

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)**

For the three and six months ended June 30, 2023

1. GENERAL

Joint stock company “National Company “KazMunayGas” (further the Company, JSC NC “KazMunayGas” or Parent Company) is oil and gas enterprise of the Republic of Kazakhstan (further RK), which was established on February 27, 2002 as a closed joint stock company pursuant to the Decree No. 811 of the President of the RK dated February 20, 2002 and the resolution of the Government of the RK (further the Government) No. 248 dated February 25, 2002. The Company was formed as a result of the merger of closed joint stock companies “National Oil and Gas Company Kazakhoil” and “National Company Transport Nefti i Gaza”. As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to the Company. The Company was reregistered as a joint stock company in accordance with the legislation of the RK in March 2004.

Starting from June 8, 2006, the sole shareholder of the Company was joint stock company “Kazakhstan Holding Company for State Assets Management “Samruk”, which in October 2008 was merged with the state-owned Sustainable Development Fund “Kazyna” and formed joint stock company “National Welfare Fund Samruk-Kazyna”, now renamed to joint stock company “Sovereign Wealth Fund Samruk-Kazyna” (further Samruk-Kazyna). The Government is the sole shareholder of Samruk-Kazyna.

On August 7, 2015, the National Bank of RK (further NB RK) purchased 9.58% plus one share of the Company from Samruk-Kazyna. From December 8, 2022, 3.00% of shares of the Company are freely available on the Astana International Exchange (further AIX) and the Kazakhstan Stock Exchange (further KASE) stock exchanges.

As at June 30, 2023, the Company has interest in 59 operating companies (as of December 31, 2022: 59) (jointly “the Group”).

The Company has its registered office in the RK, Astana, Dinmukhamed Kunayev, 8.

The principal activity of the Group includes, but is not limited, to the following:

- Participation in the development and implementation of the uniform public policy in the oil and gas sector;
- Representation of the state interests in subsoil use contracts through interest participation in those contracts; and
- Exploration, development, production, oil servicing, processing, petrochemistry, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil pipeline and field infrastructure.

The interim condensed consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries.

These interim condensed consolidated financial statements of the Group were approved for issue by the Deputy Chairman of the Management Board and the Chief accountant on August 18, 2023.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three and six months ended June 30, 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The Group has prepared these interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The Management of the Group consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2022.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

2. BASIS OF PREPARATION (continued)**Foreign currency translation***Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities included in these interim condensed consolidated financial statements are measured using the currency of the primary economic environment in which the entities operate (further the functional currency). The interim condensed consolidated financial statements are presented in Kazakhstan tenge (further tenge or KZT), which is the Company’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment in a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Group Companies

The results and financial position of all of the Group’s subsidiaries, joint ventures and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- Income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction); and
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (further KASE) are used as official currency exchange rates in the RK. The currency exchange rate of KASE as at June 30, 2023 and December 31, 2022 were 452.51 and 462.65 tenge to 1 United States dollar (further US dollar), respectively. These rates were used to translate monetary assets and liabilities denominated in US dollar as at June 30, 2023 and December 31, 2022. The weighted average rate for six months ended June 30, 2023 was 451.80 tenge to 1 US dollar (for the six months ended June 30, 2022: 450.06 tenge to 1 US dollar). The currency exchange rate of KASE as at August 18, 2023 was 461.71 tenge to 1 US dollar. For the six months ended June 30, 2023, the Group had net foreign exchange gain of KZT 23,789 million due to fluctuations in foreign exchange rates to tenge.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Changes in accounting policies and disclosures***New and amended standards and interpretations*

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards and interpretations effective as of January 1, 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The Group presented the list of standards effective and applicable for the Group.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The amendments had no impact on the Group’s interim condensed consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group’s interim condensed consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group’s interim condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group’s interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Changes in accounting policies and disclosures (continued)***New and amended standards and interpretations (continued)**International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12 Income Taxes*

In May 2023 the IASB issued *International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12 Income Taxes* to clarify the application of *IAS 12 Income Taxes*. The amendments include a mandatory temporary exception from accounting for deferred tax. The Group is analyzing the potential impact on the consolidated financial statements for the year ended December 31, 2023.

4. ACQUISITIONS UNDER COMMON CONTROL**Acquisition of subsidiary under common control***KMG Kashagan B.V. (further Kashagan)*

On October 16, 2015, Coöperatieve KazMunaiGaz U.A. (further Cooperative), a subsidiary of the Company, sold 50% of its shares in Kashagan to Samruk-Kazyna with a right to buy back all or part of the shares (further Option) effective from January 1, 2018 to December 31, 2020 which was later extended to December 31, 2022.

In 2017, the Amsterdam Court imposed certain restrictions on 50% of shares in Kashagan owned by Samruk-Kazyna (further Restrictions). During the Restrictions period, these shares of Kashagan cannot be sold, transferred or pledged. On June 14, 2022 the Amsterdam Court lifted the Restrictions.

On September 14, 2022 the Cooperative and Samruk-Kazyna signed an Amendment to Share Option Agreement and Exercise of Option (further Amendment Agreement), which set the exercise price of the Option in the amount of 3,781.7 million US dollars (equivalent to 1,777,076 million tenge).

On September 15, 2022 the Group fulfilled conditions of the Amendment Agreement, completing the transaction, exercised the Option and 50% of Kashagan shares were re-registered in favor of Cooperative.

As a result of exercising the Option, the Group has control over Kashagan and recognized Kashagan as a subsidiary. The acquisition accounted for as an acquisition of the subsidiary from the parties under common control and accounted for under the pooling of interest method based on the carrying value of assets and liabilities of Kashagan based on Predecessor's accounting books.

In these interim condensed consolidated financial statements the comparative interim consolidated statement of comprehensive income for the three and six months ended June 30, 2022 and interim consolidated statement of cash flows for the six months ended June 30, 2022, as well as the related notes were restated, as if the acquisition has occurred from the beginning of the earliest period presented.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

4. ACQUISITIONS UNDER COMMON CONTROL (continued)

Acquisition of subsidiary under common control (continued)

KMG Kashagan B.V. (further Kashagan) (continued)

Impact on comparative data due to acquisition of Kashagan is presented below:

<i>In millions of tenge</i>	For the three months ended June 30, 2022	For the six months ended June 30, 2022
Impact on the results:		
Revenue and other income		
Revenue from contracts with customers	214,457	439,245
Share in profit of a joint venture	(53,020)	(97,303)
Finance income	1,092	1,268
Total revenue and other income	162,529	343,210
Costs and expenses		
Production expenses	(13,489)	(10,542)
Taxes other than income tax	(11,271)	(27,489)
Depreciation, depletion and amortization	(37,462)	(96,927)
Transportation and selling expenses	(14,170)	(28,401)
General and administrative expenses	(452)	(876)
Finance costs	(1,303)	(2,738)
Foreign exchange loss, net	(66)	(269)
Total costs and expenses	(78,213)	(167,242)
Profit before income tax	84,316	175,968
Income tax expenses	(30,547)	(77,071)
Profit for the period	53,769	98,897
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
<i>Exchange differences on translation of foreign operations</i>	20,702	168,331
Net other comprehensive income to be reclassified to profit or loss in the subsequent periods, net of tax	20,702	168,331
Total comprehensive income for the period, net of tax	74,471	267,228
Net profit for the period attributable to:		
Equity holders of the Parent Company	53,769	98,897
	53,769	98,897
Total comprehensive income attributable to:		
Equity holders of the Parent Company	74,471	267,228
	74,471	267,228

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

4. ACQUISITIONS UNDER COMMON CONTROL (continued)

Acquisition of subsidiary under common control (continued)

The net cash flows effect for the six months ended June 30, 2022 were as follows:

<i>In millions of tenge</i>	For the six months ended June 30, 2022
Operating	408,124
Investing	(137,639)
Financing	(2,726)
Net increase in cash and cash equivalents	294,523

The business of Kashagan represented in the Group’s *Exploration and production of oil and gas* segment in these interim condensed consolidated financial statements.

Detailed information on acquisition of Kashagan is presented in the Group’s annual consolidated financial statements for the year ended December 31, 2022.

KLPE LLP (further KLPE)

On December 1, 2022, the Company acquired 100% interest in charter capital of KLPE (renamed to KMG Petrochem LLP in March, 2023) for 2 tenge from Samruk-Kazyna Ondeu LLP (further SKO) and Polimer Production LLP, subsidiaries of Samruk-Kazyna. Primary activity of KLPE is the construction of the first integrated gas and chemical complex in Kazakhstan.

As a result of acquisition, the Group has control over KLPE and recognized KLPE as a subsidiary. The acquisition accounted for as an acquisition of the subsidiary from the parties under common control and accounted for under the pooling of interest method based on the carrying value of assets and liabilities of KLPE based on Predecessor’s accounting books.

In these interim condensed consolidated financial statements the comparative interim consolidated statement of comprehensive income for the three and six months ended June 30, 2022 and interim consolidated statement of cash flows for the six months ended June 30, 2022, as well as the related notes were restated, as if the acquisition has occurred from the beginning of the earliest period presented.

Impact on comparative data due to acquisition of KLPE is presented below:

<i>In millions of tenge</i>	For the three months ended June 30, 2022	For the six months ended June 30, 2022
Impact on the results:		
Revenue and other income		
Finance income	75	118
Total revenue and other income	75	118
Costs and expenses		
Depreciation, depletion and amortization	(16)	(32)
General and administrative expenses	(205)	(424)
Foreign exchange gain/(loss), net	14	(160)
Other expenses	(158)	(161)
Total costs and expenses	(365)	(777)
Loss before income tax	(290)	(659)
Loss for the period	(290)	(659)
Net loss for the period attributable to:		
Equity holders of the Parent Company	(290)	(659)
	(290)	(659)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)****4. ACQUISITIONS UNDER COMMON CONTROL (continued)****Acquisition of subsidiary under common control (continued)**

The net cash flows effect for the six months ended June 30, 2022 were as follows:

<i>In millions of tenge</i>	For the six months ended June 30, 2022
Operating	(798)
Investing	(3,660)
Financing	3,742
Net increase in cash and cash equivalents	(786)

The business of KLPE represented in the Group’s *Other* segment in these interim condensed consolidated financial statements.

Acquisition of joint venture under common control**Kazakhstan Petrochemical Industries Inc. LLP (further KPI)**

On June 13, 2022, Samruk-Kazyna transferred 49.50% of the shares KPI to the Company. The cost of the acquisition was 91,175 million tenge. KPI is engaged in the implementation of the investment project “Construction of the first integrated petrochemical complex in Atyrau region”.

49.50% interests in KPI was accounted for as an acquisition of the joint venture from the parties under common control and accounted for under pooling of interest method based on its carrying value. SKO and the Company have joint control over the KPI where decisions about the relevant activities of KPI require the unanimous consent.

The difference between the consideration paid and carrying value of identifiable assets and liabilities of KPI at the date of acquisition was recognized as distribution to Samruk-Kazyna and presented in the line «*Acquisition of joint ventures*» in interim consolidated statement of changes in equity in the amount of 91,175 million tenge.

The following table illustrate carrying value of KPI assets and liabilities as at the date of the acquisition (based on Predecessor’s accounting books):

<i>In millions of tenge</i>	
Non-current assets	852,587
Current assets	81,276
Non-current liabilities	(859,691)
Current liabilities	(77,754)
Net assets	(3,582)
Share of ownership	49.50%
The Group’s share in net assets	(1,773)
Purchase consideration transferred	91,175
Difference between consideration and carrying value of the investment in joint venture recognized in equity	91,175

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited) (restated)	2023 (unaudited)	2022 (unaudited) (restated)
Type of goods and services				
Sales of crude oil and gas	1,103,228	1,396,727	2,100,649	2,821,376
Sales of refined products	739,111	902,447	1,434,740	1,498,893
Refining of oil and oil products	66,694	56,143	129,879	107,389
Oil transportation services	54,458	43,973	106,348	84,274
Other revenue	92,240	61,164	171,036	130,463
	2,055,731	2,460,454	3,942,652	4,642,395
Geographical markets				
Kazakhstan	380,838	309,570	715,232	545,894
Other countries	1,674,893	2,150,884	3,227,420	4,096,501
	2,055,731	2,460,454	3,942,652	4,642,395
Timing of revenue recognition				
At a point in time	2,002,858	2,406,103	3,847,768	4,546,587
Over time	52,873	54,351	94,884	95,808
	2,055,731	2,460,454	3,942,652	4,642,395

6. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited) (restated)	2023 (unaudited)	2022 (unaudited) (restated)
Joint ventures				
Tengizchevroil LLP	133,492	201,213	262,489	401,091
PETROSUN LLP	11,424	–	20,979	–
Mangistau Investments B.V. Group	9,876	6,050	20,534	40,587
KazGerMunay LLP	6,641	6,060	11,704	10,758
Valsera Holdings B.V. Group	3,487	6,983	10,292	5,537
Kazakhstan – China Pipeline LLP	4,457	6,295	9,624	8,977
KazRosGas LLP	9,658	5,998	5,589	8,512
Teniz Service LLP	5,594	(2,341)	4,786	(2,015)
Kazakhoil-Aktobe LLP	2,258	2,763	4,485	5,170
Ural Group Limited	(2,747)	(2,222)	(5,543)	(4,491)
Other	1,237	35	2,703	1,087
	185,377	230,834	347,642	475,213
Associates				
Caspian Pipeline Consortium	19,164	41,105	45,817	63,709
PetroKazakhstan Inc.	1,611	(881)	3,381	2,745
Other	1,870	2,634	2,879	4,578
	22,645	42,858	52,077	71,032
	208,022	273,692	399,719	546,245

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

7. COST OF PURCHASED OIL, GAS, PETROLEUM PRODUCTS AND OTHER MATERIALS

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited) (restated)	2023 (unaudited)	2022 (unaudited) (restated)
Purchased oil for resale	810,341	1,041,052	1,538,780	2,149,835
Cost of oil for refining	174,226	175,196	343,214	413,961
Materials and supplies	127,461	99,497	227,029	175,046
Purchased petroleum products for resale	12,306	15,055	36,404	36,246
Purchased gas for resale	6,206	21,476	16,835	42,870
	1,130,540	1,352,276	2,162,262	2,817,958

8. PRODUCTION EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited) (restated)	2023 (unaudited)	2022 (unaudited) (restated)
Payroll	119,850	112,508	238,483	190,576
Repair and maintenance	47,383	41,146	88,396	66,278
Energy	31,035	31,929	66,326	63,497
Short-term lease expenses	27,803	22,745	63,487	35,137
Transportation costs	35,706	17,758	57,430	32,640
Environmental protection	4,466	6,327	9,377	10,991
Write off of inventories to net realizable value	4,950	9,147	4,896	8,992
Realized losses from derivatives on petroleum products	197	33,893	453	78,908
Others	58,543	29,845	61,438	5,729
	329,933	305,298	590,286	492,748

9. TAXES OTHER THAN INCOME TAX

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited) (restated)	2023 (unaudited)	2022 (unaudited) (restated)
Mineral extraction tax	33,737	40,224	67,684	85,041
Rent tax on crude oil export	30,105	66,829	64,306	103,360
Excise	27,391	27,639	55,045	34,086
Export customs duty	28,108	39,836	53,858	61,112
Social tax	10,325	9,029	20,854	17,329
Property tax	8,311	7,248	15,592	13,982
Other taxes	2,410	1,962	4,932	3,750
	140,387	192,767	282,271	318,660

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

10. TRANSPORTATION AND SELLING EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited) (restated)	2023 (unaudited)	2022 (unaudited) (restated)
Transportation	43,943	40,999	91,683	74,589
Payroll	4,706	3,494	8,899	7,156
Other	9,704	7,920	18,941	16,467
	58,353	52,413	119,523	98,212

11. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited) (restated)	2023 (unaudited)	2022 (unaudited) (restated)
Payroll	18,277	16,146	35,788	32,595
Consulting services	3,861	4,079	6,529	6,718
Maintenance	1,420	1,417	3,035	2,871
Accrual of expected credit losses for trade receivables and other current financial assets	2,642	646	2,597	928
Social payments	1,037	1,054	2,036	2,030
Communication	496	424	1,050	758
VAT that could not be offset	216	809	669	1,477
Allowance for fines, penalties and tax provisions	569	147	581	237
Accrual/(reversal) of impairment of VAT receivable	19	30	37	55
Accrual/(reversal) of impairment of other current non-financial assets	(10)	78	(192)	262
Other	10,386	10,006	19,957	20,162
	38,913	34,836	72,087	68,093

For the six months ended June 30, 2023, the total payroll amounted to 283,170 million tenge (for the six months ended June 30, 2022: 230,327 million tenge) and was included in production expenses, transportation and selling expenses and general and administrative expenses in the interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

12. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND EXPLORATION EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited) (restated)	2023 (unaudited)	2022 (unaudited) (restated)
Impairment charge and reversal				
Property, plant and equipment (Note 15)	89,866	(677)	90,143	(630)
Goodwill	8,794	-	8,794	-
	98,660	(677)	98,937	(630)
For the following CGUs impairment losses were recognised				
KMGI CGU	98,655	-	98,655	-
Others	5	(677)	282	(630)
	98,660	(677)	98,937	(630)
Exploration expenses (impairment and disposal)				
Jenis project	40,244	-	40,244	-
Other	61	-	94	-
	40,305	-	40,338	-
	138,965	(677)	139,275	(630)

Impairment of property, plant and equipment and intangible assets, including goodwill

KMG International N.V. (further KMGI) CGU, including goodwill

As at June 30, 2023, the Group performed its impairment tests for goodwill and downstream, refining and other assets due to existence of impairment indicators at the CGUs of KMGI: CGU Refining, CGU Petrochemicals and CGU Downstream. As the result of the impairment test, recoverable amount of KMGI CGUs were lower than their carrying values. The total impairment loss for the analyzed KMGI’s CGUs was 94,962 million tenge, of which CGU Refinery represents 85% of the total impairment loss. Impairment for CGU Refining was estimated at 80,761 million tenge, including impairment of goodwill for 8,794 million tenge, for CGU Petrochemicals at 340 million tenge and for CGU Downstream at 13,861 million tenge.

The main impairment indicators have been i) the increased oil & gas market refining margins volatility and decreased market demand in the context of strict decarbonization regulations and geopolitical instability, ii) KMGI decarbonization plan for a number of years already still at an initial assessment stage, the co-generation power plant investment being the only major project included in the 5-year business plan and with limited equity financing availability for the decarbonization potential investments, given the unpredictable Romanian fiscal environment implementing aggressive windfall taxes since end of 2022. The Group considered forecasted refining margins and production volumes, among other factors, when analyzing the impairment indicators. The recoverable amount of KMGI CGU Refining was determined based on fair value less costs of disposal (FVLCD), which was calculated using the discounted cash flow method. The key assumptions used in the FVLCD calculations for the CGU were operating profit, discount rates and growth rate used to extrapolate cash flows beyond the budgeted period.

Refining and Petrochemicals CGU of KMGI

The discount rate applied to cash flow projections for Refining and Petrochemicals CGU was 12.60% (2022: 12.10%) and cash flows beyond the 5-year period were extrapolated using negative 3.0% (2022: positive 2.10%) growth rate, for 2023 is the average annual growth rate during 2028-2051 for market refinery margins estimated by Platts-PIRA available as at valuation date. The capitalization rate used for residual values was 15.60% (2022:10.00%).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

**12. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND
EXPLORATION EXPENSES (CONTINUED)****Impairment of property, plant and equipment and intangible assets, including goodwill (continued)*****KMGI CGU, including goodwill (continued)******Downstream CGU of KMGI***

The discount rate applied to cash flow projections for Downstream CGU was 12.60% (2022: 12.10%) and cash flows beyond the 5-year period were extrapolated using negative 0.30% (2022: positive 2.10%) perpetuity growth rate, taking into account expected market demand during 2029-2051 from the latest market studies available as at valuation date (Wood Mackenzie) and the long term inflation rate for USD as per PWC report Global Economy Watch Projections, issued in July 2023. The capitalization rate used for residual values was 12.9% (2022: 10.00%).

Sensitivity to changes in assumptions for CGU Refinery

The additional impairment charges of 20,249 million tenge will occur if the discount rate increases by more than 1% to 13.6%, should the volumes decrease by more than 2% an additional impairment charge will be 35,050 million tenge and contribution margin decrease by more than 2% an additional impairment charge will be 24,280 million tenge or perpetuity growth rate decrease by more than 1.5% an additional impairment charge will be 16,573 million tenge.

Sensitivity to changes in assumptions for CGU Downstream

The additional impairment charges of 12,013 million tenge will occur if the discount rate increases by more than 1%, should the volumes decrease by more than 2% an additional impairment charge will be 11,123 million tenge and gross margin decrease by more than 2% an additional impairment charge will be 16,982 million tenge or perpetuity growth rate decrease by more than 1.5% an additional impairment charge will be 11,285 million tenge.

Sensitivity to changes in assumptions for CGU Petrochemicals

The additional impairment charges of 1,509 million tenge will occur if the discount rate increases by more than 1%, should the volumes decrease by more than 2% an additional impairment charge will be 1,688 million tenge and contribution margin decrease by more than 2% an additional impairment charge will be 1,571 million tenge or perpetuity growth rate decrease by more than 1.5% an additional impairment charge will be 901 million tenge.

As at June 30, 2023, based on the results of the test performed, the Group recognized impairment loss of property, plant and equipment and goodwill of 86,168 million tenge and 8,794 million tenge, respectively (December 31, 2022: no impairment loss was recognized).

In June 2023, an incident occurred at the Petromidia Refinery, a subsidiary of KMGI, which led to the temporary decommissioning of the Mild Hydrocracker installation. Petromidia Refinery conducted assessments to estimate the incident consequences and recognized impairment of property, plant and equipment for 3,693 million tenge.

Exploration expenses

For the six months ended June 30, 2023, the Company recognized impairment loss of 40,244 million tenge on exploration and evaluation assets relating to Jenis project due to negative drilling results indicating the absence of hydrocarbons in the well.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

13. FINANCE INCOME / FINANCE COSTS

Finance income

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited) (restated)	2023 (unaudited)	2022 (unaudited) (restated)
Interest income on bank deposits, financial assets, loans and bonds	36,893	30,678	69,639	50,877
Total interest income	36,893	30,678	69,639	50,877
Derecognition of loan (Note 20)	156	–	4,289	–
Revaluation of financial assets at fair value through profit or loss	284	(662)	527	154
Other	163	1,734	593	3,257
	37,496	31,750	75,048	54,288

Finance costs

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited) (restated)	2023 (unaudited)	2022 (unaudited) (restated)
Interest expense on loans and bonds	67,294	61,063	133,614	133,135
Interest expense on lease liabilities (Note 21)	2,132	1,030	3,302	2,062
Unwinding of discount on payables to Samruk-Kazyna for exercising the Option (Notes 4 and 23)	1,618	–	3,224	–
Commission for early redemption of the loan (Note 20)	–	–	–	4,498
Total interest expense	71,044	62,093	140,140	139,695
Unwinding of discount on asset retirement obligations, for environmental obligation and other provisions (Note 22)	3,062	3,528	6,178	6,443
Unwinding of discount on employee benefits obligations	1,391	1,114	2,450	2,016
Other	4,396	4,226	7,732	7,945
	79,893	70,961	156,500	156,099

14. INCOME TAX EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited) (restated)	2023 (unaudited)	2022 (unaudited) (restated)
Current income tax				
Corporate income tax	9,136	39,671	44,051	78,693
Withholding tax on dividends and interest income	21,302	10,183	21,788	10,731
Excess profit tax	(159)	3,589	(278)	3,589
Deferred income tax				
Corporate income tax	57,010	3,879	68,251	48,255
Withholding tax on dividends	4,033	25,182	23,383	70,164
Excess profit tax	–	–	–	239
	91,322	82,504	157,195	211,671

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**15. PROPERTY, PLANT AND EQUIPMENT**

<i>In millions of tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve- ments	Machinery and equipment	Vehicles	Other	Construc- tion in progress	Total
Net book value as at December 31, 2021 (audited)	4,428,347	262,717	1,121,420	211,823	239,191	75,225	109,168	278,019	6,725,910
Foreign currency translation	339,914	2,465	25,749	8,056	4,572	2,760	6,851	12,545	402,912
Change in estimate	(55,497)	(7,285)	–	(3,289)	–	–	–	–	(66,071)
Additions	28,613	50	114	13,631	2,185	182	267	138,199	183,241
Disposals	(9,960)	(204)	(335)	(415)	(2,700)	(2,545)	(1,249)	(226)	(17,634)
Depreciation charge	(137,268)	(7,030)	(53,865)	(8,471)	(14,345)	(4,574)	(5,482)	–	(231,035)
Accumulated depreciation and impairment on disposals	8,907	204	322	354	2,660	1,958	951	183	15,539
(Impairment)/reversal of impairment (Note 12)	–	(20)	–	–	9	491	129	21	630
Transfers from/(to) assets classified as held for sale	–	–	–	422	(24)	(24)	27	–	401
Transfers from investment property	–	–	–	1,553	–	–	–	–	1,553
Other changes	(570)	(54)	–	–	11	–	24	623	34
Transfers	57,137	2,115	7,510	7,075	26,291	385	1,739	(102,252)	–
Net book value as at June 30, 2022 (unaudited) (restated)	4,659,623	252,958	1,100,915	230,739	257,850	73,858	112,425	327,112	7,015,480
At cost	6,911,173	395,161	2,753,813	550,712	629,515	218,558	259,533	377,518	12,095,983
Accumulated depreciation and impairment	(2,251,550)	(142,203)	(1,652,898)	(319,973)	(371,665)	(144,700)	(147,108)	(50,406)	(5,080,503)
Net book value as at June 30, 2022 (unaudited) (restated)	4,659,623	252,958	1,100,915	230,739	257,850	73,858	112,425	327,112	7,015,480

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**15. PROPERTY, PLANT AND EQUIPMENT (continued)**

<i>In millions of tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve- ments	Machinery and equip- ment	Vehicles	Other	Construc- tion in progress	Total
Net book value as at December 31, 2022 (audited)	4,598,235	266,566	1,075,385	233,627	265,730	74,540	115,086	360,668	6,989,837
Foreign currency translation	(86,677)	(942)	(6,629)	(2,802)	(744)	(610)	(1,790)	(3,876)	(104,070)
Change in estimate	979	(486)	–	(218)	–	–	–	–	275
Additions	11,279	58	754	974	1,767	3,560	1,021	242,722	262,135
Disposals	(7,876)	(214)	(367)	(532)	(1,829)	(462)	(1,008)	(2,414)	(14,702)
Depreciation charge	(172,509)	(5,418)	(51,949)	(7,628)	(13,949)	(4,804)	(4,935)	–	(261,192)
Accumulated depreciation and impairment on disposals	7,392	213	354	332	1,783	445	833	1,443	12,795
(Impairment)/reversal of impairment (Note 12)	–	(28)	(75,410)	(14,475)	134	(495)	108	23	(90,143)
Transfers from investment property	–	–	–	213	–	–	–	–	213
Other changes	–	(4)	–	–	5	(3)	–	43	41
Transfers	95,888	108	20,286	10,204	6,150	801	2,019	(135,456)	–
Net book value as at June 30, 2023 (unaudited)	4,446,711	259,853	962,424	219,695	259,047	72,972	111,334	463,153	6,795,189
At cost	6,896,982	410,784	2,754,016	563,886	648,781	224,386	256,377	512,333	12,267,545
Accumulated depreciation and impairment	(2,450,271)	(150,931)	(1,791,592)	(344,191)	(389,734)	(151,414)	(145,043)	(49,180)	(5,472,356)
Net book value as at June 30, 2023 (unaudited)	4,446,711	259,853	962,424	219,695	259,047	72,972	111,334	463,153	6,795,189

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions

For the six months ended June 30, 2023 additions to construction in progress are mainly attributable to development drilling at Ozenmunaigas JSC, Embamunaigas JSC, subsidiaries of KazMunaiGas Exploration Production JSC, and KMG Karachaganak LLP for the total of 133,785 million tenge and replacement of «Uzen-Atyray-Samara» and «Astrakhan-Mangyshlak» pipelines for the total amount of 72,372 million tenge at KazTransOil JSC.

Other

For the six months ended June 30, 2023, the Group capitalized to the carrying amount of property, plant and equipment borrowing costs in the amount of 4,122 million tenge related to the construction of those property, plant and equipment at the average interest rate of 5.18% (for the six months ended June 30, 2022: 227 million tenge at the average interest rate of 6.70%).

As at June 30, 2023, the cost of fully depreciated but still in use property, plant and equipment was 374,068 million tenge (December 31, 2022: 384,815 million tenge).

As at June 30, 2023, property, plant and equipment with the net book value of 360,867 million tenge (December 31, 2022: 778,757 million tenge) were pledged as collateral to secure borrowings of the Group.

Capital commitments are disclosed in *Note 27*.

16. BANK DEPOSITS

<i>In millions of tenge</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Denominated in US dollar	645,722	1,230,928
Denominated in tenge	6,445	6,616
Less: allowance for expected credit losses	(171)	(177)
	651,996	1,237,367

As at June 30, 2023, the weighted average interest rate for long-term bank deposits was 0.93% in US dollars and 0.70% in tenge (December 31, 2022: 0.94% in US dollars and 0.74% in tenge).

As at June 30, 2023, the weighted average interest rate for short-term bank deposits was 5.17% in US dollars and 0.69% in tenge (December 31, 2022: 2.64% in US dollars and 1.24% in tenge).

Bank deposits have maturities as detailed below:

<i>In millions of tenge</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Maturities under 1 year	593,179	1,178,138
Maturities between 1 and 2 years	324	94
Maturities over 2 years	58,493	59,135
	651,996	1,237,367

As at June 30, 2023, bank deposits include those pledged as collateral of 58,817 million tenge (December 31, 2022: 59,229 million tenge), which are represented mainly by 55,142 million tenge at restricted bank accounts designated as a liquidation fund per requirements of subsoil use contracts (December 31, 2022: 55,517 million tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**17. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES**

<i>In millions of tenge</i>	Main activity	Place of business	June 30, 2023		December 31, 2022	
			Carrying value	Percentage ownership	Carrying value	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	3,895,503	20.00%	3,825,053	20.00%
Mangistau Investments B.V. Group	Oil and gas development and production	Kazakhstan	185,634	50.00%	164,716	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	63,121	50.00%	58,812	50.00%
Kazakhstan-China Pipeline LLP	Oil transportation	Kazakhstan	46,761	50.00%	37,138	50.00%
Valseira Holdings B.V. Group	Oil refining	Kazakhstan	36,643	50.00%	26,351	50.00%
Kazakhoil-Aktobe LLP	Production and sale of crude oil	Kazakhstan	27,895	50.00%	26,911	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	27,251	50.00%	32,070	50.00%
Petrosun LLP	Sale of liquid gas and oil products	Kazakhstan	25,752	49.00%	24,373	49.00%
Ural Group Limited	Oil and gas exploration and production	Kazakhstan	25,108	50.00%	31,490	50.00%
Other			62,414		52,410	
Associates						
Caspian Pipeline Consortium	Transportation of liquid hydrocarbons	Kazakhstan/Russia	489,955	20.75%	521,882	20.75%
PetroKazakhstan Inc.	Exploration, production and processing of oil and gas	Kazakhstan	94,407	33.00%	94,635	33.00%
Other			52,117		51,562	
			5,032,561		4,947,403	

All of the above joint ventures and associates are strategic for the Group’s business.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

17. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

As at June 30, 2023, the Group’s share in unrecognized losses of joint ventures and associates was equal to 2,016 million tenge (December 31, 2022: 19,950 million tenge).

The following table summarizes the movements in the investments of joint ventures and associates during the six months ended June 30:

<i>In millions of tenge</i>	2023 (unaudited)	2022 (unaudited) (restated)
On January 1 (audited)	4,947,403	4,145,646
Share in profits of joint ventures and associates, net (Note 6)	399,719	546,245
Dividends received	(174,464)	(123,038)
Change in dividends receivable	(43,201)	(80,699)
Other changes in the equity of the joint venture	4,589	4,054
Additional contributions without change in ownership	11,050	67
Disposals, net (Note 25)	(8,621)	–
Eliminations and adjustments*	–	(402)
Foreign currency translation	(103,914)	351,903
On June 30 (unaudited)	5,032,561	4,843,776

* *Equity method eliminations and adjustments represent capitalized borrowing costs on the loans provided by the Company and subsidiaries to joint ventures.*

18. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

<i>In millions of tenge</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Trade accounts receivable		
Trade accounts receivable	665,876	549,163
Less: allowance for expected credit losses	(31,320)	(29,626)
Total trade accounts receivable	634,556	519,537
Other current financial assets		
Other receivables	105,446	98,485
Dividends receivable	23,057	320
Less: allowance for expected credit losses	(41,003)	(41,748)
	87,500	57,057
Other current non-financial assets		
Advances paid and prepaid expenses	111,714	60,198
Taxes receivable, other than VAT	46,279	43,030
Other	4,202	6,040
Less: impairment allowance	(129)	(131)
	162,066	109,137
Total other current assets	249,566	166,194

As at June 30, 2023 and December 31, 2022 the above assets were non-interest bearing.

As at June 30, 2023, trade accounts receivable of 148,088 million tenge are pledged as collateral (December 31, 2022: 167,255 million tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

18. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS (continued)

As of June 30, 2023 and December 31, 2022, trade accounts receivable is denominated in the following currencies:

<i>In millions of tenge</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
US dollars	375,125	325,296
Tenge	176,615	114,303
Romanian Leu	77,250	73,508
Euro	3,858	3,871
Other currency	1,708	2,559
	634,556	519,537

19. CASH AND CASH EQUIVALENTS

<i>In millions of tenge</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Term deposits with banks – US dollar	554,117	228,818
Term deposits with banks – tenge	178,517	231,543
Term deposits with banks – other currencies	99,994	17,550
Current accounts with banks – US dollar	164,846	200,478
Current accounts with banks – tenge	32,539	20,877
Current accounts with banks – other currencies	12,837	15,699
The contracts of reverse repo with original maturities of three months or less	–	27,499
Cash in transit	25,024	17,449
Cash-on-hand and cheques	2,019	2,961
Less: allowance for expected credit losses	(67)	(57)
	1,069,826	762,817

Term deposits with banks are made for various periods of between one day and three months, depending on the immediate cash requirements of the Group.

As at June 30, 2023, the weighted average interest rate for term deposits with banks was 5.32% in US dollars, 15.22% in tenge and 6.33% in other currencies (December 31, 2022: 1.12% in US dollars, 13.01% in tenge and 4.84% in other currencies).

As at June 30, 2023 and December 31, 2022, cash and cash equivalents of the Group were not pledged as collateral for obligations of the Group.

20. BORROWINGS AND BONDS

<i>In millions of tenge</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Fixed interest rate borrowings and bonds	3,282,265	3,584,422
Weighted average interest rates	5.43%	6.43%
Floating interest rate borrowings and bonds	694,291	558,912
Weighted average interest rates	8.91%	8.61%
	3,976,556	4,143,334

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

20. BORROWINGS AND BONDS (continued)

As at June 30, 2023 and December 31, 2022, borrowings and bonds are denominated in the following currencies:

<i>In millions of tenge</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
US dollar	3,019,574	3,152,169
Tenge	717,393	704,752
Russian ruble	193,367	245,349
Euro	32,936	23,069
Other currencies	13,286	17,995
	3,976,556	4,143,334

<i>In millions of tenge</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Current portion	452,205	367,443
Non-current portion	3,524,351	3,775,891
	3,976,556	4,143,334

As at June 30, 2023 and December 31, 2022, the bonds comprised:

<i>In millions of tenge</i>	Issuance amount	Redemption date	Interest	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Bonds					
KASE 2023	50 billion KZT	2033	0.50% (11.74% effective interest rate)	28,402	-
KASE 2022	751.6 billion KZT	2035	3.00% (14.5% effective interest rate)	385,449	379,306
Bonds LSE 2020	750 million USD	2033	3.50%	341,433	349,059
AIX 2019	56 billion KZT	2024	5.00%	26,678	34,385
Bonds LSE 2018	1.5 billion USD	2048	6.375%	670,400	685,181
Bonds LSE 2018	1.25 billion USD	2030	5.375%	567,007	579,391
Bonds LSE 2018	0.5 billion USD	2025	4.75%	-	232,586
Bonds LSE 2017	1.25 billion USD	2047	5.75%	549,340	561,160
Bonds LSE 2017	1 billion USD	2027	4.75%	451,287	460,655
Total				3,019,996	3,281,723

On April 26, 2023, the Company made an early repayment of Eurobonds in the amount of 501 million US dollars (equivalent to 227,520 million tenge), including premium for early repayment and coupon payment with an interest rate of 4.75% and maturity in 2025.

On April 27, 2023, the Company placed bonds for 50,000 million tenge at a coupon interest rate of 0.50% per annum and due in 2033. Samruk-Kazyna purchased the bonds. The coupon rate of the bonds is below market rate. The difference between the fair value and nominal amount of bonds of 22,145 million tenge was recognized as a transaction with Samruk-Kazyna in the consolidated statement of changes in equity (Note 25).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**20. BORROWINGS AND BONDS (continued)**

As at June 30, 2023 and December 31, 2022, the borrowings comprised:

<i>In millions of tenge</i>	Issuance amount	Redemption date	Interest	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Loans					
VTB Bank (PJSC)	38 billion RUB	2027	Key Rate of Central Bank of Russia Federation + 2.25%	193,367	245,349
The Syndicate of banks (Unicredit Tiriac Bank, ING Bank, BCR, Raiffeisen Bank, Alpha Bank, Garanti Bank, OTP Bank)	531.8 million USD ¹	2026	1M EURIBOR + 2.75%, O/N SOFR + 2.50%, 1M SOFR + 2.750%, O/N EURIBOR + 2.50%	140,824	26,270
Halyk bank JSC (Halyk bank)	151 billion KZT	2024-2025	11.00%	114,986	135,062
Development bank of Kazakhstan JSC (DBK)	157 billion KZT	2023-2026	7.00% - 9.00%	91,485	100,694
Cargill	150 million USD	2023-2024	3M SOFR + 2.61% 3M LIBOR + 2.50% 3M SOFR + 2.98%	68,744	70,165
Halyk bank JSC	66.7 billion KZT	2032	Key Rate of National Bank of RK + 2.50%	44,179	29,761
Lukoil Kazakhstan Upstream	–	After the start of commercial mining	O/N SOFR + 2.85%	43,199	12,876
Halyk bank	100 million USD ²	2023	5.00% (USD), 16.00%-18.75% (KZT)	42,166	46,460
Bank of Tokyo-Mitsubishi UFJ, Ltd (London Branch)	150 million USD	2023	COF ³ (5.07%) + 1.70%	34,490	17,415
BCP	250 million USD	2023	COF (5.54%) + 1.50%	26,446	–
ING Bank NV	250 million USD	2023	COF (5.30%) + 2.00%	24,316	31,871
Credit Agricole	250 million USD	2023	COF (5.28%) + 2.00%	22,190	30,934
The Syndicate of banks (BCR, Raiffeisen Bank, OTP, Alpha, Garanti)	83 million EUR	2029	6M EURIBOR + 3.00%	21,307	21,411
NATIXIS	250 million USD	2024	COF (5.21%) + 2.00%	17,659	18,165
Banca Transilvania	57.96 million EUR	2024	1M SOFR + 2.50% 1M EURIBOR + 2.50%	14,100	16,739
DBK	843.6 million USD	2023	10.99%	13,632	20,483
OTP Bank	119 million RON	2030	3M ROBOR + 1.10%	11,544	11,801
Other	–	–	–	31,926	26,155
Total				956,560	861,611

¹ 265.9 million USD with revolving credit facility² Revolving credit facility.³ Cost of funding

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

20. BORROWINGS AND BONDS (continued)

The decrease in carrying value of the loan from VTB Bank (PJSC) denominated in Russian ruble during the six months ended June 30, 2023, is due to the effect of the foreign currency exchange rate for 48,413 million tenge.

During the six months ended June 30, 2023, KMGI received Syndicated loan used to finance its working capital for the total amount of 310 million US dollars (equivalent to 140,091 million tenge).

During the six months ended June 30, 2023, KMGI received a loan from Bank of Tokyo-Mitsubishi UFJ. Ltd to finance working capital for 38.6 million USD (equivalent to 17,429 million tenge), on a net basis, at the rate of COF (5.07%) + 1.70% per annum and maturity in 2023.

During the six months ended June 30, 2023, KMGI received a loan from BCP to finance working capital for 58 million USD (equivalent to 26,404 million tenge), on a net basis, at the rate of COF (5.54%) + 1.50% per annum and maturity in 2023.

During the six months ended June 30, 2023, based on the notification of the Ministry of Energy of RK on the termination of the subsoil use contract, the Company wrote off the loan of Eni Isatai B.V. for the Isatai project in the amount of 4,289 million tenge (*Note 13*).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**20. BORROWINGS AND BONDS (continued)**

Changes in liabilities arising from financing activities for the six months ended June 30:

<i>In millions of tenge</i>	2023 (unaudited)				2022 (unaudited)			
	Short-term loans	Long-term loans	Bonds	Total	Short-term loans	Long-term loans	Bonds	Total
On January 1 (audited)	173,053	688,558	3,281,723	4,143,334	162,772	877,356	2,706,199	3,746,327
Received in cash	72,355	164,717	50,000	287,072	26,576	81,884	–	108,460
Repayment of principal in cash	(26,167)	(62,852)	(234,454)	(323,473)	(54,184)	(20,384)	(520)	(75,088)
Repayment of principal and interest by reserved cash	–	–	–	–	–	(259,459)	–	(259,459)
Interest accrued	8,574	30,875	94,165	133,614	4,472	51,121	77,440	133,033
Commission for the early redemption of the loan (Note 13)	–	–	–	–	–	4,498	–	4,498
Interest paid*	(8,432)	(28,962)	(88,051)	(125,445)	(4,547)	(30,046)	(74,988)	(109,581)
Discount (Note 25)	–	–	(22,145)	(22,145)	–	–	–	–
Foreign currency translation	(2,517)	(2,659)	(60,062)	(65,238)	9,787	13,056	233,582	256,425
Foreign exchange (gain)/loss	(301)	(48,190)	(1,728)	(50,219)	262	123,631	7,417	131,310
Derecognition of loan (Note 13)	–	(4,289)	–	(4,289)	–	–	–	–
Other	–	2,797	548	3,345	–	(1,228)	–	(1,228)
On June 30 (unaudited)	216,565	739,995	3,019,996	3,976,556	145,138	840,429	2,949,130	3,934,697
Current portion	216,565	177,164	58,476	452,205	145,138	172,287	38,560	355,985
Non-current portion	–	562,831	2,961,520	3,524,351	–	668,142	2,910,570	3,578,712

* The repayment of the interest is classified in the interim consolidated statement of cash flows as operating cash flows.

In January 2022, Atyrau Refinery LLP (further Atyrau Refinery) made early full repayment of the loan from Eximbank for 604 million US dollars (equivalent to 259,459 million tenge), including accrued interest. For the repayment the cash reserved in November 2021 was used.

Covenants

The Group is required to comply with the financial and non-financial covenants under the terms of loan agreements. As of June 30, 2023 and December 31, 2022, the Group complied with all financial and non-financial covenants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

20. BORROWINGS AND BONDS (continued)

Hedge of net investment in the foreign operations

As at June 30, 2023, certain bonds denominated in foreign currency were designated as hedge instruments for the net investment in foreign operations. These bonds are being used to hedge the Group’s exposure to the US dollar foreign exchange risk on these investments. For the six months ended June 30, 2023, a gain of 60,062 million tenge (for the six months ended June 30, 2022: a loss of 233,582 million tenge) on the translation of these bonds was transferred to other comprehensive income and offset against translation gains of the net investments in foreign operations.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the US Dollars bonds. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate bonds. As at June 30, 2023 and December 31, 2022, there was no ineffective portion of the hedge.

21. LEASE LIABILITIES

<i>In millions of tenge</i>	Minimum lease payments		Present value of minimum lease payments	
	June 30, 2023 (unaudited)	December 31, 2022 (audited)	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Within one year	17,354	16,629	16,608	15,682
Two to five years inclusive	45,578	23,368	29,433	16,770
After five years	97,702	61,176	66,714	49,102
	160,634	101,173	112,755	81,554
Less: amounts representing finance costs	(47,879)	(19,619)	–	–
Present value of minimum lease payments	112,755	81,554	112,755	81,554
Less: amounts due for settlement within 12 months	(17,354)	(16,629)	(16,608)	(15,682)
Amounts due for settlement after 12 months	143,280	84,544	96,147	65,872

As at June 30, 2023, interest calculation was based on effective interest rates ranging from 2.95% to 19.00% (December 31, 2022: from 2.95% to 19.00%).

The table below shows the changes in lease liabilities for the six months ended June 30:

<i>In millions of tenge</i>	2023 (unaudited)	2022 (unaudited) (restated)
On January 1 (audited)	81,554	74,421
Additions of leases	41,140	8,274
Interest accrued (Note 13)	3,302	2,062
Repayment of principal	(11,903)	(9,839)
Interest paid	(958)	(862)
Foreign exchange loss/(gain)	581	(1,954)
Foreign currency translation	(1,658)	6,301
Other	697	3,349
On June 30 (unaudited)	112,755	81,752

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

22. PROVISIONS

<i>In millions of tenge</i>	Asset retirement obligations	Provision for environ- mental obligation	Provision for taxes	Other	Total
As at January 1, 2022 (audited)	209,460	63,186	10,362	6,736	289,744
Foreign currency translation	9,956	4,050	252	292	14,550
Change in estimate	(67,526)	4,588	–	(141)	(63,079)
Unwinding of discount (Note 13)	5,549	806	–	88	6,443
Provision for the period	15,096	1,815	696	1,532	19,139
Recovered	(71)	–	(1,112)	(608)	(1,791)
Use of provision	(45)	(1,129)	(217)	(2,784)	(4,175)
As at June 30, 2022 (unaudited) (restated)	172,419	73,316	9,981	5,115	260,831
As at January 1, 2023 (audited)	128,828	81,353	10,923	47,725	268,829
Foreign currency translation	(1,063)	(1,325)	1	(375)	(2,762)
Change in estimate	177	(524)	–	(58)	(405)
Unwinding of discount (Note 13)	5,207	891	–	80	6,178
Provision for the period (Note 25)	863	–	67	19,004	19,934
Recovered (Note 27)	(36)	–	–	(28,307)	(28,343)
Use of provision	(137)	(1,541)	(12)	(1,114)	(2,804)
As at June 30, 2023 (unaudited)	133,839	78,854	10,979	36,955	260,627

As at June 30, 2023, other provisions mainly include obligation for construction of the multifunctional sport and recreation complex in Uralsk (further the Sport Complex) for the total amount of 17,925 million tenge (Note 25).

Current portion and long-term portion are segregated as follows:

<i>In millions of tenge</i>	Asset retirement obligations	Provision for environ- mental obligation	Provision for taxes	Other	Total
Current portion	1,742	5,540	10,979	10,694	28,955
Long-term portion	132,097	73,314	–	26,261	231,672
As at June 30, 2023 (unaudited)	133,839	78,854	10,979	36,955	260,627
Current portion	672	4,880	9,981	2,996	18,529
Long-term portion	171,747	68,436	–	2,119	242,302
As at June 30, 2022 (unaudited) (restated)	172,419	73,316	9,981	5,115	260,831

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

23. TRADE ACCOUNTS PAYABLE AND OTHER FINANCIAL AND NON-FINANCIAL LIABILITIES

<i>In millions of tenge</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Trade accounts payable	586,768	564,906
Other financial liabilities		
Due to employees	78,806	67,073
Other trade payables	19,495	32,048
Payables to Samruk-Kazyna for exercising the Option (<i>Notes 4 and 25</i>)	-	164,937
Derivative financial instruments	-	1,598
Other	37,679	33,141
	135,980	298,797
Current portion	120,644	283,717
Non-current portion	15,336	15,080
	135,980	298,797
Other non-financial liabilities		
Contract liabilities	150,514	117,817
Other	14,170	16,876
	164,684	134,693
Current portion	125,853	93,145
Non-current portion	38,831	41,548
	164,684	134,693

As at June 30, 2023 and December 31, 2022, trade accounts payable were denominated in the following currencies:

<i>In millions of tenge</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
US dollars	410,162	322,797
Tenge	88,857	127,663
Romanian leu	76,644	72,676
Euro	4,528	34,638
Other currency	6,577	7,132
Total	586,768	564,906

As at June 30, 2023 and December 31, 2022, trade accounts payable and other financial liabilities were not interest bearing.

Derivative financial instruments

The Group uses different commodity derivatives as a part of price risk management in trading of crude oil and petroleum products.

Statement of financial position:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Derivative financial asset (in other financial assets)	201	681
Derivative financial liability	-	(1,598)
Derivative financial asset/(liability), net	201	(917)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

23. TRADE ACCOUNTS PAYABLE AND OTHER FINANCIAL AND NON-FINANCIAL LIABILITIES (continued)

Derivative financial instruments (continued)

Statement of comprehensive income:

	For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited)
Realized losses from derivatives on petroleum products in production expenses (Note 8)	453	78,908

A movement in derivatives assets/ (liabilities) is shown below:

	For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited)
On January 1 (audited)	(917)	8,838
Hedge Reserve	988	(37,120)
Inventory	108	2,483
Translation difference	22	(772)
On June 30 (unaudited)	201	(26,571)

Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

The Group has the following hedge transactions that qualify for fair value hedge:

Transaction	Hedged item	Risk hedged	Hedging instrument
Commodity purchase / sell at fixed price	Base operating stock (BOS) – meaning crude oil, feedstock, diesel, gasoline and jet Priced operational stock above or below BOS	Commodity price risk	Swap, Future, Purchase put / call option
Foreign exchange risk related to monetary item	Monetary item not in the functional currency of the Group	Change in foreign exchange rate	Swap, currency forward
Foreign exchange risk related to a firm commitment	Firm commitment not denominated in the functional currency of the Group	Change in foreign exchange rate	Swap, currency forward
Fair value risk related to fixed interest rates	Receivable or liability at fixed interest rate	Interest related fair value risk	Swap

The Group has the following hedge transactions that could qualify for cash flow hedge:

Transaction	Hedged item	Risk hedged	Hedging instrument
Forecasted commodity purchase / sell	Forecasted refinery margin basket and forecasted Dated Brent differential	Commodity price risk	Swap, Future, Purchased put / call option
EUA certificates	Forecasted EUA certificates purchase	EUA certificate price risk	Futures

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

24. OTHER TAXES PAYABLE

<i>In millions of tenge</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
VAT	40,422	49,969
Mineral Extraction Tax	29,508	35,277
Rent tax on crude oil export	27,578	38,445
Individual income tax	7,542	7,991
Social tax	5,814	7,085
Excise tax	2,139	2,175
Withholding tax from non-residents	1,621	1,875
Other	5,362	5,660
	119,986	148,477

25. RELATED PARTY DISCLOSURES

Terms and conditions of transactions with related parties

Related party transactions were made on terms agreed between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties. Outstanding balances are mainly unsecured and interest free and settlement occurs in cash. The Group recognizes allowances for expected credit losses on amounts owed by related parties.

Transactions balances

The following table provides the balances of transactions with related parties as at June 30, 2023 and December 31, 2022:

<i>In millions of tenge</i>	As at	Due from related parties	Due to related parties	Borrowings payable to related parties
	June 30, 2023 (unaudited)			
Samruk-Kazyna entities	December 31, 2022 (audited)	104,887	2,430	440,530
		38,476	168,368	413,691
	June 30, 2023 (unaudited)			
Associates	December 31, 2022 (audited)	27,781	2,062	-
		16,348	3,431	-
	June 30, 2023 (unaudited)			
Other state-controlled parties	December 31, 2022 (audited)	5,304	615	105,117
		72,003	666	121,177
	June 30, 2023 (unaudited)			
Joint ventures	December 31, 2022 (audited)	163,520	214,665	-
		167,284	187,172	-

Due from/to related parties

Samruk-Kazyna entities

As at June 30, 2023, the Company sold its 25% interest in Butadien LLP, a joint venture, with a carrying value of 8,621 million tenge (*Note 17*) to Samruk-Kazyna for a consideration of 8,531 million tenge. As a result, the Company lost its joint control over Butadien LLP.

As at June 30, 2023, payable due to Samruk-Kazyna for the exercised Option was fully repaid for 364 million US dollars (equivalent to 163,770 million tenge) (*Notes 4 and 23*).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

25. RELATED PARTY DISCLOSURES (continued)

Due from/to related parties (continued)

Other state-controlled parties

As at June 30, 2023, the Group purchased short-term notes of NB RK in the total amount of 270,047 million tenge with an interest rate of 16.75%, as well as short-term notes of NB RK acquired in 2022 and 2023 in the amount of 335,047 million tenge were redeemed.

Borrowings payable to related parties

Samruk-Kazyna entities

In April 2023, Samruk-Kazyna purchased the Company placed bonds for 50,000 million tenge. The difference between the fair value and nominal amount of bonds of 22,145 million tenge was recognized as transactions with Samruk-Kazyna in the consolidated statement of changes in equity (*Note 20*).

Transactions turnover

The following table provides the total amount of transactions, which have been entered into with related parties during the six months ended June 30, 2023 and 2022:

<i>In millions of tenge</i>	During the six months ended June 30,	Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	2023 (unaudited)	103,017	16,600	1,394	21,323
	2022 (unaudited) (restated)	4,812	5,356	25,209	800
Associates	2023 (unaudited)	5,998	39,492	101	–
	2022 (unaudited) (restated)	12,414	17,341	122	–
Other state-controlled parties	2023 (unaudited)	5	11,199	4,115	6,685
	2022 (unaudited) (restated)	7,782	9,224	158	8,049
Joint ventures	2023 (unaudited)	218,360	885,301	8,930	–
	2022 (unaudited) (restated)	101,901	1,153,273	5,492	3

Sales to related parties/purchases from related parties

Samruk-Kazyna entities

For the six months ended June 30, 2023, sales to related parties are mainly represented by the sale of oil products of JSC "NC Kazakhstan Temir Zholy" in the amount of 71,173 million tenge.

Joint ventures

For the six months ended June 30, 2023, purchases from joint ventures were mainly represented with purchases of crude oil from Tengizchevroil LLP for 850,286 million tenge (for the six months ended June 30, 2022: 1,122,756 million tenge).

Key management employee compensation

For the six months ended June 30, 2023 and 2022, total compensation to key management personnel (members of the Boards of directors and Management boards of the Group) included in general and administrative expenses was equal to 2,872 million tenge and 3,204 million tenge, respectively. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

25. RELATED PARTY DISCLOSURES (continued)**Dividends**

During the six months ended June 30, 2023, based on the decision of Shareholders, the Company declared and paid-off dividends for 2022 of 491.71 tenge per common share in the total of 300,002 million tenge (during the six months ended June 30, 2022: declared dividends for 2021 of 327.80 tenge per common share in the total of 199,997 million tenge).

Other operations

For the six months ended June 30, 2023, in accordance with the Order of the President of the RK on the construction of the Sport Complex as a result of his working visit to the West Kazakhstan region dated March 9, 2023, the Company recognized an obligation for the construction of the Sport Complex for the total amount of 17,925 million tenge (*Note 22*) and recognized it in the interim consolidated statement of changes in equity. The Company made an advance payment in the amount of 8,962 million tenge.

Distributions to Samruk-Kazyna

During the six months ended June 30, 2022, in accordance with the Government decree on the construction of a medical center in Zhana-ozen town and housing for the residents, living in Zhana-ozen town, the Group accrued liabilities for 9,690 million tenge and recognized as distribution to Samruk-Kazyna in equity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**26. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES****Fair values of financial instruments**

The carrying amount of the Group financial instruments as at June 30, 2023 and December 31, 2022 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

<i>In millions of tenge</i>	June 30, 2023 (unaudited)					December 31, 2022 (audited)				
	Carrying amount	Fair value	Fair value by level of assessment			Carrying amount	Fair value	Fair value by level of assessment		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Loans given to related parties at amortized cost	28,225	28,406	-	-	28,406	29,254	29,242	-	-	29,242
Bonds receivable from Samruk-Kazyna	19,965	15,103	-	15,103	-	19,595	20,138	-	20,138	-
Notes of NB RK	5,005	5,005	-	5,005	-	70,192	70,192	-	70,192	-
Fixed interest rate borrowings	3,282,265	2,895,966	2,271,845	624,121	-	3,584,422	3,156,446	2,476,894	679,552	-
Floating interest rate borrowings	694,291	694,291	-	694,291	-	558,912	558,912	-	558,912	-

The fair value of bonds receivable from the Samruk-Kazyna and other debt instruments have been calculated by discounting the expected future cash flows at market interest rates.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

There were no transfers between Level 1 and Level 2 during the reporting period, and no transfers into or out of Level 3 category.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no changes in the Group’s valuation processes, valuation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

26. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments (continued)

techniques, and types of inputs used in the fair value measurements during the six months ended June 30, 2023.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy are shown below:

	Valuation technique	Significant unobservable inputs	Range	
			as of June 30, 2023 (unaudited)	as of December 31, 2022 (audited)
Loans given to related parties at amortized cost	Discounted cash flow method	Interest/discount rate	5.90%-19.20%	6.40%-18.90%

27. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to the contingent liabilities and commitments disclosed in the consolidated financial statements of the Group for the year ended December 31, 2022, the following changes have taken place during the six months ended June 30, 2023:

The case of an administrative offense of the Pavlodar Refinery LLP (further Pavlodar Refinery) initiated by the Department of Agency for protection and development of competition of RK (further Antimonopoly agency) of the Pavlodar region

In 2022 the Prosecutor's Office of the Pavlodar region together with the Antimonopoly agency conducted an inspection of the Pavlodar Refinery operations for compliance with the legislation of the RK in the field of oil and petroleum products turnover, labor, tax and antimonopoly legislation for 2020-2021. On March 16, 2022 Antimonopoly agency issued the Conclusion which stated that Pavlodar Refinery set monopolistically high tariff for oil refining services. On July 25, 2022, Antimonopoly agency of the Pavlodar region initiated an administrative offence and issued a Protocol to the Specialized Court for Administrative Offenses of Pavlodar city for setting by the Pavlodar Refinery monopolistically high tariff for oil refining services in 2021 and to confiscate revenue for 2021 of 21,961 million tenge and impose fine of 6,226 million tenge.

On June 9, 2023, Specialized Court for Administrative Offenses of Pavlodar city issued a decision on the consumption of administrative proceedings. On June 30, 2023, Decree on the consumption of administrative proceedings and the abolition of the restriction in legal force. As a result, in June 2023, Pavlodar Refinery recovered a provision of 28,187 million tenge and recognized in other operating income (*Note 22*).

Share of Atyrau refinery in the Liquefied Petroleum Gas Storage Park LLP (further LPGSP)

In 2020, Atyrau refinery sold a 50% stake in the authorized capital of its joint venture, LPGSP, to a third party, Joint Technologies LLP (further JT). As a result of this transaction, the Group lost the joint control over LPGSP.

However, on May 3, 2023, the Specialized Court for Administrative Cases of the Atyrau Region canceled the order on state re-registration of a 50% share of LPGSP in favor of JT, satisfying the claim of the Agency for Protection and Development of the category of the Republic of Kazakhstan.

As at June 30, 2023, as a result of the analysis the Group concluded that it did not obtain joint control over LPGSP in accordance with *IAS 28 Investments in Associates and Joint Ventures*, as JT is in process of appealing and the court decision is not final. Accordingly, the Group did not recognize the investment to LPGSP under *IAS 28 Investments in Associates and Joint Ventures* or *IFRS 10 Consolidated Financial Statements* in these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

27. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**Cost recovery audits**

Kashagan has a share of 16.88% in the North Caspian Production Sharing Agreement dated November 18, 1997, as amended (further PSA).

KMG Karachaganak LLP has a share of 10% in the Final Production Sharing Agreement in respect of the contract area of the Karachaganak oil and gas condensate field dated January 27, 1997, as amended (further FPSA).

Under the base principles of the PSA and FPSA, the RK transferred to the participants of these agreements (further Contractors) the exclusive rights to conduct activities in the subsurface areas, but did not transfer neither ownership rights, nor lease rights to these areas. Thus, all extracted and processed oil (i.e. the hydrocarbons produced) are the property of the RK.

Subsoil use operations are carried out on the basis of reimbursement of certain expenditures and the RK reimburses such expenditures to Contractors not in cash but in the form of the portion of oil production, thereby allowing Contractors to recover their expenditures (further Recoverable Costs) and earn profit.

PSA and FPSA provides for a procedure of expense reimbursement and determine the list of expenses that are not Recoverable Costs.

PSA LLP conducts audits of Recoverable Costs as an organization authorized to act on behalf of the RK within the framework of the PSA and FPSA (further the Authorized Body).

As of June 30, 2023, the Group’s share in the total amounts of claims of the audit results of Recoverable Costs of PSA and FPSA is 2,595 million US dollars (equivalent to 1,174,053 million tenge as at reporting date) (as of December 31, 2022: 2,595 million US dollars, equivalent to 1,200,386 million tenge).

The RK and the Contractors under the PSA and FPSA (except for Kashagan and KMG Karachaganak LLP) have a number of disputes concerning the application of certain PSA and FPSA provisions, which are subject to arbitration and expert determination under the PSA and FPSA. The Contractors consider that they have acted in accordance with the PSA and FPSA, the RK laws and applicable standards and best practices. As at June 30, 2023, Arbitrators have been appointed by the RK and the Contractors.

Environmental audits

The Department of Ecology for the Atyrau Region of the Committee for Environmental Regulation and Control of the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan (further Department of Ecology) conducted an inspection of onshore facilities of North Caspian Operating Company N.V., which is the operator of the North Caspian Production Sharing Agreement (further Operator). Based on the results of the inspection, the Operator was issued an order to eliminate violations including on sulfur placement.

The Operator did not agree with the results of the inspection and filed an administrative claim. On June 14, 2023, Astana Interregional Administrative Court announced its award in favor of Operator on sulfur placement.

Kazakhstan local market obligation

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

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group’s business, prospects, consolidated financial position and performance.

During the six months ended June 30, 2023, in accordance with its obligations, the Group delivered 3,844 thousand tons of crude oil (2022: 7,951 thousand tons), including its share in the joint ventures and associates, to the Kazakhstan market.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

27. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Commitments under subsoil use contracts

As at June 30, 2023, the Group had the following commitments (net of VAT) related to a minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government, including its share in joint ventures and associate:

<i>In millions of tenge</i>	Capital expenditures	Operational expenditures
Year		
2023	209,035	39,432
2024	252,468	13,628
2025	339,240	13,390
2026	275,866	13,088
2027-2049	288,308	46,398
Total	1,364,917	125,936

As at December 31, 2022 commitments (net of VAT) under subsoil use contracts included:

<i>In millions of tenge</i>	Capital expenditures	Operational expenditures
Year		
2023	314,158	80,598
2024	223,085	14,328
2025	306,900	14,803
2026	339,652	14,927
2027-2049	230,333	31,573
Total	1,414,128	156,229

Oil supply commitments

As of June 30, 2023, Kashagan had commitments to supply oil products under the oil supply agreements in the total amount of 5.0 million tons. (December 31, 2022: 6.6 million tons).

Other contractual commitments

As of June 30, 2023, the Group, including its share in joint ventures commitments, had other capital commitments of approximately 215,936 million tenge, net of VAT (as at December 31, 2022: 240,794 million tenge, net of VAT), related to acquisition and construction of property, plant and equipment and intangible assets.

As of June 30, 2023, the Group had commitments of 128,422 million tenge (as at December 31, 2022: 152,824 million tenge) under the investment programs approved by the joint order of Ministry of Energy of RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK to facilitate production units.

28. SEGMENT REPORTING

The Group’s operating segments have their own structure and management according to the type of the produced goods and services provided. Moreover, all segments are strategic directions of the business which offer different types of the goods and services in different markets. The functions have been defined as the operating segments of the Group because they are segments a) that engage in business activities from which revenues are generated and expenses incurred; b) whose operating results are regularly reviewed by the Group’s chief operating decision makers to make decisions.

The Group’s activity consists of three main operating segments: exploration and production of oil and gas, oil transportation, refining and trading of crude oil and refined products. The Group presents the Company’s activities separately in Corporate segment, since the Company performs not only the functions of the parent company, but also carries out operational activities. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

28. SEGMENT REPORTING (continued)

Disaggregation of revenue by types of goods and services is presented in *Note 5* to these interim condensed consolidated financial statements.

For the six months ended June 30, 2023 and 2022 disaggregated revenue mainly represents sales and services made to the external parties by the following operating segments:

For the six months ended June 30, 2023 (unaudited)						
<i>In millions of tenge</i>	Exploration and production of oil and gas	Oil transportation	Refining and trading of crude oil and refined products	Corporate	Other	Total
Sales of crude oil and gas	422,327	–	1,678,322	–	–	2,100,649
Sales of refined products	2,405	–	999,456	427,267	5,612	1,434,740
Refining of oil and oil products	–	–	129,879	–	–	129,879
Oil transportation services	–	103,552	882	1,822	92	106,348
Other revenue	7,793	24,412	64,513	822	73,496	171,036
Total	432,525	127,964	2,873,052	429,911	79,200	3,942,652

For the six months ended June 30, 2022 (unaudited) (restated)						
<i>In millions of tenge</i>	Exploration and production of oil and gas	Oil transportation	Refining and trading of crude oil and refined products	Corporate	Other	Total
Sales of crude oil and gas	432,361	–	2,389,015	–	–	2,821,376
Sales of refined products	2,038	–	1,135,412	356,206	5,231	1,498,897
Refining of oil and oil products	–	–	107,389	–	–	107,389
Oil transportation services	(180)	83,605	723	31	91	84,279
Other revenue	6,242	19,806	51,581	821	52,011	130,461
Total	440,461	103,411	3,684,120	357,058	57,342	4,642,391

Segment performance is evaluated based on revenues, net profit and EBITDA, which are measured on the same basis as in the consolidated financial statements.

EBITDA is a supplemental non-IFRS financial measure used by management to evaluate segments performance, and is defined as earnings before depreciation, depletion and amortization, impairment of property, plant and equipment, exploration and evaluation assets, intangible assets and assets classified as held for sale, exploration expenses, impairments of joint ventures and associates, finance income and expense, income tax expenses.

EBITDA, % is calculated as EBITDA of each reporting segment divided by the total EBITDA.

Geographic information

The Group’s property, plant and equipment are located in the following countries:

<i>In millions of tenge</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Kazakhstan	6,236,071	6,316,404
Other countries	559,118	673,433
	6,795,189	6,989,837

Eliminations and adjustments in the tables below represent the exclusion of intra-group turnovers. Inter-segment transactions were made on terms agreed to between the segments that may not necessarily comply with market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**28. SEGMENT REPORTING (continued)**

The following represents information about profit and loss for the six months ended June 30, 2023 and assets and liabilities as at June 30, 2023 of operating segments of the Group:

<i>In millions of tenge</i>	Exploration and production of oil and gas	Oil transportation	Refining and trading of crude oil and refined products	Corporate	Other	Eliminations and adjustments	Total
Revenues from sales to external customers	432,525	127,964	2,873,052	429,911	79,200	-	3,942,652
Revenues from sales to other segments	664,189	95,592	93,894	37,053	62,404	(953,132)	-
Total revenue	1,096,714	223,556	2,966,946	466,964	141,604	(953,132)	3,942,652
Cost of purchased oil, gas, petroleum products and other materials	(21,516)	(8,696)	(2,496,722)	(295,552)	(15,882)	676,106	(2,162,262)
Production expenses	(261,835)	(135,602)	(197,556)	(105,804)	(111,881)	222,392	(590,286)
Taxes other than income tax	(199,712)	(9,413)	(7,668)	(60,728)	(4,750)	-	(282,271)
Transportation and selling expenses	(96,318)	(3,182)	(44,949)	(5,786)	(15)	30,727	(119,523)
General and administrative expenses	(17,960)	(6,954)	(25,584)	(14,065)	(10,285)	2,761	(72,087)
Share in profit of joint ventures and associates, net	296,842	56,842	34,171	-	11,864	-	399,719
EBITDA	796,215	116,551	228,638	(14,971)	10,655	(21,146)	1,115,942
EBITDA, %	71%	10%	20%	(1%)	1%	(1%)	
Depreciation, depletion and amortization	(201,542)	(19,819)	(67,992)	(1,802)	(4,739)	-	(295,894)
Finance income	5,624	5,037	21,211	60,031	7,359	(24,214)	75,048
Finance costs	(12,101)	(4,316)	(54,762)	(96,254)	(2,843)	13,776	(156,500)
(Impairment)/reversal of impairment of property, plant and equipment, intangible assets and exploration expenses	(40,314)	(553)	(98,655)	-	247	-	(139,275)
Income tax expenses	(109,484)	(9,470)	(16,056)	(21,715)	(470)	-	(157,195)
Profit/(loss) for the period	358,111	27,516	66,681	68,139	12,774	(41,677)	491,544
Other segment information							
Investments in joint ventures and associates	4,259,802	567,340	114,834	-	90,585	-	5,032,561
Capital expenditures	152,663	77,256	30,373	34,352	6,851	-	301,495
Allowances for obsolete inventories, expected credit losses on trade receivables, loans and receivables from related parties, other current financial assets and impairment of other current non-financial assets	(5,157)	(11,002)	(53,852)	(29,153)	(9,055)	-	(108,219)
Assets of the segment	11,581,071	1,421,538	3,000,513	1,268,443	401,244	(1,246,287)	16,426,522
Liabilities of the segment	1,467,901	332,921	1,864,107	4,387,395	118,302	(1,662,089)	6,508,537

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**28. SEGMENT REPORTING (continued)**

The following represents information about profit and loss for the six months ended June 30, 2022 and assets and liabilities as at December 31, 2022 of operating segments of the Group:

<i>In millions of tenge</i>	Exploration and production of oil and gas	Oil transportation	Refining and trading of crude oil and refined products	Corporate	Other	Eliminations and adjustments	Total
Revenues from sales to external customers*	440,461	103,411	3,684,120	357,059	57,344	–	4,642,395
Revenues from sales to other segments*	747,641	67,896	77,688	45,690	45,942	(984,857)	–
Total revenue	1,188,102	171,307	3,761,808	402,749	103,286	(984,857)	4,642,395
Cost of purchased oil, gas, petroleum products and other materials*	(14,700)	(7,996)	(3,328,167)	(189,475)	(13,850)	736,230	(2,817,958)
Production expenses*	(209,038)	(91,280)	(187,902)	(93,452)	(94,492)	183,416	(492,748)
Taxes other than income tax*	(259,614)	(8,175)	(7,191)	(39,207)	(4,473)	–	(318,660)
Transportation and selling expenses*	(82,020)	(9,309)	(34,249)	(4,588)	–	31,954	(98,212)
General and administrative expenses*	(16,855)	(6,658)	(22,028)	(11,991)	(11,717)	1,156	(68,093)
Share in profit of joint ventures and associates, net*	455,567	73,978	10,146	–	6,554	–	546,245
EBITDA*	1,061,442	121,867	192,417	64,036	(14,692)	(32,101)	1,392,969
EBITDA, %*	67%	12%	19%	6%	(1%)	(3%)	
Depreciation, depletion and amortization*	(162,326)	(22,260)	(69,949)	(1,559)	(4,281)	–	(260,375)
Finance income*	39,336	1,158	6,341	70,761	5,117	(68,425)	54,288
Finance costs*	(13,326)	(3,701)	(72,414)	(112,882)	(2,499)	48,723	(156,099)
Reversal of impairment/(impairment) of property, plant and equipment, intangible assets and exploration expenses*	18	(20)	3	–	629	–	630
Income tax expenses*	(195,852)	(14,079)	9,626	(10,574)	(792)	–	(211,671)
Net profit for the period*	667,240	22,018	(57,893)	211,695	(18,244)	(49,618)	775,198
Other segment information							
Investments in joint ventures and associates	4,179,880	582,862	102,569	–	82,092	–	4,947,403
Capital expenditures	111,765	33,925	33,028	2,986	9,259	–	190,963
Allowances for obsolete inventories, expected credit losses on trade receivables, loans and receivables from related parties, other current financial assets and impairment of other current non-financial assets	(6,197)	(10,966)	(47,786)	(28,912)	(9,066)	–	(102,927)
Assets of the segment	11,637,703	1,373,621	2,998,805	1,445,989	386,151	(1,191,506)	16,650,763
Liabilities of the segment	1,427,150	311,632	1,976,159	4,584,712	120,799	(1,643,139)	6,777,313

* Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the three and six months ended June 30, 2022 and reflect adjustments made, refer to Note 4.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)**

29. SUBSEQUENT EVENTS**Dividends received**

In July and August 2023, the Company received dividends from joint ventures KMG Automation LLP, Kazakhstan-China Pipeline LLP and KazGerMunay LLP in the total amount of 9,298 million tenge and an associate Caspian Pipeline Consortium in the amount of 14,780 million tenge.

Power outage at Atyrau refinery

On July 3, 2023, a deep power outage from external networks occurred on the territory of the Atyrau Refinery. As a result, the technological units of the plant were emergency shut down, with the exception of the ELOU-AT-2 unit, and the power supply to the plant was completely cut off. In order to avoid consequences, excess pressure at the units, in accordance with the technological regulations and the accident elimination plan, was directed to the flare units. There are no victims or injured.

On July 6, 2023, all process units of the plant were brought into normal operation, the delayed coking unit, after carrying out the equipment cleaning event due to the consequences of a power outage, was put into operation on July 11, 2023.

Management of the Group made assessment of the impact of the power outage at Atyrau Refinery on the Group operations and determined that outcome is not significant.