentation of Financial Statements named Classification of Liabilities as Current or Noncurrent*

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 noncurrent. The amendments are effective on or after 1 January 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 early adoption in respect of above mentioned new standards and amendments to existing standards to which this option is available.

#### 5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. 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.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial risk management and policies (*Note 40*);
- Sensitivity analyses disclosures (*Note 40*).

##### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

###### *Fair value measurement of the Group's property, plant and equipment*

The Group accounts for its property, plant and equipment at fair value. During 2019 the Group engaged independent external appraisers to perform valuation of its property, plant and equipment.

The valuation methods used by the Group in assessing the fair value of property, plant and equipment are considered from the perspective of the best and most efficient use of the valued asset. The best and most efficient use of the Group's assets, except BOT and Main Waterline, is their use in operating activities. The best and most efficient use of the BOT's assets is their realization. The best and most efficient use of the Main Waterline's assets is their use in conjunction with the assets of oil production companies in the region.

The initial data used to determine the fair value of the Group's office buildings in the cities of the Republic of Kazakhstan with the relevant land plots, land plots in Georgia (Batumi), as well as vehicles and certain other nonspecialized assets, refer to Level 2 in the fair value hierarchy (unquoted observable inputs).

The remaining property, plant and equipment are specialized and the initial data used for determining their fair value refer to Level 3 in the fair value hierarchy (unobservable inputs).

The methodology used in valuation of the specialized assets of the Group's companies, except BOT's property, plant and equipment, was initially based on the valuation of the depreciable replacement cost ("cost method"). The cost method is used if the valuation object is new or is under construction, it relates to objects with a limited market (specialized objects), for which it is not possible to obtain information on sales prices (in the absence of an active market). The fair value of BOT's assets was determined using market approach.

As part of the valuation, the appraiser performed a test for adequate profitability using the income approach to determine the amount of economic depreciation of the Group's specialized property, plant and equipment. Recoverable amount of property, plant and equipment of the Group's companies, except BOT and Main Waterline, is determined by assessing value in use. The value in use of assets is defined as the value of the business, adjusted for the fair value of net working capital and non-specialized property, plant and equipment. Cash flow forecasting was based on the budgets and business plans of the Group's companies approved by the management of the Group for 2019 and for the period 2020-2024, respectively. The value of cash flows in the post-forecast period is determined by the Gordon formula using the following discount rate and long-term growth rate indicators.

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### Estimates and assumptions (continued)

#### Fair value measurement of the Group's property, plant and equipment (continued)

The above assets were grouped into cash flow generating units ("CGU") – Oil Transportation (Company) CGU and BSP CGU. The following basic assumptions were applied in determining the value in use:

	Cash-generating unit	
	Oil transportation (Company)	BSP
Discount rate	13.94%	11.82%
Long-term growth rate	3.29%	2%

The results obtained in terms of value in use were lower than those measured at the amortized replacement cost and, therefore, were taken as the fair value of the Group's property, plant and equipment. The results of assessing the value in use are sensitive to change of discount rate and long-term growth rate indicators and also to forecasts regarding the volume of sales of services provided, the level of tariffs for services provided, the size of capital and current costs.

Sensitivity analysis of value of property plant and equipment for the change in the discount rate and long-term growth rate is as follows:

In thousands of Tenge	(Decrease)/ increase in rate	(Decrease)/increase in value of property, plant and equipment	
		Oil transportation (Company) CGU	BSP CGU
Discount rate	-0.5%	21,053,605	335,914
	+0.5%	(19,176,879)	(327,880)
Inflation rate	-0.5%	(14,573,259)	(604,110)
	+0.5%	16,009,748	665,707

As a result of the revaluation of the fair value of the Group's property, plant and equipment, and analysis of property, plant and equipment for impairment, during the 12 months ended 31 December 2019, the net value of the Group's property, plant and equipment (excluding technological oil) increased by 71,339,490 thousand Tenge (Note 6). The net revaluation through revaluation reserve was amounted to 85,991,715 thousand Tenge and write off the revaluation reserve through profit and loss was amounted to 14,652,225 thousand Tenge. The write off the revaluation was mainly due to impairment of BOT's property, plant and equipment.

#### Impairment of land use rights of BSP

Based on the results of an independent assessment of the fair value of BSP, land plots based on their market value, the Group recovered previously recognized impairment of land use rights of BSP by 3,832 thousand US Dollars (equivalent to 1,467,158 thousand Tenge) (Note 8).

#### Revaluation of technological oil

Technological oil is revalued at each reporting date, due to the fact that fluctuations are quite frequent and significant. Technological oil was revalued on 31 December 2019.

Input data for determining the fair value of technological oil refer to Level 2 in the fair value hierarchy (unquoted observable inputs).

The following judgments were taken into account by the Group's management when determining fair value of technological oil:

- Technological oil is an integral part of the process of operating the pipeline without which the transportation is not possible and, accordingly, the object of valuation is a specialized asset;
- Technological oil cannot be sold or otherwise disposed due to regulations imposed by CRNMPCandCR;
- Tariffs are being closely monitored by CRNMPCandCR and the Government (except export tariffs and transit through the territory of Kazakhstan) to ensure they will not adversely affect general price index in the country, and thus may be set at the level which will not allow to recover cost of oil, if it was valued at international market price;
- The Group is affected by regulations set by KMG and, should there be a decision to sell some part of oil, subject for do approval of CRNMPCandCR, it would be sold only to the KMG Group's trading division at internal price;
- And if the Group needs to buy additional oil to fill in new parts of pipeline, it would buy oil from the KMG Group entities at the same internal price.

Taking into account all these factors as at 31 December 2019 the fair value of the Group's technological oil was determined based on the price of 63,774 Tenge per ton (as at 31 December 2018: 63,015 per ton). The effect of the change in fair value of the technological oil was equal to 1,938,556 thousand Tenge (as at 31 December 2018: 54,541,851 thousand Tenge), in addition as at 31 December 2019 the revaluation of technological oil surplus in the amount 3,216,187 thousand Tenge (as at 31 December 2018: 3,678,627 thousand Tenge) was recognized; the overall effect of revaluation is equal to 5,154,743 thousand Tenge (as at 31 December 2018: 58,220,478 thousand Tenge) (Note 6).

The volume of oil in the pipeline as at 31 December 2019 amounted to 2,605 thousand tons (31 December 2018: 2,555 thousand tons). According to the results of stock count held at the end of 2019 the oil surpluses in the amount of 50,431 tons (for 2018: 58,377 tons), and write-off of oil in the amount of 120 tons (for 2018: 1,457 tons) were recognized in the reporting period.

#### Useful lives of items of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial yearend and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

#### Asset retirement and land recultivation obligation

According to the Law of the Republic of Kazakhstan *About the Main Pipeline* which came into force on 4 July 2012, the Group has a legal obligation to decommission its oil pipelines at the end of their operating life and to restore the land to its original condition. Activities on land recultivation are carried out when replacing the pipelines at the end of their useful life.

Asset retirement and land recultivation obligation is estimated based on the value of the work to decommission and rehabilitate calculated by the Group in accordance with the technical regulations of the Republic of Kazakhstan (pipeline decommission expense is equal to 5,954 thousand Tenge per kilometer (2018: 5,671 thousand Tenge).

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### Estimates and assumptions (continued)

#### Asset retirement and land reclamation obligation (continued)

Reserve on liquidation of landfills and waste management is also reflected within the asset retirement and land reclamation obligation. The reserve was created in 2013 in accordance with the requirements of Environmental Code of the Republic of Kazakhstan, which states that the owner of the landfills has to create a liquidation fund for reclamation of land and for monitoring of environmental impact right after the closure of the landfill.

The reserve was determined at the end of the reporting period using the projected inflation rate for the expected period of fulfillment of obligations, and the discount rate at the end of the reporting period which is presented below:

As a percentage	2019	2018
Discount rate	7.46%	8.91%
Inflation rate	5.48%	5.47%
Period of fulfillment of obligations	15 years	16 years

As there is no an active market for highly liquid corporate bonds in the Republic of Kazakhstan and due to the insufficiency of transactions on government bonds, the Group considers to use risk-free rates of US Treasury bonds as an estimated discount rate, adjusted for country risk and inflation rates of the Republic of Kazakhstan, with maturities corresponding to the expected duration of the asset retirement and land reclamation obligation.

As at 31 December 2019 the carrying amount of the asset retirement and land reclamation obligation was 27,780,887 thousand Tenge (31 December 2018: 21,109,397 thousand Tenge) (Note 27).

Assessing the cost of rehabilitation of the environment is subject to potential changes in environmental requirements and interpretations of the law. Furthermore uncertainties in the estimates of these costs include potential changes in regulatory requirements, alternative disposal and recovery of damaged land and levels of discount and inflation rates, and the time, when such obligations will be due.

Sensitivity analysis of asset retirement and land reclamation obligation for the change in significant assumptions as at 31 December 2019 is as follows:

In thousands of Tenge	(Decrease)/increase in rate	(Decrease)/ increase in liability
Discount rate	-0.5%	1,996,206
	+0.5%	(1,852,989)
Inflation rate	-0.5%	(1,895,065)
	+0.5%	2,025,087

#### Reserve for the impairment of advances to suppliers

The Group recognized reserve for the impairment of long-term and short-term advances to suppliers. In estimating the reserve historical and anticipated suppliers performance are considered. Changes in the economy, industry and specific characteristics may affect the reserves recorded in the consolidated financial statements.

This, as at 31 December 2019 and 2018 these reserves have been created for the amount of 742,567 thousand Tenge and 745,465 thousand Tenge, respectively (Notes 10 and 13).

#### Allowances for financial assets

The Group recognises allowances for expected credit losses for trade accounts receivable and funds in credit institutions (cash and cash equivalents, bank deposits).

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated expected credit losses based on lifetime of these financial instruments. The Group used a provision model that is prepared taking into account historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For funds in credit institutions (bank deposits, cash and cash equivalents), investments in bonds, the Group calculated expected credit losses based on the 12-month period. The 12-month expected credit losses is the portion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Thus, as at 31 December 2019 and 2018 allowance for expected credit losses was created in the amount of 4,952,944 thousand Tenge and 4,776,003 thousand Tenge, respectively (Notes 12, 16 and 17).

#### Tax provision

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of inspections by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax inspections and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the country.



## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### Estimates and assumptions (continued)

#### Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amount of recognized deferred tax assets as at 31 December 2019 was 11,176,846 thousand Tenge (31 December 2018: 7,702,677 thousand Tenge) (Note 36). As at 31 December 2019 and 2018 the Group did not have unrecognized deferred tax assets.

#### Employee benefits

The cost of defined long-term employee benefits to employees 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.

As there is no an active market for highly liquid corporate bonds in the Republic of Kazakhstan and the insufficiency of transactions on government bonds, the Company uses risk-free rates of US government treasury bonds as an estimated discount rate, with maturities corresponding to the expected term for fulfilling of employee benefits obligations, adjusted for country risk and inflation rates of the Republic of Kazakhstan.

The mortality rate is based on publicly available mortality tables. Increase in future salary and pension is based on expected future inflation rates for the respective country.

Principal actuarial assumptions used for valuation of employee benefit obligations as at 31 December 2019 and 2018 were as follows:

	2019	2018
Discount rate	7.28%	8.91%
Future salary increase	5.0%	5.0%
Mortality rate	5.09%	5.3%

As at 31 December 2019 the average period of post-retirement benefit obligations were 19.31 years (as at 31 December 2018: 19.4 years).

In connection with certain changes made in 2019 to the Regulation on social support for non-working pensioners and disabled people, the Company revised its obligations and reflected the changes as the cost of services of previous periods (Note 21).

Sensitivity analysis of employee benefit obligations for the change in significant estimates as at 31 December 2019 is as follows:

In thousands of Tenge	(Decrease)/increase in rate	Increase/(decrease) in liability
Discount rate	-0.5%	1,019,231
	+0.5%	(920,047)
Future salary increase	-0.5%	(928,279)
	+0.5%	1,023,214
Life duration	-1 year	(160,918)
	+1 year	172,737

## 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>At revalued amount as at 31 December 2018</b>	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
Foreign currency translation	(68,422)	-	(223,048)	(860,836)	(527,523)	-	(7,036)	47,384	(1,639,481)
Additions	-	75,434	2,711,868	18,209	2,277,559	-	769,665	36,413,000	42,265,735
Disposals	(1,400,156)	(910,442)	(152,045)	(182,024)	(2,120,999)	(7,310)	(542,231)	(89,674)	(5,404,881)
Revaluation (through revaluation reserve)	3,760,170	40,974,514	1,401,903	5,125,188	31,622,144	5,154,743	1,974,108	1,141,096	91,153,866
(Impairment)/revaluation (through profit and loss), net	(26,761)	664,400	(1,031,517)	(5,883,295)	(5,774,565)	-	(209,625)	(2,350,763)	(14,612,126)
Substraction of accumulated depreciation and impairment due to revaluation	-	(43,990,419)	(6,694,396)	(21,263,640)	(62,823,961)	-	(12,957,244)	(321,557)	(148,051,217)
Transfers to non-current assets held for sale (Note 18)	(73,519)	-	(339,155)	(672,938)	(31,483)	-	(604)	-	(1,117,699)
Transfers from construction-in-progress	7,856	1,352,304	728,208	3,262,878	16,172,930	-	219,535	(21,743,711)	-
Transfers to intangible assets (Note 8)	-	-	-	-	-	-	-	(245,274)	(245,274)
Transfers and reclassifications	-	26,464	(728,305)	(3,413,930)	4,141,436	-	(36,728)	11,063	-
<b>At revalued amount as at 31 December 2019</b>	<b>23,949,576</b>	<b>233,143,081</b>	<b>19,294,537</b>	<b>87,817,200</b>	<b>165,639,253</b>	<b>166,121,927</b>	<b>10,110,133</b>	<b>49,263,659</b>	<b>755,339,366</b>
<b>Accumulated depreciation and impairment as at 31 December 2018</b>	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)
Foreign currency translation	-	-	66,207	72,951	99,573	-	4,478	-	243,209
Depreciation charge	-	(14,748,940)	(2,795,570)	(6,519,063)	(23,328,207)	-	(4,427,486)	-	(51,819,266)
Disposals	-	793,849	136,384	122,789	2,066,580	-	528,911	21,411	3,669,924
Impairment (through profit and loss)	-	(268)	-	(1,588)	-	-	-	(38,243)	(40,099)
Impairment (through revaluation reserve)	-	(1,083)	-	(6,325)	-	-	-	-	(7,408)
Substraction of accumulated depreciation and impairment due to revaluation	-	43,990,419	6,694,396	21,263,640	62,823,961	-	12,957,244	321,557	148,051,217
Transfers to non-current assets held for sale (Note 18)	-	-	189,980	8,829	2,465	-	604	-	201,878
Transfers to intangible assets (Note 8)	-	-	-	-	-	-	-	7	7
Transfers and reclassifications	-	533	1,178	85,494	(87,118)	-	(87)	-	-
<b>Accumulated depreciation and impairment as at 31 December 2019</b>	-	<b>(5,385,993)</b>	<b>(1,176,504)</b>	<b>(2,616,469)</b>	<b>(10,120,061)</b>	-	<b>(1,618,342)</b>	-	<b>(20,917,369)</b>

## 6. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>At revalued amount as at 31 December 2017</b>	19,890,305	227,862,264	14,563,900	109,033,695	157,269,793	102,839,808	17,899,977	35,937,112	685,296,854
Foreign currency translation	2,159,089	-	567,027	3,391,865	1,885,786	-	63,744	108,610	8,176,121
Additions	-	38,026	6,500,021	41,517	4,786,484	-	2,089,359	37,535,779	50,991,186
Additions of asset retirement and land recultivation obligation (Note 27)	-	106,229	-	-	-	-	-	-	106,229
Transfers from non-current assets held for sale (Note 18)	-	-	22,498	-	-	-	-	-	22,498
Disposals	(134,166)	(1,173,251)	(128,835)	(970,256)	(871,533)	(85,792)	(621,011)	(67,237)	(4,052,081)
Revaluation (through revaluation reserve)	-	-	-	-	-	58,220,478	-	-	58,220,478
Transfers to non-current assets held for sale (Note 18)	(168,288)	-	-	(4,270,070)	(578,375)	-	(29,015)	-	(5,045,748)
Transfers from construction-in-progress	3,468	8,321,832	2,970,215	4,472,508	19,150,067	-	1,468,985	(36,387,075)	-
Transfers to intangible assets (Note 8)	-	-	-	-	-	-	-	(725,094)	(725,094)
Transfers and reclassifications	-	(204,274)	(873,802)	(11,671)	1,061,493	-	28,254	-	-
<b>At revalued amount as at 31 December 2018</b>	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
<b>Accumulated depreciation and impairment as at 31 December 2017</b>	-	(20,559,375)	(2,747,072)	(8,191,902)	(28,283,381)	-	(6,196,923)	(57,681)	(66,036,334)
Foreign currency translation	-	-	(125,185)	(632,362)	(459,136)	-	(20,943)	-	(1,237,626)
Depreciation charge	-	(15,644,967)	(2,366,527)	(6,382,407)	(22,084,104)	-	(5,045,533)	-	(51,523,538)
Disposals	-	780,353	104,342	209,238	651,591	59,180	605,088	2,181	2,411,973
Impairment (through expenses)	-	(2,185)	(276,897)	(841,411)	(1,160,537)	(8,586)	(32,434)	(249,232)	(2,571,282)
Impairment (through revaluation reserve)	-	(2,457)	(58,448)	(2,045,762)	(633,919)	(50,594)	(7,591)	-	(2,798,771)
Transfers to non-current assets held for sale (Note 18)	-	-	-	237,984	283,028	-	17,735	-	538,747
Transfers and reclassifications	-	8,128	708	3,426	(10,857)	-	(1,405)	-	-
<b>Accumulated depreciation and impairment as at 31 December 2018</b>	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)



## 6. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 31 December 2019									
At revalued amount	23,949,576	233,143,081	19,294,537	87,817,200	165,639,253	166,121,927	10,110,133	49,263,659	755,339,366
Accumulated depreciation and impairment	-	(5,385,993)	(1,176,504)	(2,616,469)	(10,120,061)	-	(1,618,342)	-	(20,917,369)
<b>Net book value</b>	<b>23,949,576</b>	<b>227,757,088</b>	<b>18,118,033</b>	<b>85,200,731</b>	<b>155,519,192</b>	<b>166,121,927</b>	<b>8,491,791</b>	<b>49,263,659</b>	<b>734,421,997</b>
As at 31 December 2018									
At revalued amount	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
Accumulated depreciation and impairment	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)
Net book value	21,750,408	199,530,323	18,151,945	94,044,392	131,006,400	160,974,494	10,218,287	36,097,363	671,773,612

The carrying value of each revalued class of property, plant and equipment that would have been recognized in the consolidated financial statements had the assets been carried at cost less any accumulated depreciation and any accumulated impairment loss is as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>As at 31 December 2019</b>	<b>17,966,615</b>	<b>154,981,672</b>	<b>15,537,915</b>	<b>59,764,353</b>	<b>112,835,701</b>	<b>30,407,824</b>	<b>6,273,128</b>	<b>49,777,755</b>	<b>447,544,962</b>
As at 31 December 2018	18,437,634	157,523,347	15,720,849	69,988,280	110,237,099	30,409,139	8,162,817	37,152,464	447,631,629

As at 31 December 2019 construction in progress mainly includes the following production facilities:

- Replacement of a pipe section of the "Astrakhan – Mangyshlak" main water pipeline;
- Overhaul with replacement of the separate sections of the Uzen-Atyrau-Samara, "Prorva-Kulsary" main oil pipelines;
- Replacement and reconstruction of the objects of main oil pipeline (communication lines, power supply, automation system and other).

As at 31 December 2018 construction in progress mainly includes the following production projects:

- Reconstruction of the "Astrakhan – Mangyshlak" water pipeline's objects, including reconstruction of WPS-5;
- Overhaul with replacement of the pipeline of the main oil pipeline "Prorva-Kulsary";
- Reconstruction of fire-fighting system and power supply for production facilities.

As at 31 December 2019:

- The initial cost and corresponding accumulated depreciation of fully depreciated plant and equipment still in use property were 1,030,764 thousand Tenge (31 December 2018: 1,158,467 thousand Tenge);
- Construction in progress included materials and spare parts in the amount of 3,669,128 thousand Tenge (31 December 2018: 4,479,477 thousand Tenge), which were acquired for construction works.

Depreciation for the year ended 31 December 2019, included in the cost of construction in progress amounted to 26,734 thousand Tenge (for the year ended 31 December 2018: 33,166 thousand Tenge).

## 7. RIGHT-OF-USE ASSETS

Right-of-use assets as at 31 December 2019 are as follows:

In thousands of Tenge	Right-of-use assets				Total
	Land	Transportation assets	Buildings and constructions	Machinery, equipment and transfer devices	
<b>Net book value as at 31 December 2018</b>	-	-	-	-	-
Changes in accounting policy (Note 4)	97,419	4,512,445	373,420	-	4,983,284
Additions (Note 24)	-	-	-	341,652	341,652
Amortization charge	(10,951)	(1,254,808)	(84,932)	(72,201)	(1,422,892)
<b>Net book value as at 31 December 2019</b>	<b>86,468</b>	<b>3,257,637</b>	<b>288,488</b>	<b>269,451</b>	<b>3,902,044</b>
As at 31 December 2019					
At cost	131,814	6,106,397	399,633	341,652	6,979,496
Accumulated amortization	(45,346)	(2,848,760)	(111,145)	(72,201)	(3,077,452)
<b>Net book value</b>	<b>86,468</b>	<b>3,257,637</b>	<b>288,488</b>	<b>269,451</b>	<b>3,902,044</b>

## 8. INTANGIBLE ASSETS

Intangible assets as at 31 December 2019 and 2018 are as follows:

In thousands of Tenge	Licenses	Software	Right for land use	Other	Total
<b>Net book value as at 31 December 2018</b>	385,291	1,242,087	5,232,792	31,129	6,891,299
Additions	169,893	21,119	-	3	191,015
Transfers from construction in progress (Note 6)	86,225	159,042	-	-	245,267
Amortization charge	(128,506)	(348,364)	(193,732)	(4,362)	(674,964)
Reversal of impairment (Note 5)	-	-	1,467,158	-	1,467,158
Foreign currency translation	(5,851)	-	(323,192)	-	(329,043)
Disposals	-	(62,635)	-	-	(62,635)
<b>Net book value as at 31 December 2019</b>	<b>507,052</b>	<b>1,011,249</b>	<b>6,183,026</b>	<b>26,770</b>	<b>7,728,097</b>
<b>Net book value as at 31 December 2017</b>	312,106	1,290,744	4,912,491	30,460	6,545,801
Additions	12,087	7,639	-	22,768	42,494
Transfers from construction in progress (Note 6)	133,827	591,267	-	-	725,094
Amortization charge	(91,059)	(647,563)	(177,006)	(3,550)	(919,178)
Impairment	-	-	(77,979)	-	(77,979)
Foreign currency translation	18,330	-	575,286	-	593,616

In thousands of Tenge	Licenses	Software	Right for land use	Other	Total
Transfer to non-current assets held for sale (Note 18)	-	-	(18,549)	-	(18,549)
Transfers and reclassifications	-	-	18,549	(18,549)	-
<b>Net book value as at 31 December 2018</b>	<b>385,291</b>	<b>1,242,087</b>	<b>5,232,792</b>	<b>31,129</b>	<b>6,891,299</b>
<b>As at 31 December 2019</b>					
At cost	1,220,215	4,940,617	8,514,525	93,279	14,768,636
Accumulated amortization and impairment	(713,163)	(3,929,368)	(2,331,499)	(66,509)	(7,040,539)
<b>Net book value</b>	<b>507,052</b>	<b>1,011,249</b>	<b>6,183,026</b>	<b>26,770</b>	<b>7,728,097</b>
<b>As at 31 December 2018</b>					
At cost	1,021,657	5,499,098	9,160,850	93,276	15,774,881
Accumulated amortization and impairment	(636,366)	(4,257,011)	(3,928,058)	(62,147)	(8,883,582)
<b>Net book value</b>	<b>385,291</b>	<b>1,242,087</b>	<b>5,232,792</b>	<b>31,129</b>	<b>6,891,299</b>

## 9. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 31 December 2019 and 2018 are as follows:

In thousands of Tenge	KCP	MunaiTas	Total
<b>As at 31 December 2018</b>	10,513,603	19,487,720	30,001,323
Changes in accounting policy (Note 4)	(398,494)	-	(398,494)
Share in income of joint ventures	12,695,882	942,519	13,638,401
Share in other comprehensive income/(loss) of joint ventures	6,756,413	(82,304)	6,674,109
Additional contributions to the charter capital	-	5,100,000	5,100,000
<b>As at 31 December 2019</b>	<b>29,567,404</b>	<b>25,447,935</b>	<b>55,015,339</b>

## 9. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	KCP	MunaiTas	Total
<b>As at 31 December 2017</b>	14,331,613	17,405,373	31,736,986
Changes in accounting policy	(3,844)	(226)	(4,070)
Share in (loss)/income of joint ventures	(3,726,041)	1,650,104	(2,075,937)
Share in other comprehensive (loss)/income of joint ventures	(88,125)	432,469	344,344
<b>As at 31 December 2018</b>	10,513,603	19,487,720	30,001,323

At the end of 2019, by the decision of the participants, the charter capital of MunaiTas was increased by the total amount of 10,000,000 thousand Tenge, including the Company's share amounted to 5,100,000 thousand Tenge. The amount of the cash contribution made by the Company amounted to 100,000 thousand Tenge, the remaining amount of 5,000,000 thousand Tenge is recognized as the liability on a contribution to charter capital of a joint venture.

The following tables below show summarized financial information about joint ventures, including the Group's proportionate share:

<i>In thousands of Tenge</i>	KCP			
	31 December 2019		31 December 2018	
	50%	100%	50%	100%
<b>Assets and liabilities of joint ventures</b>				
Current assets	26,652,051	53,304,102	18,224,069	36,448,138
Non-current assets	112,103,745	224,207,490	108,058,909	216,117,818
Current liabilities	(21,010,934)	(42,021,868)	(20,594,902)	(41,189,804)
Non-current liabilities	(88,177,458)	(176,354,916)	(95,174,473)	(190,348,946)
<b>Net assets / net book value of investment</b>	<b>29,567,404</b>	<b>59,134,808</b>	10,513,603	21,027,206
<b>Additional information</b>				
Cash and cash equivalents	15,968,565	31,937,129	8,754,456	17,508,912
Short-term financial liabilities, net of trade and other payables and provisions	(15,056,917)	(30,113,834)	(15,411,861)	(30,823,722)
<b>Long-term financial liabilities, net of trade and other payables and provisions</b>	<b>(75,869,231)</b>	<b>(151,738,462)</b>	(89,400,397)	(178,800,794)

Long-term financial liabilities of KCP are represented by liabilities under loan agreement from 27 June 2018 with the Industrial and Commercial Bank of China Limited jointly with Industrial and Commercial Bank of China in Almaty JSC, acting as an agent. The loan amount was 540 million US Dollars (equivalent to 191,756,400 thousand Tenge at the date of attraction), the loan period is 6 years with the possibility of early repayment. The purpose of the loan is to refinance the loans from Industrial and Commercial Bank of China and ING Bank N.V. and Industrial and Commercial Bank of China and Industrial and Commercial Bank of China in Almaty JSC. As a result of refinancing, the bank margin was reduced from 3.96% to 2.375% and the deadlines for the final repayment of the principal debt were postponed from 2023 to 2024.

The Company along with the second participant of KCP did not guarantee the loans.

As at 31 December 2019 total payable under loan including interest equals to 475,319 thousand US Dollars (equivalent to 181,852,296 thousand Tenge), as at 31 December 2018 to 545,613 thousand US Dollars (equivalent to 209,624,516 thousand Tenge).

<i>In thousands of Tenge</i>	MunaiTas			
	31 December 2019		31 December 2018	
	51%	100%	51%	100%
<b>Assets and liabilities of joint ventures</b>				
Current assets	12,193,177	23,908,190	9,688,754	18,997,557
Non-current assets	17,450,072	34,215,827	14,019,921	27,490,041
Current liabilities	(1,471,757)	(2,885,798)	(1,634,263)	(3,204,437)
Non-current liabilities	(2,723,557)	(5,340,308)	(2,586,692)	(5,071,945)
<b>Net assets/net book value of investment</b>	<b>25,447,935</b>	<b>49,897,911</b>	19,487,720	38,211,216
<b>Additional information</b>				
Cash and cash equivalents	6,565,142	12,872,827	9,485,812	18,599,631
Short-term financial liabilities, net of trade and other payables and provisions	-	-	-	-
Long-term financial liabilities, net of trade and other payables and provisions	-	-	-	-

<i>In thousands of Tenge</i>	KCP			
	For the year ended 31 December			
	2019		2018	
	50%	100%	50%	100%
<b>Information on profit or loss and other comprehensive income of joint ventures for the year</b>				
Revenue	38,093,128	76,186,256	30,443,093	60,886,186
Income/(loss) from continuing operations for the year	12,695,882	25,391,764	(3,726,041)	(7,452,082)
Income/(loss) from discontinued operations for the year	-	-	-	-
Other comprehensive income/(loss)	6,756,413	13,512,826	(88,125)	(176,250)
<b>Total comprehensive income/(loss)</b>	<b>19,452,295</b>	<b>38,904,590</b>	(3,814,166)	(7,628,332)
<b>Dividends</b>	-	-	-	-
<b>Additional information</b>				
Depreciation and amortization	(6,753,476)	(13,506,951)	(5,996,100)	(11,992,200)
Interest income	97,095	194,190	111,955	223,910
Interest expense	(5,443,989)	(10,887,978)	(6,072,471)	(12,144,942)
Income/(loss) on exchange differences	363,920	727,840	(12,668,632)	(25,337,264)
Income tax (expense)/benefit	(3,141,393)	(6,282,786)	521,561	1,043,122



## 9. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	MunaiTas			
	For the year ended 31 December			
	2019		2018	
	51%	100%	51%	100%
<b>Information on profit or loss and other comprehensive income of joint ventures for the year</b>				
Revenue	3,690,358	7,235,996	4,542,842	8,907,533
Income from continuing operations for the year	942,519	1,848,076	1,650,104	3,235,498
Income/(loss) from discontinued operations for the year	-	-	-	-
Other comprehensive (loss)/income	(82,304)	(161,380)	432,469	847,978
<b>Total comprehensive income</b>	<b>860,215</b>	<b>1,686,696</b>	2,082,573	4,083,476
<b>Dividends</b>	-	-	-	-
<b>Additional information</b>				
Depreciation and amortization	(1,028,403)	(2,016,476)	(906,649)	(1,777,743)
Interest income	614,557	1,205,014	609,842	1,195,769
Income tax expense	(231,209)	(453,351)	(420,663)	(824,829)

## 10. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Advances to third parties for property, plant and equipment and construction services	1,640,395	838,835
Advances to related parties for property, plant and equipment and construction services (Note 38)	-	16,118
	1,640,395	854,953
Less: impairment allowance	(741,920)	(744,818)
<b>Total</b>	<b>898,475</b>	110,135

Movement in reserve for impairment of advances given to suppliers for property, plant and equipment was as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>As at 1 January</b>	<b>744,818</b>	661,754
Used in write-off of advances	-	(10,696)
Foreign currency translation	(2,898)	93,760
<b>As at 31 December</b>	<b>741,920</b>	744,818

## 11. INVENTORIES

Inventories as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Spare parts	3,269,061	2,367,694
Fuel	1,184,427	1,012,770
Construction materials	815,171	562,323
Chemical reagents	400,825	383,129
Overalls	360,870	345,834
Goods	78,972	98,814
Other	408,064	408,241
Less: impairment allowance	(238,889)	(48,307)
<b>Total</b>	<b>6,278,501</b>	5,130,498

## 12. TRADE AND OTHER ACCOUNTS RECEIVABLE

Long-term trade and other accounts receivable as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Trade accounts receivable from third parties	82,639	82,987
Other accounts receivable from third parties	1,123,472	-
Less: allowance for expected credit losses	(77,485)	-
<b>Total</b>	<b>1,128,626</b>	82,987

Movement in allowance for expected credit losses related to long-term trade and other receivables is as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>As at 1 January</b>	-	-
Charge for the year, net (Note 31)	77,485	-
<b>As at 31 December</b>	<b>77,485</b>	-

Current trade and other accounts receivable as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Trade accounts receivable from third parties	7,406,294	7,163,458
Trade accounts receivable from related parties (Note 38)	2,446,713	2,420,294
Other accounts receivable from third parties	767,842	725,594
Other accounts receivable from related parties (Note 38)	509	19,761
Less: allowance for expected credit losses	(4,763,120)	(4,701,509)
<b>Total</b>	<b>5,858,238</b>	5,627,598

**12. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)**

Movement in allowance for expected credit losses related to trade and other receivables is as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>As at 1 January</b>	<b>4,701,509</b>	3,444,446
Changes in accounting policy	-	27,623
Charge for the year, net (Note 31)	<b>128,775</b>	774,844
Used for write-off of receivables	<b>(3,066)</b>	-
Currency translation	<b>(64,098)</b>	454,596
<b>As at 31 December</b>	<b>4,763,120</b>	4,701,509

Trade and other accounts receivable as at 31 December 2019 and 2018 are denominated in the following currencies:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Tenge	<b>5,152,735</b>	4,935,286
US Dollar	<b>693,253</b>	673,886
Russian Ruble	<b>2,303</b>	1,905
Other currency	<b>9,947</b>	16,521
<b>Total</b>	<b>5,858,238</b>	5,627,598

Information on the Group's exposure to credit risk from trade and other accounts receivable using the estimated reserves model as at 31 December is provided:

<i>In thousands of Tenge</i>	Trade and other accounts receivable					Total
	Unexpired	Past due payments				
		Less than 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	
<b>As at 31 December 2019</b>						
Estimated total gross carrying value at default	<b>6,136,378</b>	<b>558,655</b>	<b>254,038</b>	<b>230,709</b>	<b>4,647,689</b>	<b>11,827,469</b>
Expected credit losses	<b>(145,384)</b>	<b>(2,043)</b>	<b>(41,372)</b>	<b>(12,065)</b>	<b>(4,639,741)</b>	<b>(4,840,605)</b>
<b>As at 31 December 2018</b>						
Estimated total gross carrying value at default	3,931,434	341,864	164,353	343,815	5,630,628	10,412,094
Expected credit losses	(79,033)	(2,444)	(45,948)	(69,582)	(4,504,502)	(4,701,509)

**13. ADVANCES TO SUPPLIERS**

Advances to suppliers as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Advances to third parties	<b>710,000</b>	519,721
Advances to related parties (Note 38)	<b>549,212</b>	225,799
	<b>1,259,212</b>	745,520
Less: impairment	<b>(647)</b>	(647)
<b>Total</b>	<b>1,258,565</b>	744,873

**14. VAT RECOVERABLE AND OTHER PREPAID TAXES**

VAT recoverable and other prepaid taxes as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Current VAT recoverable	<b>6,705,365</b>	9,021,244
Non-current VAT recoverable	<b>1,958,523</b>	-
Other taxes prepaid	<b>415,730</b>	483,654
<b>Total</b>	<b>9,079,618</b>	9,504,898

**15. OTHER CURRENT ASSETS**

Other current assets as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Due for oil transportation coordination services	<b>6,726,960</b>	7,653,717
Prepaid insurance	<b>35,760</b>	128,906
Deferred expenses from third parties	<b>34,805</b>	47,352
Due from employees	<b>31,905</b>	13,986
Other	<b>30,206</b>	39,193
<b>Total</b>	<b>6,859,636</b>	7,883,154

**16. BANK DEPOSITS**

Bank deposits as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Short-term bank deposits - US Dollars	<b>45,910,799</b>	25,357,200
Long-term bank deposits - Tenge	<b>2,158,180</b>	2,802,206
Accrued interest on deposits - Tenge	<b>39,791</b>	53,150
Accrued interest on deposits - US Dollars	<b>69,414</b>	41,315
Less: allowance for expected credit losses	<b>(78,017)</b>	(51,592)
<b>Total</b>	<b>48,100,167</b>	28,202,279

## 16. BANK DEPOSITS (continued)

Movement in allowance for expected credit losses on short-term bank deposits is as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>As at 1 January</b>	<b>27,462</b>	-
Changes in accounting policy	-	264
Charge for the year, net (Note 35)	<b>32,142</b>	27,198
<b>As at 31 December</b>	<b>59,604</b>	27,462

Movement in allowance for expected credit losses on long-term bank deposits is as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>As at 1 January</b>	<b>24,130</b>	-
Changes in accounting policy	-	31,251
Reversal for the year (Note 35)	<b>(5,717)</b>	(7,121)
<b>As at 31 December</b>	<b>18,413</b>	24,130

As at 31 December 2019 and 2018 bank deposits comprised of the following:

- US Dollars denominated deposits with maturity from 3 to 12 months, with interest from 0.5% per annum (as at 31 December 2018: from 0.5% to 0.7% per annum), maturing from January to June 2020 (as at 31 December 2018: from January to June 2019);
- Restricted long-term bank deposits with interest from 2% to 3.4% per annum maturing in 2028 and in 2027, respectively (as at 31 December 2018: from 2% to 3.5% per annum maturing in 2029 and in 2027, respectively), arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

## 17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Time deposits with banks – Tenge	<b>19,238,432</b>	27,107,538
Current accounts with banks – US Dollar	<b>4,365,671</b>	2,468,302
Current accounts with banks – Tenge	<b>2,920,193</b>	3,202,253
Current accounts with banks – Lari	<b>2,080,907</b>	461,040
Current accounts with banks – Russian Rubles	<b>32,182</b>	31,447
Current accounts with banks – Euro	<b>22,573</b>	8,452
Other current accounts with banks	<b>23,175</b>	21,567
Cash in hand	<b>280</b>	1,146
Less: allowance for expected credit losses	<b>(34,322)</b>	(22,902)
<b>Total</b>	<b>28,649,091</b>	33,278,843

Movement in allowance for expected credit losses on cash and cash equivalents is as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>As at 1 January</b>	<b>22,902</b>	5,784
Changes in accounting policy	-	1,334
Charge for the year, net (Note 35)	<b>8,858</b>	15,906
Foreign currency translation	<b>2,562</b>	(122)
<b>As at 31 December</b>	<b>34,322</b>	22,902

As at 31 December 2019 current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 6.75% to 8.60% per annum (as at 31 December 2018: from 6.55% to 7.50% per annum).

Interest for current accounts placed in US Dollars ranged as at 31 December 2019 and 2018 from 0.25% to 4% per annum.

## 18. NON-CURRENT ASSETS HELD FOR SALE

Changes in non-current assets held for sale for the twelve month period ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>As at 1 January</b>	<b>2,406,231</b>	2,848,498
Transfers from property, plant and equipment (Notes 6, 8)	<b>915,821</b>	4,525,550
Sold	<b>(1,481,495)</b>	(4,661,363)
Impairment for the year (Note 33)	<b>(960,743)</b>	(283,956)
Transfers to property, plant and equipment (Note 6)	-	(22,498)
<b>As at 31 December</b>	<b>879,814</b>	2,406,231

As at 31 December 2019 non-current assets held for sale are represented by property of the administrative residential building in Almaty, as well as unused vehicles. The Group plans to recover their carrying amount through sale rather than through continuing use. These assets were recognized at the lower of their carrying amount and fair value less costs to sell and are available for immediate sale in their present condition.

As at 31 December 2018 non-current assets held for sale are represented by property of the administrative residential building in Pavlodar which was sold within 12 months ended 31 December 2019 on terms of instalment payments over a ten-year period, as well as certain vehicles. The net amount of income from the sales of the abovementioned assets amounted to 34,624 thousand Tenge (Note 32).



## 19. INVESTMENTS IN BONDS

In December 2017, in accordance with the Decision of the Government of the Republic of Kazakhstan dated 7 November 2017, the Group purchased bonds of "Special Financial Company DSFK" LLP (hereinafter – "DSFK bonds") using the funds placed with RBK Bank JSC. The nominal amount of the bonds was 5,019,520 thousand Tenge, the number of bonds is 5,019,520 thousand units. DSFK bonds carry coupon interest of 0.01% per annum and mature in 15 years. The above mentioned bonds are secured by a financial guarantee of "Kazakhmys Corporation" LLP of 1,379,913 thousand Tenge. The guarantee is exercisable upon request of the Group not earlier than the fifth anniversary after the inception of the bonds. The Group revised the fair value of bonds based on the market interest rate of 12.4% and, as a result, recognized income from revision of bond's fair value in the amount of 165,251 thousand Tenge (Note 34). Thus, the book value of the investments in bonds as at 31 December 2019 amounted to 919,511 thousand Tenge (as at 31 December 2018: 828,437 thousand Tenge).

During the 2019 и 2018 years the issuer repurchased 74,177 thousand units of bonds and 43,457 thousand units of bonds at a price of 1 Tenge per 1 bond, respectively. In 2018, as a result of the revision of the fair value of bonds based on the market interest rate of 12.7%, income from revision of fair value in the amount of 122,932 thousand Tenge was recognized (Note 34).

## 20. EQUITY

### Share capital

As at 31 December 2019 and 2018 the Company's share capital comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share, which was authorized but not issued and not paid.

As at 31 December 2019 and 2018 the share capital was equal to 61,937,567 thousand Tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

### Treasury shares repurchased from shareholders

In 2016 based on request of a minority shareholder and the subsequent decision of the Board of Directors, the Company repurchased the announced common shares in the amount of 7,500 units for 9,549 thousand Tenge.

### Asset revaluation reserve

Revaluation reserve was formed based on revaluation and devaluation of property, plant and equipment of the Group and share in the asset revaluation reserve of the joint ventures.

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Revaluation reserve for property, plant and equipment of the Group	266,033,531	215,013,525
Share in the asset revaluation reserve of the joint ventures	33,551,968	28,575,452
<b>Total</b>	<b>299,585,499</b>	243,588,977

### Foreign currency translation reserve

As at 31 December 2019 foreign currency translation reserve was equal to 37,737,309 thousand Tenge (as at 31 December 2018: 39,572,764 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiaries as a result of changes in exchange rates (Note 4.2).

### Other capital reserves

As at 31 December 2019 other capital reserves represent a loss amounted to 1,893,432 thousand Tenge (as at 31 December 2018: 72,146 thousand Tenge). Change in this reserve is due to recognition of actuarial losses from revaluation of the Group's and joint ventures's employee benefits obligations under defined benefit plans.

Actuarial losses from revaluation of the Group's employee benefits obligations under defined benefit plans amounted to 1,872,560 thousand Tenge (Note 21), income tax effect of which amounted to 51,467 thousand Tenge (Note 36). For the same period of 2018 actuarial gain from revaluation of the Group's employee benefits obligations under defined benefit plans amounted to 688,653 thousand Tenge (Note 21), income tax effect of which amounted to 137,731 thousand Tenge (Note 36).

### Dividends

During 2019, the Company accrued and paid dividends as the result of 2018 year to the shareholders based on the decision of the general meeting of shareholders dated 28 May 2019 in the amount of 40,001,322 thousand Tenge (calculated as 104 Tenge per 1 share), with the use of net income received in 2018, in the amount 38,484,983 thousand Tenge and retained earnings of previous years in the amount 1,516,339 thousand Tenge, including 36,001,892 thousand Tenge related to KMG (Note 38) and 3,999,430 thousand Tenge related to minority shareholders.

During 2018 the Company accrued and paid dividends as the result of 2017 year to the shareholders based on the decision of the general meeting of shareholders dated 24 May 2018 in the amount of 61,540,496 thousand Tenge (calculated as 160 Tenge per 1 share), with the use of net income received in 2017, in the amount 50,117,856 thousand Tenge and retained earnings of previous years in the amount 11,422,640 thousand Tenge, including 55,387,527 thousand Tenge related to KMG (Note 38) and 6,152,969 thousand Tenge related to minority shareholders.

### Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

Since the Company, as the Parent of the Group, does not issue convertible financial instruments, basic earnings per share of the Group are equal to diluted earnings per share.

The following reflects the net profit and share data used in the basic earnings per share computations:

<i>In thousands of Tenge</i>	2019	2018
Net profit for the period attributable to ordinary equity holders of the Parent of the Group	45,121,438	38,484,983
Weighted average number of ordinary shares for the year for basic earnings per share	384,628,099	384,628,099
<b>Basic earnings per share, in relation to profit for the year attributable to ordinary equity holders of the Company, as a Parent company of the Group (in Tenge)</b>	<b>117</b>	100

## 20. EQUITY (continued)

### Book value per ordinary share

Book value per ordinary share is calculated in accordance with requirements of KASE of the Parent of the Group is as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
<b>Total assets</b>	<b>912,813,470</b>	803,440,601
Less: intangible assets (Note 8)	(7,728,097)	(6,891,299)
Less: total liabilities	(209,834,504)	(178,024,402)
Net assets for calculation of book value per ordinary share	<b>695,250,869</b>	618,524,900
Number of ordinary shares	<b>384,628,099</b>	384,628,099
<b>Book value per ordinary share (in Tenge)</b>	<b>1,808</b>	1,608

## 21. EMPLOYEE BENEFIT OBLIGATIONS

The Group has employee benefit obligations, mainly consisting of additional payments for pensions and jubilee obligations, applicable to all employees. These payments are unfunded.

Employee benefit obligations as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Current portion of employee benefit obligations	<b>658,941</b>	663,463
Non-current portion of employee benefit obligations	<b>15,756,306</b>	12,940,911
<b>Total</b>	<b>16,415,247</b>	13,604,374

Changes in the present value of employee benefit obligations for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>Employee benefit obligations as at 1 January</b>	<b>13,604,374</b>	13,340,926
Interest cost (Note 35)	<b>1,182,087</b>	1,163,566
Current services cost (Notes 30, 31)	<b>721,869</b>	568,282
Past services cost (Notes 5, 30, 31)	<b>(369,482)</b>	-
Actuarial loss/(gain) through profit and loss (Notes 32, 33)	<b>77,964</b>	(70,352)
Actuarial loss/(gain) through other comprehensive income (Note 20)	<b>1,872,560</b>	(688,653)
Benefits paid	<b>(674,125)</b>	(709,395)
<b>Employee benefit obligations as at 31 December</b>	<b>16,415,247</b>	13,604,374

## 22. DEFERRED INCOME

As at 31 December 2019 deferred income mainly represents a guarantee of the Group in the amount of 8,141,994 thousand Tenge (as at 31 December 2018: 8,423,897 thousand Tenge), ensuring the provision of individual BSP assets for longterm lease to a counterparty.

The change in the amount of these liabilities as at 31 December 2019 is due to changes in the exchange rates at the reporting date as well as amortization of liabilities for the period.

## 23. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Accounts payable to third parties for goods and services	<b>10,318,431</b>	10,209,574
Accounts payable to related parties for goods and services (Note 38)	<b>3,743,715</b>	2,062,160
Other accounts payable to third parties	<b>1,116,797</b>	682,590
Other accounts payable to related parties (Note 38)	<b>4,181</b>	3,190
<b>Total</b>	<b>15,183,124</b>	12,957,514

Trade and other accounts payable included payables to related and third parties, related to property, plant and equipment and construction in progress in the amount of 7,730,268 thousand Tenge (as at 31 December 2018: 4,655,943 thousand Tenge). The increase in trade payables as at 31 December 2019 is associated with capital works on replacement of the sections of the "Prorva-Kulsary" oil pipeline, "Astrakhan-Mangyshlak" water pipeline and modernization of the fiber-optic communication lines.

Trade and other accounts payable as at 31 December 2019 and 2018 are in the following currencies:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Tenge	<b>14,576,983</b>	12,207,766
US Dollars	<b>179,750</b>	244,584
Euro	<b>23,667</b>	34,206
Russian Rubles	<b>4,830</b>	3,770
Other currency	<b>397,894</b>	467,188
<b>Total</b>	<b>15,183,124</b>	12,957,514

## 24. LEASE LIABILITIES

Lease liabilities as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Non-current portion of obligations	<b>2,891,445</b>	-
Current portion of obligations	<b>1,912,220</b>	-
<b>Total</b>	<b>4,803,665</b>	-

Changes in the present value of obligations for the twelve months ended 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	2019
<b>As at 1 January</b>	<b>-</b>
Changes in accounting policy (Note 4)	<b>5,513,329</b>
Additions for the period (Note 7)	<b>341,652</b>
Unwinding of discount on obligations (Note 35)	<b>638,724</b>
Transfer from trade and other payables	<b>161,526</b>
Payments for the period	<b>(1,851,566)</b>
<b>As at 31 December</b>	<b>4,803,665</b>

**24. LEASE LIABILITIES (continued)**

The information below describes the cost of expenses reflected in the consolidated statement of comprehensive income:

<i>In thousands of Tenge</i>	<b>For the year ended 31 December</b>
Right-of-use assets amortization (Note 7)	<b>1,422,892</b>
Unwinding of discount on obligations (Note 35)	<b>638,724</b>
Low value assets lease expenses (Notes 30 and 31)	<b>35,000</b>
<b>Total</b>	<b>2,096,616</b>

**25. ADVANCES RECEIVED**

Advances received as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>31 December 2019</b>	31 December 2018
Advances received from related parties (Note 38)	<b>11,220,896</b>	13,198,088
Advances received from third parties	<b>7,258,086</b>	7,462,122
<b>Total</b>	<b>18,478,982</b>	20,660,210

**26. OTHER TAXES PAYABLE**

Other taxes payable as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	<b>31 December 2019</b>	31 December 2018
Personal income tax	<b>3,382,103</b>	3,773,442
Withholding tax at the source of payment to non-residents	<b>1,071,635</b>	1,146,069
Social tax	<b>708,284</b>	671,697
Property tax	<b>126,139</b>	118,004
VAT payable	<b>19,067</b>	12,092
Other taxes	<b>390,338</b>	335,570
<b>Total</b>	<b>5,697,566</b>	6,056,874

**27. PROVISIONS**

Movements in provisions for the years ended 31 December 2019 and 2018 are as follows:

**Short-term provisions**

<i>In thousands of Tenge</i>	<b>Tax provisions (BOT)</b>	<b>Provision on compen- sating tariff (Company)</b>	<b>Sponsorship (Company)*</b>	<b>Other provisions</b>	<b>Total</b>
<b>As at 31 December 2018</b>	192,484	1,046,994	-	396,126	1,635,604
Charge for the year, net (Notes 31, 33)	-	<b>18,100</b>	<b>1,200,000</b>	<b>206,298</b>	<b>1,424,398</b>
Provisions used	-	<b>(1,062,122)</b>	<b>(1,200,000)</b>	<b>(476,604)</b>	<b>(2,738,726)</b>
Foreign currency translation	<b>(13,432)</b>	-	-	<b>(1,291)</b>	<b>(14,723)</b>
<b>As at 31 December 2019</b>	<b>179,052</b>	<b>2,972</b>	-	<b>124,529</b>	<b>306,553</b>
<b>As at 31 December 2017</b>	182,117	-	-	41,125	223,242
Charge for the year (Notes 31, 33)	-	1,046,994	-	246,703	1,293,697
Transfers and reclassifications	-	-	-	72,114	72,114
Foreign currency translation	10,367	-	-	36,184	46,551
<b>As at 31 December 2018</b>	192,484	1,046,994	-	396,126	1,635,604

\* Pursuant to the instructions of the Head of State from 29 September 2018 and the decision of the Management Board of KMG from 11 February 2019, as well as the decision of the Board of Directors of the Company from 29 January 2019, the Company in the reporting period provided sponsorship for the construction of the facility in Turkestan in the amount of 2,200,000 thousand Tenge of which 1,200,000 thousand Tenge was paid from the reserve accrued in March 2019.

**Long-term provisions****Asset retirement and land reclamation obligation**

As at 31 December 2019 and 2018, the Company revised the long-term provisions considering current best estimate. Assumptions used and the sensitivity to changes in the discount and inflation rates are reflected in Note 5.

<i>In thousands of Tenge</i>	<b>2019</b>	2018
<b>As at 1 January</b>	<b>21,109,397</b>	15,347,322
Charge for the year through asset (Note 6)	-	106,229
Revision of estimates through other comprehensive loss	<b>3,334,156</b>	3,102,220
Reversal and revision of estimates through profit and loss, net (Note 33)	<b>1,445,338</b>	1,162,914
Unwinding of discount on asset retirement and land reclamation obligation (Note 35)	<b>1,891,996</b>	1,390,712
<b>As at 31 December</b>	<b>27,780,887</b>	21,109,397



## 28. OTHER CURRENT LIABILITIES

Other current liabilities as at 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	31 December 2019	31 December 2018
Salaries and other compensations	11,099,128	10,279,349
Accounts payable for oil transportation coordination services to related parties (Note 38)	8,193,956	8,437,279
Accounts payable for oil transportation coordination services to third parties	5,192,306	4,319,474
Accounts payable to pension fund	870,184	817,336
Current portion of deferred income from third parties	576,806	579,231
Other accruals	341,844	400,595
<b>Total</b>	<b>26,274,224</b>	<b>24,833,264</b>

Salaries and other compensations comprise of current salary payable, remunerations based on the year results and vacation payments payable.

## 29. REVENUE

Revenue for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	2019				
	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total segments
Crude oil transportation	199,874,262	-	-	-	199,874,262
Pipeline operation and maintenance services	16,077,069	-	-	-	16,077,069
Water transportation	-	-	7,576,717	-	7,576,717
Fees for undelivered oil volumes	5,248,781	-	-	-	5,248,781
Seaport services	-	-	-	4,960,464	4,960,464
Oil transshipment and railway shipment	-	4,437,846	-	-	4,437,846
Oil transportation coordination services	677,031	-	-	-	677,031
Oil storage services	52,861	-	-	-	52,861
Other	101,665	-	6,661	612,593	720,919
<b>Total</b>	<b>222,031,669</b>	<b>4,437,846</b>	<b>7,583,378</b>	<b>5,573,057</b>	<b>239,625,950</b>
<b>Geographic regions</b>					
Kazakhstan	197,920,245	2,105,402	7,583,378	-	207,609,025
Russia	24,111,424	-	-	-	24,111,424
Georgia	-	1,601,162	-	5,561,954	7,163,116
Other states	-	731,282	-	11,103	742,385
<b>Total revenue under contracts with customers</b>	<b>222,031,669</b>	<b>4,437,846</b>	<b>7,583,378</b>	<b>5,573,057</b>	<b>239,625,950</b>

<i>In thousands of Tenge</i>	2019				
	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total segments
<b>Timing of revenue recognition</b>					
At a point in time	205,954,600	4,437,846	7,583,378	5,573,057	223,548,881
Over time	16,077,069	-	-	-	16,077,069
<b>Total</b>	<b>222,031,669</b>	<b>4,437,846</b>	<b>7,583,378</b>	<b>5,573,057</b>	<b>239,625,950</b>

For the year ended 31 December 2019 revenue from the five major customers amounted to 53,294,711 thousand Tenge, 32,177,845 thousand Tenge, 13,868,640 thousand Tenge, 11,417,470 thousand Tenge and 9,525,424 thousand Tenge. For the year ended 31 December 2018, revenue from these customers amounted to 50,677,435 thousand Tenge, 29,489,655 thousand Tenge, 13,563,399 thousand Tenge, 10,956,630 thousand Tenge and 9,450,461 thousand Tenge, respectively.

<i>In thousands of Tenge</i>	2018				
	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total segments
Crude oil transportation	189,600,250	-	-	-	189,600,250
Pipeline operation and maintenance services	13,233,048	-	-	-	13,233,048
Water transportation	-	-	7,536,197	-	7,536,197
Fees for undelivered oil volumes	-	-	-	5,453,702	5,453,702
Seaport services	4,852,920	-	-	-	4,852,920
Oil transshipment and railway shipment	-	3,001,848	-	-	3,001,848
Oil transportation coordination services	691,347	-	-	-	691,347
Oil storage services	77,375	-	-	-	77,375
Other	110,286	-	354	842,243	952,883
<b>Total</b>	<b>208,565,226</b>	<b>3,001,848</b>	<b>7,536,551</b>	<b>6,295,945</b>	<b>225,399,570</b>

### Geographic regions\*

Kazakhstan	191,160,711	246,630	7,536,551	-	198,943,892
Russia	17,404,515	-	-	-	17,404,515
Georgia	-	1,561,306	-	6,295,945	7,857,251
Other states	-	1,193,912	-	-	1,193,912
Total revenue under contracts with customers	208,565,226	3,001,848	7,536,551	6,295,945	225,399,570

### Timing of revenue recognition

At a point in time	195,332,178	3,001,848	7,536,551	6,295,945	212,166,522
Over time	13,233,048	-	-	-	13,233,048
<b>Total</b>	<b>208,565,226</b>	<b>3,001,848</b>	<b>7,536,551</b>	<b>6,295,945</b>	<b>225,399,570</b>

\* In 2019 the Group disclosed information by geographical regions of the countries of incorporation of customers; accordingly, the Group made reclassifications for the comparative period.

## 29. REVENUE (continued)

For the year ended 31 December 2018 revenue from the five major customers amounted to 50,677,435 thousand Tenge, 29,489,655 thousand Tenge, 13,563,399 thousand Tenge, 10,956,630 thousand Tenge and 9,450,461 thousand Tenge. For the year ended 31 December 2017, revenue from these customers amounted to 49,159,783 thousand Tenge, 26,582,952 thousand Tenge, 13,132,025 thousand Tenge, 10,663,597 thousand Tenge and 12,106,463 thousand Tenge, respectively.

## 30. COST OF SALES

Cost of sales for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	2019	2018
Personnel costs	54,667,892	51,328,346
Depreciation and amortization	52,498,771	50,759,001
Materials and fuel	8,839,641	8,177,241
Taxes other than income tax	8,595,272	8,387,637
Repair and maintenance	8,274,395	6,862,945
Electric energy	6,888,443	7,349,797
Security services	5,266,613	4,972,112
Gas expense	2,662,309	2,950,498
Environmental protection	2,097,765	1,039,222
Food and accommodation	2,022,624	1,786,131
Railway services	1,629,495	312,951
Business trip expenses	971,107	982,420
Insurance	665,263	653,375
Outstaffing services	426,839	443,259
Communication services	382,931	258,195
Diagnostics of production assets	337,544	368,319
Post-employment benefits (Note 21)	318,435	530,504
Air services	239,144	1,057,842
Transportation services	184,944	1,548,268
Rent expenses (Note 24)	8,965	333,818
Other	2,893,459	2,291,805
<b>Total</b>	<b>159,871,851</b>	<b>152,393,686</b>

The increase in depreciation and amortization expenses is primarily associated with significant commissioning of objects of construction in progress at the end of 2018, revaluation of property, plant and equipment, also recognition of the right-of-use assets in the reporting period (Note 7).

The increase in personnel costs is associated with the indexation of wages of production personnel.

The reduction in the cost of railway services is mainly due to decrease in the volume of gas in Georgia (Note 29).

The increase in the cost of environmental protection associated with the implementation of measures to restore disturbed lands (historical pollution) along the main oil pipeline.

The decrease in 2019 of both transportation services and rent expenses is associated with the introduction of IFRS 16 Leases starting from 1 January 2019, according to which these costs are treated as leases with recognition of the right-of-use assets.

The reduction in the costs of air services is associated with a temporary cessation of flights starting from second quarter 2019.

## 31. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	2019	2018
Personnel costs	9,592,215	9,006,465
Charity expenses	2,235,607	33,814
Depreciation and amortization	1,391,617	1,650,549
Office maintenance	511,978	581,342
Taxes other than income tax	385,317	287,536
Consulting services	358,096	355,333
Business trip expenses	338,041	325,718
Charge of provision (Note 27)	315,138	1,046,994
Social sphere expenses	298,176	333,814
Repair and maintenance	289,248	417,832
Outstaffing services	244,602	216,548
Charge of allowance for expected credit losses, net (Note 12)	206,260	774,844
Charge of provision for obsolete inventories, net	201,231	11,562
Communication services	163,929	139,128
Information services	126,764	140,445
Advertising expenses	106,911	82,425
Write-off of VAT recoverable	99,133	346,556
Bank costs	67,839	77,741
Insurance and security	56,421	75,547
Materials and fuel	53,201	101,783
Post-employment benefits (Note 21)	33,952	37,778
Rent expenses (Note 24)	26,035	61,233
Transportation services	15,190	162,313
Other	761,495	603,721
<b>Total</b>	<b>17,878,396</b>	<b>16,871,021</b>

## 32. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2019 and 2018 is as follows:

<i>In thousands of Tenge</i>	2019	2018
Income from fines and penalties	867,020	266,145
Amortization of deferred revenue	246,812	-
Income from reimbursement of insurance payment	127,013	87,852
Income from recognition of inventories	74,338	3,454
Income from sale of inventories, net	39,580	304,331
Income from sale of non-current assets held for sale, net (Note 18)	34,624	254,756
Actuarial gain (Note 21)	-	70,352
Other income	169,064	125,950
<b>Total</b>	<b>1,558,451</b>	<b>1,112,840</b>

### 33. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	2019	2018
Reversal of provision and revision of estimates on provision on asset retirement and land reclamation obligation, net (Note 27)	1,445,338	1,162,914
Impairment of non-current assets held for sale (Note 18)	960,743	283,956
Loss on write-off of VAT on property, plant and equipment	865,265	-
Expenses for liquidation of idle production facilities	134,212	106,084
Actuarial loss (Note 21)	77,964	-
Loss on disposal of property, plant and equipment and intangible assets, net	73,809	1,228,319
(Reversal)/charge of current provisions, net (Note 27)	(90,740)	246,703
Other expenses	240,362	122,587
<b>Total</b>	<b>3,706,953</b>	<b>3,150,563</b>

### 34. FINANCE INCOME

Finance income for the years ended 31 December 2019 and 2018 is as follows:

<i>In thousands of Tenge</i>	2019	2018
Interest income on bank deposits and current accounts	2,356,914	2,671,783
Income from revision the fair value of bonds (Note 19)	165,251	122,932
Unwinding of discount on long-term receivables	136,479	-
Other finance income	16,833	25,309
<b>Total</b>	<b>2,675,477</b>	<b>2,820,024</b>

### 35. FINANCE COSTS

Finance costs for the years ended 31 December 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	2019	2018
Unwinding of discount on asset retirement and land reclamation obligation (Note 27)	1,891,996	1,390,712
Interest cost on employee benefit obligations (Note 21)	1,182,087	1,163,566
Unwinding of discount on lease liabilities (Note 24)	638,724	-
Accrual of discount on long-term accounts receivables	136,100	-
Charge of allowance for expected credit losses of cash and cash equivalents, bank deposits, net (Notes 16 and 17)	35,283	35,983
<b>Total</b>	<b>3,884,190</b>	<b>2,590,261</b>

### 36. INCOME TAX EXPENSE

Income tax expense for the years ended 31 December 2019 and 2018 is as follows:

<i>In thousands of Tenge</i>	2019	2018
Current income tax expense	18,274,732	19,417,881
Changes in estimates of current income tax of the prior periods	(83,663)	1,034,264
Deferred income tax benefits	(4,236,858)	(6,740,724)
<b>Income tax expense</b>	<b>13,954,211</b>	<b>13,711,421</b>

A reconciliation of income tax expense on accounting profit, multiplied by income tax rate and current income tax expense for the years ended 31 December 2019 and 2018 is as follows:

<i>In thousands of Tenge</i>	2019	2018
<b>Profit before income tax</b>	<b>59,075,649</b>	<b>52,196,404</b>
Statutory rate	20%	20%
<b>Income tax expense on accounting profit</b>	<b>11,815,130</b>	<b>10,439,281</b>
Changes in estimates of current income tax of the prior periods	(83,663)	1,034,264
Non-deductible losses of foreign operations, net	2,808,506	988,954
Gain on surplus of technological oil	789,688	788,242
Non-deductible expense on long-term employee benefit obligations	276,396	44,213
Non-deductible loss on write of VAT recoverable	191,400	78,505
Representative expenses and holiday events	76,146	70,479
Non-deductible fines	63,304	209,399
Revision of estimates on taxable temporary differences related to property, plant and equipment	281,813	(1,065,393)
Other non-deductible expenses	463,171	558,954
<b>Tax effect of other adjustments</b>		
(Profit)/loss of joint ventures recognized based on equity method	(2,727,680)	564,523
<b>Income tax expense reported in the consolidated statement of comprehensive income</b>	<b>13,954,211</b>	<b>13,711,421</b>



### 36. INCOME TAX EXPENSE (continued)

Deferred income tax balances, calculated by applying the statutory income tax rates in effect at the respective statement of financial position dates to the temporary differences between the basis of assets and liabilities and the amounts reported in the consolidated financial statements, comprised the following at 31 December:

<i>In thousands of Tenge</i>	31 December 2019	Charged to profit and loss	Charged to other comp-rehensive income	Other	Charged to retained earnings	31 December 2018	Charged to profit and loss	Charged to other comprehensive income	1 January 2018
<b>Deferred tax assets</b>									
Employee benefits and other employee compensation and related costs (Note 20)	2,175,980	170,964	51,467	(13)	-	1,953,562	154,354	(137,731)	1,936,939
Reserve for impairment of advances to suppliers	10,781	-	-	-	-	10,781	(124)	-	10,905
Provision for obsolete and slow-moving inventories	44,241	40,888	-	-	-	3,353	(170)	-	3,523
Provision for assets retirement and land recultivation obligation	5,556,177	667,465	666,831	-	-	4,221,881	531,971	620,445	3,069,465
Provision for environmental protection and other provisions	8,819	594	-	-	-	8,225	-	-	8,225
Lease liabilities (Note 4)	923,469	(179,197)	-	-	1,102,666	-	-	-	-
Taxes payable	119,165	(6,751)	-	-	-	125,916	(21,437)	-	147,353
Revaluation of investments in bonds	77,245	(24,359)	-	-	-	101,604	(24,586)	-	126,190
Transfer of losses for subsequent periods	1,551,664	856,708	-	-	-	694,956	694,956	-	-
Unrealized income from intragroup transactions	265,860	(135,961)	-	-	-	401,821	401,821	-	-
Expected credit losses	216,688	36,110	-	-	-	180,578	60,572	-	120,006
Discount on long-term accounts receivables	226,757	226,757	-	-	-	-	-	-	-
<b>Total</b>	<b>11,176,846</b>	<b>1,653,218</b>	<b>718,298</b>	<b>(13)</b>	<b>1,102,666</b>	<b>7,702,677</b>	<b>1,797,357</b>	<b>482,714</b>	<b>5,422,606</b>
<b>Deferred tax liabilities</b>									
Property, plant and equipment	(90,961,140)	2,367,392	(18,231,513)	-	-	(75,097,019)	4,943,367	(11,494,525)	(68,545,861)
Right-of-use assets (Notes 4, 7)	(780,409)	216,248	-	-	(996,657)	-	-	-	-
Total	(91,741,549)	2,583,640	(18,231,513)	-	(996,657)	(75,097,019)	4,943,367	(11,494,525)	(68,545,861)
Net deferred income tax liabilities	(80,564,703)	4,236,858	(17,513,215)	(13)	106,009	(67,394,342)	6,740,724	(11,011,811)	(63,123,255)

The deferred taxes on property, plant and equipment represent differences between tax and book base of property, plant and equipment due to different depreciation rates in tax and accounting books and impairment of property, plant and equipment.

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.

### 37. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its services and has four reportable segments, as follows:

- Oil transportation and related services;
- Oil transshipment;
- Water transportation;
- Other segments.

### 37. SEGMENT INFORMATION (continued)

In relation to the formation at the end of 2017 of the subsidiary of "Main Waterline" LLP, the Group as at 31 December 2018 has allocated a separate segment "Water transportation". Earlier this segment was aggregated in the segment "Oil transportation and related services".

Segments that are identified, but do not separately exceed quantitative limits (amount of separate segment revenue comprises less than 10% of combined revenue) are combined in "Other segments". Such services include transshipment of dry cargo (sugar-airbrick, ammonium nitrate, cement, grain, sunflower and oil cake) in BSP with operation of drycargo, ferry and container terminals, and also passenger terminal services.

Oil transportation and related services provided by the Company, which do not exceed quantitative limits and are intimately connected with the Group's main operating activities, or with main asset of the Group – pipelines, such as: oil storage, expedition services, services on support and maintenance of pipelines, are included into service related to oil transportation. Separate management report is not provided to the Management of the Group on some types of these services and accordingly they cannot be identified as separate segments.

Services on transshipment of oil and oil-products through BSP with operation of BOT are included in "Oil transshipment" segment. Revenue from oil terminal is generated through storage, transshipment of oil and oilproducts and expedition. Expedition services rendered by PTL, represent transshipment of oil and oil-products services through railway from Azerbaijanian-Georgian border to oil terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment.

	For the year ended 31 December 2019					For the year ended 31 December 2018				
	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Water trans- portation (Kazakhstan)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Water transportation (Kazakhstan)	Other	Total segments
<i>In thousands of Tenge</i>										
<b>Revenue</b>										
External customers	222,031,669	4,437,846	7,583,378	5,573,057	239,625,950	208,565,226	3,001,848	7,536,551	6,295,945	225,399,570
<b>Total revenue</b>	<b>222,031,669</b>	<b>4,437,846</b>	<b>7,583,378</b>	<b>5,573,057</b>	<b>239,625,950</b>	208,565,226	3,001,848	7,536,551	6,295,945	225,399,570
<b>Financial results</b>										
Reversal/(charge) of impairment of property, plant and equipment and intangible assets through profit and loss	2,248,788	(11,696,677)	(2,245,133)	(1,492,045)	(13,185,067)	(292,293)	(2,239,655)	-	(117,313)	(2,649,261)
Depreciation and amortization	(48,371,061)	(1,511,187)	(3,090,401)	(917,739)	(53,890,388)	(46,235,224)	(1,873,222)	(3,219,403)	(1,081,701)	(52,409,550)
Interest income	2,080,787	21,441	155,140	99,546	2,356,914	2,468,573	4,831	136,962	61,417	2,671,783
Share in income/(loss) of joint ventures	13,638,401	-	-	-	13,638,401	(2,075,937)	-	-	-	(2,075,937)
Income tax (expense)/benefits	(15,274,641)	-	1,394,707	(74,277)	(13,954,211)	(13,680,920)	-	129,974	(160,475)	(13,711,421)
<b>Segment profit/(loss) for the period</b>	<b>62,974,277</b>	<b>(13,671,522)</b>	<b>(4,114,315)</b>	<b>(67,002)</b>	<b>45,121,438</b>	45,662,399	(6,234,183)	(2,648,387)	1,705,154	38,484,983
<b>Other disclosures</b>										
Total assets	822,992,325	34,273,177	37,714,300	17,833,668	912,813,470	706,250,834	51,206,176	28,932,026	17,051,565	803,440,601
Total liabilities	191,124,015	5,450,760	1,219,239	12,040,490	209,834,504	159,223,487	6,973,998	749,277	11,077,640	178,024,402
Investments in joint ventures (Note 9)	55,015,339	-	-	-	55,015,339	30,001,323	-	-	-	30,001,323
Capital expenditures	40,848,867	392,059	687,081	528,743	42,456,750	50,380,291	75,563	182,410	395,416	51,033,680

### 38. RELATED PARTY TRANSACTIONS

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following tables provide the total amount of transactions, which have been entered into with related parties during 2019 and 2018 and the related balances as at 31 December 2019 and 2018.

**38. RELATED PARTY TRANSACTIONS (continued)**

Non-current advances given to related parties for property, plant and equipment are as follows:

<i>In thousands of Tenge</i>	Notes	31 December 2019	31 December 2018
<b>Non-current advances given to related parties for property, plant and equipment and construction services</b>			
Non-current advances to entities under common control of KMG		-	16,118
<b>Total non-current advances given to related parties for property, plant and equipment and construction services</b>	10	-	16,118

Trade and other accounts receivables from related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 December 2019	31 December 2018
<b>Trade and other accounts receivable from related parties</b>			
Trade accounts receivable from joint ventures		931,715	994,993
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		875,953	817,719
Trade accounts receivable from entities under common control of KMG		639,045	607,582
<b>Total trade accounts receivable from related parties</b>	12	<b>2,446,713</b>	2,420,294
<b>Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group</b>			
		509	19,761
<b>Total other accounts receivable from related parties</b>	12	<b>509</b>	19,761
Less: allowance for expected credit losses		(4,586)	(7,295)
<b>Total</b>		<b>2,442,636</b>	2,432,760

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 December 2019	31 December 2018
<b>Advances paid to related parties</b>			
Advances paid to entities under common control of KMG		548,107	210,957
Advances paid to entities under common control of SamrukKazyna Group		1,105	14,842
<b>Total advances paid to related parties</b>	13	<b>549,212</b>	225,799

Trade and other accounts payable to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 December 2019	31 December 2018
<b>Trade accounts payable to related parties for goods and services</b>			
Trade accounts payable to entities under common control of SamrukKazyna Group		2,919,074	1,334,743
Trade accounts payable to entities under common control of KMG		815,957	720,259
Trade accounts payable to joint ventures		8,684	7,158
Total trade accounts payable to related parties for goods and services	23	<b>3,743,715</b>	2,062,160
<b>Other payables to entities under common control of Samruk Kazyna Group</b>			
		2,344	2,493
Other payables to joint ventures		1,837	-
Other payables to entities under common control of KMG		-	697
<b>Total other payables to related parties for goods and services</b>	23	<b>4,181</b>	3,190
<b>Total trade and other accounts payable to related parties for goods and services</b>		<b>3,747,896</b>	2,065,350

Advances received from related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 December 2019	31 December 2018
<b>Advances received from related parties</b>			
Advances from entities under common control of KMG		10,979,288	12,869,915
Advances from entities under common control of SamrukKazyna Group		241,608	328,173
<b>Total advances received from related parties</b>	25	<b>11,220,896</b>	13,198,088

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 December 2019	31 December 2018
<b>Accounts payable for oil transportation coordination services to related parties</b>			
Accounts payable for oil transportation coordination services to entities under common control of KMG		8,193,956	8,437,279
<b>Total of accounts payable for oil transportation coordination services to related parties</b>	28	<b>8,193,956</b>	8,437,279
<b>Employee benefits obligation of key management personnel</b>			
Employee benefits obligation of key management personnel		52,873	55,559
Total employee benefits obligation of key management personnel		52,873	55,559
<b>Total other current liabilities to related parties</b>		<b>8,246,829</b>	8,492,838



### 38. RELATED PARTY TRANSACTIONS (continued)

During the years ended 31 December the Group had the following transactions with the related parties:

<i>In thousands of Tenge</i>	For the year ended 31 December	
	2019	2018
<b>Sales to related parties</b>		
Revenue from main activities with entities under common control of KMG	127,191,643	120,997,267
Revenue from main activities with joint ventures	9,473,092	9,284,834
Revenue from main activities with entities under common control of SamrukKazyna Group	7,824,032	5,739,205
Income from other activities with entities under common control of KMG	534,291	39,576
Income from other activities with entities under common control of SamrukKazyna Group	31,880	57,756
Income from other activities with joint ventures	950	1,238
Income from sale of non-current assets held for sale to KMG	-	372,976
<b>Total</b>	<b>145,055,888</b>	136,492,852

Revenue from main activities with entities under common control of KMG is related to the services of oil and water transportation.

Purchase of services and assets from related parties is as follows:

<i>In thousands of Tenge</i>	For the year ended 31 December	
	2019	2018
<b>Purchases from related parties</b>		
Purchases of property, plant and equipment from entities under common control of Samruk-Kazyna Group	16,608,319	17,627,906
Purchases of services from entities under common control of KMG	5,892,343	5,744,501
Purchases of services from entities under common control of SamrukKazyna Group	2,675,196	2,934,371
Purchases of inventory from entities under common control of KMG	572,619	1,429,260
Purchases of property, plant and equipment and intangible assets from entities under common control of KMG	204,201	199,669
Purchases of services from joint ventures	84,103	34,645
Purchases of inventory from entities under common control of SamrukKazyna Group	-	165
<b>Total</b>	<b>26,036,781</b>	27,970,517

In 2019 the Company acquired property, plant and equipment from related party in the amount of 16,608,319 thousand Tenge, as part of the projects under overhaul with replacement of the main oil pipeline.

Cash flows to related to the payment of dividends are as follows:

<i>In thousands of Tenge</i>	For the year ended 31 December	
	2019	2018
Cash flows to related parties		
Dividends paid to the KMG (Note 20)	36,001,892	55,387,527
<b>Total</b>	<b>36,001,892</b>	55,387,527

Total accrued compensation to key management personnel for the year ended 31 December 2019 amounts to 887,705 thousand Tenge (for the year ended 31 December 2018: 834,325 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

### 39. 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 Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Kazakhstan economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of Kazakhstani Tenge that took place in 2015. The combination of the above along with other factors resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

#### 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 usual, 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.

Penalties are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

Because of the 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 as at 31 December 2019.

As at 31 December 2019 the 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 a transaction should be calculated based on market price determined in accordance with the arm's length principle.

### 39. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

#### Taxation (continued)

##### Transfer pricing control (continued)

The transfer pricing law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance. 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 as at 31 December 2019.

As at 31 December 2019 the 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.

##### Tax commitments of Georgian entities

According to the Tax Code of Georgia ("TCG"), tax administration is authorized to make motivated written decision on use of market prices for taxation purposes if transaction takes place between related parties. Although TCG contains certain guidance on the determination of market prices of goods and services, the mechanism is not sophisticated and there is no separate transfer pricing legislation in Georgia. Existence of such ambiguity creates uncertainties as related to the position that tax authorities might take when considering taxation of transactions between related parties.

BOT has significant transactions with off-shore subsidiary of the Company (PTL). These transactions fall within the definition of transactions between related parties and may be challenged by tax authorities of Georgia. Management believes that it has sufficient arguments to assert that pricing of transactions between entities of the Group is at arm's length, however due to absent legislative basis for determination of market prices tax authorities might take position different from that of the Group.

##### Tax inspection of BSP

In 2015 Georgian Tax Authorities ("GTA"), additionally accrued taxes and fines in the amount of 2,541 thousand US Dollars (equivalent to 972,161 thousand Tenge) as a result of tax inspections of BSP for the period of 2010–2014. BSP did not agree with the decision of GTA and filed an appeal.

As a result in 2017 by the decision of the audit department of the Georgian Revenue Service, the accrued taxes were reduced to 1,667 thousand US Dollars (equivalent to 637,777 thousand Tenge), including penalties in the amount of 570 thousand US Dollars (equivalent to 218,076 thousand Tenge). BSP filed another appeal to the Council of Dispute Resolution of the Georgia Revenue Service ("Council")

On 30 September 2019 the Council partially satisfied BSP's compliant regarding fines. At the reporting date fines have not been recounted. In 21 October 2019 BSP filed a complaint with the Kutaisi City Court.

The management of the BOT, based on an analysis of local tax laws and current practice for similar tax proceedings, at the end of 2016 recognised the provision for the obligation to pay taxes in the amount of 801 thousand US Dollars (equivalent to 306,455 thousand Tenge). The remaining amount of unrecognized BSP's obligation for the period of inspection of 2010–2014 and taking into account the decision of the GTA dated 12 February 2020, the amount of taxes, penalties and fines equaled to 2,063 thousand US Dollars (equivalent to 789,283 thousand Tenge). BSP continues litigation and assess the probability of outflow of financial resources in excess of the accrued reserve in the amount of 801 thousand US Dollars is remote.

##### Tax inspection of BOT

In 2018 the GTA carried out a tax audit of BOT for the period from 2015 to the first half of 2018, the results of which accrued taxes and fines in the amount of 1,732 thousand US Dollars (equivalent to 662,645 thousand Tenge), including penalties in the amount of 651 thousand US Dollars (equivalent to 249,066 thousand Tenge). BOT did not agree with the decision of GTA and sent a compliant to the Ministry of Finance of Georgia.

On 30 September 2019 the Council sent a decision to BOT with partial satisfaction of BOT's compliant. In accordance with the decision of the Council, the Ministry of Finance of Georgia should recount the amounts of disputable issues. In October 2019 BOT appealed the decision of the Council related to the remaining amounts of tax disputes in Tbilisi City Court.

On 9 December 2019, the GTA decided to reduce additional taxes and penalties to 123 thousand US Dollars (equivalent to 47,058 thousand Tenge), which were recognized in December 2019 in the consolidated financial statements.

##### Environmental obligations

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Potential liabilities which may arise as a result of changes in legislation cannot be reasonably estimated. Under existing legislation management believes that there are no probable or possible liabilities which could have a material adverse effect on the Group's financial position or results of operations except for those described in the present consolidated financial statements (Notes 5, 27).

##### Insurance matters

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available.

The Group has insurance coverage over property, third party liability in respect of property and environmental damage arising from accidents on Group's property or relating to Group's operations.

##### Contractual commitments to acquire property, plant and equipment

As at 31 December 2019 the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 22,828,704 thousand Tenge (31 December 2018: 38,927,686 thousand Tenge). Share of the Company as at 31 December 2019 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 8,193,937 thousand Tenge (as at 31 December 2018: 3,707,759 thousand Tenge).

##### Investment program commitments

In accordance with the Law of the Republic of Kazakhstan On Natural Monopolies, the Company, as a subject of natural monopolies, within the approved maximum tariffs for 2015–2019, has an obligation to execute an investment program aimed at capital construction/reconstruction/overhaul/diagnostics of production facilities for 2015–2019 (approved by the joint order of the Ministry of Energy of the Republic of Kazakhstan and the CRNMPCandCR), in the total amount of 191 billion Tenge.

As at 31 December 2019, Company's commitments for the execution of the investment program is 26.6 billion Tenge (As at 31 December 2018: 51.8 billion Tenge).

In relation to production needs, in order to maintain the current level of production, in the second half of 2018, the Company sent to the Ministry of Energy of the Republic of Kazakhstan and CRNMPCandCR proposals for adjusting the above investment program for 2018–2019. In response to the Company's appeal, CRNMPCandCR refused to adjust the investment program in connection with the existing remarks, which accordingly entails the risk of applying a temporary compensating tariff for non-compliance with the certain measures of the investment program and returning to consumers unreasonably received income in relation to the water supply service. A temporary compensating tariff can be applied to the Company's services of oil pumping to the domestic market and supplying water during twelve months, starting from 1 July 2020.

### 39. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

#### Contractual commitments to acquire property, plant and equipment (continued)

##### Investment program commitments (continued)

A temporary compensating tariff can be applied to the Company's services for pumping oil to the domestic market for twelve months, starting from 1 July 2020. In relation to the water transportation service, the Company assesses the risk of returning unreasonably received income as remote, since starting from 2 July 2018, this activity has been transferred to the subsidiary Main Waterline LLP.

In turn, the Company disagreeing with remarks of CRNMPCandCR will appeal its refusal to adjust the abovementioned investment program in the court.

#### Oil contamination in Druzhba pipeline

In connection with cases of oil contamination detected in April of this year in the Druzhba pipeline owned by "Transneft" PJSC, the Group determined that it would not incur any costs associated with cases of contamination of Kazakhstani oil in this pipeline, because under the agreement on provision of transportation services for Kazakhstani oil in transit through the territory of the Russian Federation for 2019 between the Company and "Transneft" PJSC the last one should compensate to the Kazakhstani oil companies with documented expenses.

As at 28 February 2020 Transneft PJSC reimbursed to all Kazakhstani oil companies costs associated with cases of oil contamination in the Druzhba pipeline.

#### Legal proceedings

##### Legal proceedings BOT with business counterparties

On 19 December 2016 the proposal from the law enforcement agencies of Georgia on the implementation of the court ruling was received, which contains the order that BOT should not use its dominant position in the market, as well as the requirements on conclusion of the agreement on services. According to this definition, the court decided to arrest the property owned by BOT – the land plot (c. Batumi) and buildings and constructions located on it. This arrest restricts the alienation of the arrested property, but does not affect the operational and economic activities of BOT. On 23 December 2016, BOT appealed the above decision in the Tbilisi City Court.

On 15 February 2017, BOT received a statement of claim according to which the plaintiff requires the court to oblige BOT to enter into a service contract on the terms specified at the claimant's claim, and also compensate the plaintiff for damages in amount of 2,038 thousand US Dollars (equivalent to 779,718 thousand Tenge) and additionally from 1 December 2016 until the execution of the court decision, a monthly amount of 280 thousand US Dollars (equivalent to 107,125 thousand Tenge). On 24 February 2017 the plaintiff and the court sent a response to the statement of claim with the position of the BOT in this case.

On 11 September 2017, the Tbilisi Court of Appeal refused to satisfy the BOT's claim to appeal against the ruling of the court, received on 19 December 2016, but BOT continues legal proceedings.

The total book value of all arrested property as at 31 December 2019 was 4.9 million US Dollars (equivalent to 1,875 million Tenge).

On 12 February 2019, the Tbilisi City Court decided in favor of the plaintiff, BOT intends to appeal the court decision in the next instance. On 27 February 2020 the Tbilisi Appeals Court announced operative part of the decision. The court partially upheld the appeal of BOT, cancelled the decision of the Tbilisi City Court dated 12 February 2019 and sent the legal case for a new trial to the court of first instance. As at 31 December 2019, the Group did not recognize any additional obligations due to the BOT management assessment, the plaintiff's claims against BOT are not supported.

#### Legal proceedings of BOT against the Georgian Railway

In 2005, "Georgian Railway" JSC (hereinafter – "GR") filed a claim to the Tbilisi City Court against BOT for the recovery of the 14 million lari (equivalent to 1,883 million Tenge) for using tank wagons and storing cargo related to idle tank wagons in dead ends of BOT in the period related to 2003. The statement of claim and the appeal of the GR were not satisfied by the courts of first and appeal instances. However, in 2014, the Supreme Court of Georgia satisfied the cassation appeal of the GR and the case was returned to the lower courts for reconsideration. On 16 April 2019 the Tbilisi City Court partially satisfied the claim of the GR in the amount of 8.4 million lari (equivalent to 1,130 million Tenge). The court decision has not entered into force, the Group did not recognize the provision. BOT does not agree with the decision of the court and on 28 May 2019 filed an appeal. On February 5, 2020 Tbilisi Court of Appeal made a decision and refused to satisfy the BOT's appeals against GR. The decision of the Court of appeal dated 16 April 2019 remains unchanged. BOT does not agree with the decision of the Court of Appeal and in the prescribed manner plans to appeal in cassation.

#### Termination of the BSP management agreement

In accordance with BSP Management Right agreement between BOT and the Georgia Government, the last one has the right for termination of this agreement, in case the BSP in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. In addition, if the transshipment volume is less than 6 million tons per year, BOT shall pay the following penalties for:

- Non-fulfillment of up to 1 million tons in the amount of 0.1 US Dollars (ten US cents) per ton;
- Non-fulfillment of 1 to 2 million tons in the amount of 0.2 US Dollars (twenty US cents) per ton;
- Non-fulfillment of over 2 million tons in the amount of 1 US Dollars per ton.

Management of the Group believes that, as at 31 December 2019, BSP was not vulnerable to the risk of termination of this agreement by the Georgia Government, since the actual transshipment through the BSP for the nine months of 2019 amounted to 5.9 million tons (as at 31 December 2018: 5.6 million tons). In accordance with the above-mentioned agreement, based on actual volumes for the 2019 year, the Group accrued a reserve in the amount of 10 thousand US Dollars (equivalent to 3,829 thousand Tenge).

### 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has trade receivables and cash and cash equivalents that arise directly from its operations.

The Group is exposed to market risk that comprises: credit risk, currency risk and liquidity risk. The management of the Group reviews and agrees policies for managing each of these risks which are summarized below.

#### Credit risk

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has trade receivables and cash and cash equivalents that arise directly from its operations.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Maximum exposure is the carrying amount. There are no significant concentrations of credit risk within the Group.



#### 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### Credit risk (continued)

The Group places deposits with Kazakhstani and foreign banks (Notes 16 and 17). Management of the Group reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. In accordance with IFRS 9, the Group accruals allowances for expected credit losses in respect of funds with credit institutions.

The table below shows the balances of bank deposits and cash and cash equivalents at the 31 December 2019 and 2018 using the "Moody's", "Fitch" and "Standard & Poor's" credit ratings.

Bank	Location	Rating		31 December 2019	31 December 2018
		31 December 2019	31 December 2018		
"Halyk Bank of Kazakhstan" JSC	Kazakhstan	BB+/Positive	Ba1/Stable	70,920,702	60,758,933
"ForteBank" JSC	Kazakhstan	B+/Stable	B/Stable	2,994,955	384
Halyk Bank of Georgia	Georgia	BB/Positive	BB-	1,726,629	380,742
TBC Bank	Georgia	Ba2	Ba3/Ba2	495,837	38,036
Emirates NBD Bank PJSC	UAE	A+/Stable	-	299,950	-
Hellenic Bank	Cyprus	B+/Caa1	Caa1	248,301	249,730
Bank of Georgia	Georgia	Ba3/Ba2	Ba3/Ba2	55,093	42,646
"Sberbank" JSC	Russia	Baa3	Ba2	7,511	9,338
"Sberbank Russia" SB JSC	Kazakhstan	BBB-/Stable	BB+/Positive	-	167
<b>Total</b>				<b>76,748,978</b>	<b>61,479,976</b>

##### Liquidity risk

The Group monitors its risk to a shortage of funds using a current liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., accounts receivables, other financial assets) and projected cash flows from operations.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2019 and 2018 based on contractual undiscounted payments.

In thousands of Tenge	On demand	More than 1 year	1 to 2 years	2 to 5 years	Less than 5 years	Total
<b>As at 31 December 2019</b>						
Trade and other accounts payable	-	15,183,124	-	-	-	15,183,124
Other payables	5,000,000	-	-	-	-	5,000,000
<b>Total</b>	<b>5,000,000</b>	<b>15,183,124</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,183,124</b>
<b>As at 31 December 2018</b>						
Trade and other accounts payable	-	12,884,530	67,552	820	4,612	12,957,514
<b>Total</b>	<b>-</b>	<b>12,884,530</b>	<b>67,552</b>	<b>820</b>	<b>4,612</b>	<b>12,957,514</b>

##### Currency risk

The table below shows the total amount of foreign currency denominated assets and liabilities that give rise to foreign exchange exposure.

In thousands of Tenge	US Dollar	Russian Ruble	Euro	Other currencies	Total
<b>At 31 December 2019</b>					
Assets	51,086,579	34,485	22,573	2,100,802	53,244,439
Liabilities	787,685	77,358	45,475	747,198	1,657,716
<b>At 31 December 2018</b>					
Assets	28,582,197	37,829	8,452	517,518	29,145,996
Liabilities	931,277	65,608	35,359	647,378	1,679,622

The Group does not have formal arrangements to mitigate foreign exchange risks of the Group's operations. The Group also has transactional currency exposures. Such exposure arises from revenues in US Dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, Euro and Russian Ruble exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no significant impact on the Group's equity.

In thousands of Tenge	Increase/decrease in US Dollar exchange rate	Effect on profit before tax
<b>2019</b>		
US Dollar	+12.00%	6,035,867
	-9.00%	(4,526,900)
Russian Ruble	+12.00%	(5,145)
	-12.00%	5,145
Euro	+12.00%	(2,748)
	-9.00%	2,061
<b>2018</b>		
US Dollar	+14.00%	3,871,129
	-10.00%	(2,765,092)
Russian Ruble	+14.00%	(3,889)
	-9.00%	2,500
Euro	+14.00%	(3,767)
	-10.00%	2,691

#### **40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

##### **Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

As at 31 December 2019 and 2018 the Group does not have significant debts. The Group has sufficient cash, exceeding its debt as at the reporting date.

##### **Fair value of financial instruments**

The carrying amount of cash, bank deposits, trade and other accounts receivable, loans, trade and other accounts payable and other current liabilities approximates their fair value due to the short-term maturity of these financial instruments.

#### **41. SUBSEQUENT EVENTS**

Starting from 1 January 2020, a temporary tariff for the service of oil pumping to the domestic market in the amount of 4,109.50 Tenge per 1 ton per 1,000 km was set, valid until the approval of new tariffs.

On 29 January 2020, the Company approved a tariff for the service of oil pumping for export outside the Republic of Kazakhstan in the amount of 7,358.76 Tenge per 1 ton per 1,000 km, which will be applied starting from 1 March 2020.

The outbreak of novel coronavirus continues to spread throughout the world. The Group will closely monitor the evolving coronavirus situation, yet an estimate of its financial effect cannot be made at this stage.

As at 16 March 2020 the exchange rate of US dollar at the end of KASE session amounted to 434.9 Tenge per 1 Dollar.

## Appendix 8 – List of Acronyms

<b>5S</b>	The system for workplace (work environment) management and optimisation, a lean management tool
<b>APMS</b>	Automatic Process Management System
<b>APMS&amp;MS</b>	Automatic Process Management System and Metrological Support
<b>ARIS</b>	Architecture of Integrated Information Systems – a methodology and replicated software for business process simulation
<b>BOT</b>	Batumi Oil Terminal Limited Liability Company
<b>CMT</b>	Crisis Management Team
<b>COBIT</b>	Control Objectives for Information and Related Technologies – an information technology management methodology
<b>Company</b>	KazTransOil JSC
<b>COSO ERM:2017</b>	A risk management concept by the Committee of Sponsoring Organisations of the Treadway Commission (COSO): Corporate Risk Management. Integration with Strategy and Performance Efficiency.
<b>CPC</b>	Caspian Pipeline Consortium
<b>CPC-C JSC</b>	Caspian Pipeline Consortium Joint-Stock Company
<b>CRMS</b>	Corporate Risk Management System
<b>CTP</b>	Custody Transfer Point
<b>DED</b>	Design Estimate Documentation
<b>EAS</b>	Electronic Administration System
<b>EBITDA</b>	Earnings before Interest, Taxes, Depreciation and Amortisation
<b>EDCS</b>	Electronic Document Control System
<b>EMES</b>	Electronic Medical Examination System
<b>EOSA</b>	KazTransOil JSC East Operating Service Administration
<b>EP</b>	Environmental Protection
<b>ERP System</b>	Enterprise Resource Planning – a software package for ERP strategy implementation
<b>EVA</b>	Economic Value Added

<b>FS</b>	Feasibility Study
<b>GRI Standards</b>	GRI (Global Reporting Initiative) Standards on Sustainability Reporting
<b>HAZOP</b>	Hazard and Operability Study
<b>HSE</b>	Health, Safety & Environment
<b>HSE Committee</b>	Health, Safety and Environment Committee
<b>HSMS</b>	Health and Safety Management System
<b>IAOT</b>	International Association of Oil Transporters
<b>ICS</b>	Internal Control System
<b>IFRS</b>	International Financial Reporting Standards
<b>IMS</b>	Integrated Management System
<b>Inv.</b>	Inventory
<b>IOSH</b>	Institution of Occupational Safety and Health
<b>IRS</b>	Integrated Remuneration System
<b>ISMS</b>	Information Security Management System
<b>ISPPIA</b>	International Standards for Professional Practice of Internal Auditing issued by Institute of Internal Auditors by Institute of Internal Auditors
<b>IT</b>	Information Technology
<b>ITIL</b>	IT Infrastructure Library
<b>KASE</b>	Kazakhstan Stock Exchange
<b>KCP LLP</b>	Kazakhstan – China Pipeline LLP
<b>KPI</b>	Key Performance Indicators
<b>KPO</b>	Karachaganak Petroleum Operating B.V.
<b>LACT</b>	Lease Automatic Custody Transfer System
<b>LOCS</b>	Line Operations Control Station
<b>LSESB</b>	Logistics Support and Equipment Supply Base
<b>LTIFR</b>	Lost Time Injury Frequency Rate
<b>LTIR</b>	Lost Time Injury Rate



<b>MBA</b>	Master of Business Administration
<b>MCO</b>	Main Control Office
<b>MM</b>	Mass Media
<b>MunaiTas LLP</b>	MunaiTas North-Western Pipeline Company Limited Liability Company
<b>MunaiTas NWPC JSC</b>	MunaiTas North-Western Pipeline Company Joint-Stock Company
<b>NC KazMunayGas JSC</b>	National Company KazMunayGas Joint-Stock Company
<b>NEBOSH</b>	National Examination Board in Occupational Safety and Health
<b>NMRC</b>	Natural Monopoly Regulation Committee under RoK Ministry of National Economy
<b>NOTC KazTransOil CJSC</b>	National Oil Transportation Company KazTransOil Closed Joint-Stock Company
<b>OHSAS 18001:2007</b>	OHSAS 18001:2007 International Standard: Occupational Health and Safety Management Systems. Requirements.
<b>OLS</b>	Oil Loading Station
<b>OPL</b>	Overhead Power Lines
<b>OPS</b>	Oil Pumping Station
<b>OSD</b>	Operating Service Department
<b>Pavlodar Refinery</b>	Pavlodar Oil Chemistry Refinery LLP
<b>PKOP</b>	PetroKazakhstan Oil Products LLP
<b>POPS</b>	Principal Oil Pumping Station
<b>PRC</b>	People's Republic of China
<b>R&amp;D</b>	Research and Development
<b>Refinery</b>	Refinery
<b>Report</b>	KazTransOil JSC Integrated Annual Report for 2019
<b>ROA</b>	Return on Assets (net profit/average annual amount of assets)
<b>ROE</b>	Return on Equity (net profit/average annual amount of equity)
<b>RTC Branch</b>	KazTransOil JSC Research and Technology Centre Branch
<b>Samruk-Kazyna JSC</b>	Sovereign Wealth Fund Samruk-Kazyna Joint-Stock Company
<b>SAP</b>	Systems, Applications and Products in Data Processing – a special software intended for enterprise business process automation

<b>SBU</b>	Separate Business Units
<b>SCADA</b>	Supervisory Control And Data Acquisition – a software package intended to develop or ensure real-time operation of the systems to gather, process, display and file the data on the monitoring or management target
<b>SDG</b>	Sustainable Development Goals
<b>SE</b>	Security Equipment
<b>SGS</b>	Societe Generale de Surveillance – an international certification body
<b>SJCE</b>	Subsidiaries and Jointly Controlled Entities
<b>SQUID</b>	A software package to implement the cashing proxy function.
<b>SW</b>	Software
<b>TON-2</b>	Tuimazy – Omsk – Novosibirsk-2 Main Oil Pipeline
<b>UCH</b>	Unmanned Communication Hubs
<b>UN</b>	United Nations
<b>VAT</b>	Value-Added Tax
<b>WOSA</b>	KazTransOil JSC West Operating Service Administration
<b>WPS</b>	Water Pumping Station
<b>WTF</b>	Water Treatment Facility

## Contact details

GRI 102-3

### COMPANY'S REGISTERED OFFICE

#### KazTransOil JSC

12 NRB, 20 Turan Ave., Essil District, Nur-Sultan, 010000, Republic of Kazakhstan  
 Telephone: +7 (7172) 555-145  
 Fax: +7 (7172) 555-148

#### Investor Relations Service

Telephone: +7 (7172) 555-049

#### Ombudsman

Telephone: +7 (7172) 555-041  
 E-mail: [doverie@kaztransoil.kz](mailto:doverie@kaztransoil.kz)

#### Department of Public Relations and Internal Communications

Telephone: + 7 (7172) 555-135

#### Corporate Management Department

Telephone: + 7 (7172) 555-346

### AUDITOR'S CONTACT DETAILS

#### Ernst & Young LLP

77/7 Al-Farabi ave., Esentai Tower, Almaty, 050060, Republic of Kazakhstan  
 Telephone: +7 (727) 258-04-00, 258-59-60

### CONTACT DETAILS OF SECURITIES REGISTRAR

#### Central Securities Depository JCS

28 Samal-1 microdistrict, Almaty, 050051, Republic of Kazakhstan  
 Telephone: +7 (727) 312-33-04

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- |  |  |   |
|--|--|---|
| <input type="checkbox"/> Shareholder                             | <input type="checkbox"/> Representative of a financial institution                   | <input type="checkbox"/> Representative of the public and the media |
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- Yes, fully       Yes, partially       Not at all

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### WHAT KIND OF INFORMATION WOULD YOU LIKE TO SEE IN THE NEXT KAZTRANSOIL JSC REPORT?

### WHAT RECOMMENDATIONS/ PROPOSALS DO YOU HAVE FOR FUTURE KAZTRANSOIL JSC REPORTS?

Please send filled up questionnaires to the following email: [keldibekova@kaztransoil.kz](mailto:keldibekova@kaztransoil.kz)

or to the following address: 20 Turan Ave., Nur-Sultan, Republic of Kazakhstan, 010000

