

**JSC “National Company “KazMunayGas”**

Interim condensed consolidated financial statements (unaudited)

*For the three months ended March 31, 2020*

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Report on review of interim condensed consolidated financial statements

**Interim condensed consolidated financial statements (unaudited)**

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## Report on Review of Interim Financial Information

To the Shareholders and Management of "National Company "KazMunayGas" JSC:

### Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of "National Company "KazMunayGas" JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at March 31, 2020 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of "National Company "KazMunayGas" JSC and its subsidiaries is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

*Ernst & Young LLP*



Gulmira Turmagambetova 0374  
Auditor / General Director  
Ernst and Young LLP

Auditor qualification certificate  
No. 0000374 dated February 21, 1998

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

May 27, 2020



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

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>For the three months ended, March 31</b>	
		<b>2020</b>	<b>2019</b>
<i>In millions of tenge</i>	<b>Note</b>	<b>(unaudited)</b>	<b>(unaudited) (reclassified)</b>
<b>Revenue and other income</b>			
Revenue	4	1,376,114	1,765,271
Share in profit of joint ventures and associates, net	5	65,316	219,022
Finance income	12	37,015	29,606
Gain on sale of subsidiaries		–	17,481
Other operating income		8,610	4,032
<b>Total revenue and other income</b>		<b>1,487,055</b>	<b>2,035,412</b>
<b>Costs and expenses</b>			
Cost of purchased oil, gas, petroleum products and other materials	6	(741,384)	(1,066,813)
Production expenses	7	(174,396)	(162,899)
Taxes other than income tax	8	(94,293)	(118,677)
Depreciation, depletion and amortization		(91,758)	(83,369)
Transportation and selling expenses	9	(118,649)	(115,555)
General and administrative expenses	10	(37,697)	(32,097)
Impairment of property, plant and equipment, exploration and evaluation assets	11	(61,139)	(368)
Impairment of investment in joint venture and associate	16	(38,000)	–
Finance costs	12	(67,074)	(85,393)
Other expenses		(7,315)	(4,734)
Net foreign exchange gain		32,737	3,368
<b>Total costs and expenses</b>		<b>(1,398,968)</b>	<b>(1,666,537)</b>
<b>Profit before income tax</b>		<b>88,087</b>	<b>368,875</b>
Income tax expenses	13	(18,573)	(59,681)
<b>Profit for the period from continuing operations</b>		<b>69,514</b>	<b>309,194</b>
<b>Discontinued operations</b>			
Profit after income tax for the period from discontinued operations		–	6
<b>Net profit for the period</b>		<b>69,514</b>	<b>309,200</b>
<b>Net profit/(loss) for the period attributable to:</b>			
Equity holders of the Parent Company		86,267	309,165
Non-controlling interest		(16,753)	35
		<b>69,514</b>	<b>309,200</b>

*The accounting policies and explanatory notes on pages 9 through 34 form an integral part of these consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**

<i>In millions of tenge</i>	<b>Note</b>	<b>For the three months ended March, 31</b>	
		<b>2020</b>	<b>2019</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
			<b>(reclassified)</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		703,636	(40,579)
Tax effect		(62,026)	–
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in the subsequent periods</b>		<b>641,610</b>	<b>(40,579)</b>
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial gain on defined benefit plans of joint ventures		–	206
Tax effect		–	–
<b>Net other comprehensive gain not to be reclassified to profit or loss in the subsequent periods</b>		<b>–</b>	<b>206</b>
<b>Net other comprehensive income/(loss) for the period</b>		<b>641,610</b>	<b>(40,373)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>711,124</b>	<b>268,827</b>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Parent Company		727,897	269,147
Non-controlling interest		(16,773)	(320)
		<b>711,124</b>	<b>268,827</b>

\* Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the period ended March 31, 2019, and reflect reclassifications made, refer to Note 3.

Deputy Chairman of the Management Board – Chief Financial Officer



D.S. Karabayev

Chief accountant

Y.N. Orynbayev

The accounting policies and explanatory notes on pages 9 through 34 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>In millions of tenge</i>	<b>Note</b>	<b>March 31, 2020 (unaudited)</b>	<b>December 31, 2019 (audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	4,717,485	4,484,271
Right-of-use assets		42,981	38,379
Exploration and evaluation assets		165,790	179,897
Investment property		9,497	9,541
Intangible assets		179,330	171,172
Long-term bank deposits	15	58,367	52,526
Investments in joint ventures and associates	16	6,469,116	5,590,384
Deferred income tax asset		96,314	73,714
VAT receivable		152,020	133,557
Advances for non-current assets		48,239	73,367
Loans and receivables due from related parties		685,624	615,546
Other non-current non-financial assets		14,861	17,162
Other non-current financial assets		2,506	2,488
		<b>12,642,130</b>	<b>11,442,004</b>
<b>Current assets</b>			
Inventories		252,819	281,215
VAT receivable		58,748	74,049
Income tax prepaid		68,792	54,517
Trade accounts receivable		424,832	397,757
Short-term bank deposits	15	375,527	359,504
Loans and receivables due from related parties		130,544	138,719
Other current non-financial assets	17	119,806	198,539
Other current financial assets	17	66,058	63,555
Cash and cash equivalents	18	1,229,628	1,064,452
		<b>2,726,754</b>	<b>2,632,307</b>
Assets classified as held for sale		<b>7,648</b>	<b>7,604</b>
		<b>2,734,402</b>	<b>2,639,911</b>
<b>Total assets</b>		<b>15,376,532</b>	<b>14,081,915</b>

*The accounting policies and explanatory notes on pages 9 through 34 form an integral part of these interim condensed consolidated financial statements.*



**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

<i>In millions of tenge</i>	<b>Note</b>	<b>March 31, 2020 (unaudited)</b>	<b>December 31, 2019 (audited)</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		916,541	916,541
Additional paid-in capital		20,194	40,794
Other equity		83	83
Currency translation reserve		2,373,377	1,731,747
Retained earnings		5,564,686	5,469,236
<b>Attributable to equity holders of the Parent Company</b>		<b>8,874,881</b>	<b>8,158,401</b>
Non-controlling interest		21,479	38,255
<b>Total equity</b>		<b>8,896,360</b>	<b>8,196,656</b>
<b>Non-current liabilities</b>			
Borrowings	19	4,093,988	3,584,076
Provisions		299,239	273,589
Deferred income tax liabilities		589,989	509,462
Lease liabilities		39,447	35,996
Other non-current financial liabilities		27,023	26,157
Other non-current non-financial liabilities		19,783	17,537
		<b>5,069,469</b>	<b>4,446,817</b>
<b>Current liabilities</b>			
Borrowings	19	338,571	253,428
Provisions		111,214	103,538
Income tax payable		14,172	13,011
Trade accounts payable		644,536	667,861
Other taxes payable		76,556	86,666
Lease liabilities		12,558	10,922
Other current financial liabilities	20	93,232	93,139
Other current non-financial liabilities	20	119,864	209,877
		<b>1,410,703</b>	<b>1,438,442</b>
<b>Total liabilities</b>		<b>6,480,172</b>	<b>5,885,259</b>
<b>Total equity and liabilities</b>		<b>15,376,532</b>	<b>14,081,915</b>
<b>Book value per ordinary share</b>		<b>14.287</b>	<b>13.154</b>

Deputy Chairman of the Management Board – Chief Financial Officer



D.S. Karabayev

Chief accountant

A.Y. Orynbayev

The accounting policies and explanatory notes on pages 9 through 34 form an integral part of these interim condensed consolidated financial statements.



**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>In millions of tenge</i>	<b>Note</b>	<b>For the three months ended March, 31</b>	
		<b>2020</b>	<b>2019</b>
		<b>(unaudited)</b>	<b>(unaudited) (reclassified)</b>
<b>Cash flows from operating activities</b>			
Profit before income tax from continuing operations		88,087	368,875
Profit before income tax from discontinued operations		–	6
<b>Profit before income tax</b>		<b>88,087</b>	<b>368,881</b>
<b>Adjustments:</b>			
Depreciation, depletion and amortization		91,758	83,369
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	11	61,139	368
Impairment of investments in joint venture and associate	16	38,000	–
Allowance for / (reversal of) obsolete inventories		5,371	(2,667)
Net foreign exchange differences		(1,249)	(5,311)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		1,566	266
Realized gain from derivatives on petroleum products		(11,690)	(11,250)
Adjustment for repayment of advances received for the supply of oil		–	(164,112)
Finance costs	12	67,074	85,393
Finance income	12	(37,015)	(29,606)
Gains on sale of subsidiaries		–	(17,481)
Share in profit of joint ventures and associates, net		(65,316)	(219,022)
Movements in provisions		17,102	(10,277)
Other adjustments		3,818	3,066
<b>Operating profit before working capital changes</b>		<b>258,645</b>	<b>81,617</b>
Change in VAT receivable		(1,848)	(7,902)
Change in inventory		59,174	69,021
Change in trade accounts receivable and other assets		90,560	(180,961)
Change in trade and other payables and contract liabilities		(218,084)	(8,327)
Change in other taxes payable		(20,204)	5,323
<b>Cash generated from / (used in) operations</b>		<b>168,243</b>	<b>(41,229)</b>

*The accounting policies and explanatory notes on pages 9 through 34 form an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

<i>In millions of tenge</i>	<b>Note</b>	<b>For the three months ended March, 31</b>	
		<b>2020</b> <b>(unaudited)</b>	<b>2019</b> <b>(unaudited)</b> <b>(reclassified)</b>
Dividends received from joint ventures and associates	16	7,510	1,696
Income taxes paid		(29,409)	(50,058)
Interest received		26,427	29,697
Interest paid		(32,884)	(38,909)
<b>Net cash flow from / (used in) operating activities</b>		<b>139,887</b>	<b>(98,803)</b>
<b>Cash flows from investing activities</b>			
Withdrawal/(placement) of bank deposits, net		38,579	(428,457)
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets		(126,789)	(123,850)
Proceeds from sale of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets		6,027	317
Proceeds from disposal of subsidiaries		8,699	56,760
Loans given to related parties		(14,441)	(14,482)
Refund/(acquisition) of debt securities		(820)	85
Proceeds from Note receivable from a shareholder of a joint venture		4,844	-
<b>Net cash flows used in investing activities</b>		<b>(83,901)</b>	<b>(509,627)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	19	100,461	248,125
Repayment of borrowings	19	(120,514)	(305,399)
Dividends paid to non-controlling interests		-	(23)
Share buyback by subsidiary		(212)	(1,477)
Distribution to Samruk-Kazyna		-	(17,730)
Payment of principal lease liabilities		(4,568)	(4,666)
<b>Net cash flows used in financing activities</b>		<b>(24,833)</b>	<b>(81,170)</b>
Effects of exchange rate changes		133,688	(18,880)
Change in allowance for expected credit losses		335	22
<b>Net change in cash and cash equivalents</b>		<b>165,176</b>	<b>(708,458)</b>
Cash and cash equivalents, at the beginning of the year		1,064,452	1,545,848
<b>Cash and cash equivalents, at the end of the period</b>		<b>1,229,628</b>	<b>837,390</b>

\* Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the period ended March 31, 2019 and reflect reclassifications made, refer to Note 3

**NON-CASH and OTHER TRANSACTIONS: SUPPLEMENTAL DISCLOSURE**

The following significant non-cash transactions and other transactions were excluded from the interim consolidated statement of cash flows:

*Capitalization of borrowing costs*

For the period ended March 31, 2020 the Group capitalized in the carrying amount of property, plant and equipment borrowing costs of 1,380 million tenge (for the period ended March 31, 2019 the Group capitalized 110 million tenge) (Note 14).

Deputy Chairman of the Management Board – Chief Financial Officer

  
 D.S. Karabayev

Chief accountant

  
 Y.Y. Orynbayev

The accounting policies and explanatory notes on pages 9 through 34 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<i>In millions of tenge</i>	Attributable to equity holder of the Parent Company						Non-controlling interest	Total
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total		
<b>As at December 31, 2018 (audited)</b>	916,541	40,794	83	1,764,108	4,341,063	7,062,589	80,480	7,143,069
Effect of adoption of IFRS 16	-	-	-	-	(4,268)	(4,268)	(910)	(5,178)
<b>As at January 1, 2019 (restated)</b>	916,541	40,794	83	1,764,108	4,336,795	7,058,321	79,570	7,137,891
Net profit for the period	-	-	-	-	309,165	309,165	35	309,200
Other comprehensive (loss)/income	-	-	-	(40,224)	206	(40,018)	(355)	(40,373)
<b>Total comprehensive income for the period (unaudited)</b>	-	-	-	(40,224)	309,371	269,147	(320)	268,827
Transactions with Samruk-Kazyna	-	-	-	-	(3,877)	(3,877)	-	(3,877)
Share buyback by subsidiary	-	-	-	-	(1,498)	(1,498)	(17)	(1,515)
<b>As at March 31, 2019 (unaudited)</b>	916,541	40,794	83	1,723,884	4,640,791	7,322,093	79,233	7,401,326

The accounting policies and explanatory notes on pages 9 through 34 form an integral part of these interim condensed consolidated financial statements.



## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

In millions of tenge	Attributable to equity holder of the Parent Company					Non-controlling interest	Total
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings		
<b>As at December 31, 2019 (audited)</b>	916,541	40,794	83	1,731,747	5,469,236	38,255	8,196,656
Net profit for the period	-	-	-	-	86,267	(16,753)	69,514
Other comprehensive (loss)/income	-	-	-	641,630	-	(20)	641,610
<b>Total comprehensive income for the period (unaudited)</b>	-	-	-	641,630	86,267	(16,773)	711,124
Transfer of discount related to the loan received from Samruk-Kazyna to the Company due to its settlement	-	(10,971)	-	-	10,971	-	-
Transfer of pipelines contributed by the Government due to closure of the trust management agreement	-	(9,629)	-	-	626	-	(9,003)
Distributions to Samruk-Kazyna	-	-	-	-	846	-	846
Transactions with Samruk-Kazyna	-	-	-	-	(3,474)	-	(3,474)
Share buyback by subsidiary	-	-	-	-	214	(3)	211
<b>As at March 31, 2020 (unaudited)</b>	916,541	20,194	83	2,373,377	5,564,686	21,479	8,896,360

Deputy Chairman of the Management Board – Chief Financial Officer

D.S. Karabayev

Chief accountant

I.Y. Orynbayev

The accounting policies and explanatory notes on pages 9 through 34 form an integral part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the three months ended March 31, 2020**

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**1. GENERAL**

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

Starting from June 8, 2006, the sole shareholder of the Company was JSC “Kazakhstan Holding Company for State Assets Management “Samruk” (“Samruk”), which in October 2008 was merged with the state owned Sustainable Development Fund “Kazyna” and formed JSC “National Welfare Fund Samruk-Kazyna” (“Samruk-Kazyna”), now renamed to JSC “Sovereign Wealth Fund Samruk-Kazyna”. The Government is the sole shareholder of Samruk-Kazyna. On August 7, 2015 National Bank of Republic of Kazakhstan (“National Bank of RK”) purchased 10% plus one share of the Company from Samruk-Kazyna.

As at March 31, 2020, the Company has an interest in 62 operating companies (as of December 31, 2019: 54) (jointly the “Group”).

The Company has its registered office in the Republic of Kazakhstan, Nur-Sultan, Kunayev, 8.

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

- Participation in the Government activities relating to the oil and gas sector;
- Representation of the state interests in subsoil use contracts through interest participation in those contracts; and
- Corporate governance and monitoring of exploration, development, production, processing, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil-and-gas pipeline and field infrastructure.

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

These interim condensed consolidated financial statements of the Group were approved for issue by the Deputy Chairman of the Management Board – Chief Financial Officer and the Chief accountant on May 27, 2020.

**2. BASIS OF PREPARATION**

The interim condensed consolidated financial statements for the three months ended March 31, 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting* (IAS 34). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2019.

**Foreign currency translation***Functional and presentation currency*

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

*Transactions and balances*

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

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

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**2. BASIS OF PREPARATION (continued)****Foreign currency translation (continued)***Transactions and balances (continued)*

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

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

*Translation of foreign operations*

The results and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

*Exchange rates*

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The currency exchange rate of KASE as at March 31, 2020 and December 31, 2019 were 447.67 and 382.59 tenge to 1 US dollar, respectively. These rates were used to translate monetary assets and liabilities denominated in United States dollars ("US dollar") as at March 31, 2020 and December 31, 2019. The weighted average rate for three months ended March 31, 2020 was 391.72 tenge to 1 US dollar. The currency exchange rate of KASE as at May 27, 2020 was 412.10 tenge to 1 US dollar.

**Considerations in respect of COVID-19 (coronavirus) pandemic and the current economic environment**

The impact of COVID-19 and the current economic environment on the basis of preparation of this interim financial information has been considered. The Group continues to consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial information. Forecast liquidity has been assessed under a number of stressed scenarios to support this assertion.

The significant accounting judgments and estimates of the Group were disclosed in its consolidated financial statements for the year ended December 31, 2019. These were subsequently reviewed at the end of the first quarter of 2020 to determine if any changes were required to those judgments and estimates as a result of current market conditions. The valuation of certain assets and liabilities is subject to a greater level of uncertainty than when reported in the annual consolidated financial statements, including those set out below.



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

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**2. BASIS OF PREPARATION (continued)****Considerations in respect of COVID-19 (coronavirus) pandemic and the current economic environment (continued)*****Impairment testing assumptions***

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

The discount rates used in value-in-use impairment testing were also reviewed. Discount rates were estimated on the weighted average cost of capital of the individual cash generating unit and ranged between 9.16%-15.13% depending on the production period, size and equity risk premium, beta and gearing ratio of the relevant cash-generating unit.

The revision to the Group's oil and gas price assumptions and discount rates did not result in the recognition of any significant impairment charges for the first quarter of 2020, except for 60,440 million tenge relating to Embamunaigas CGU (*Note 11*) and 38,000 million tenge related to the Group's joint venture and the associate (*Note 16*). The impairment charges are reported only in the *Exploration and Production of Oil and Gas* segment.

The Group assessed downstream, refining and other assets, including goodwill, the Group considered forecasted refinery margins, production volumes, among other factors. As a result of the impairment analysis, recoverable amounts were identified to be higher than the carrying values, and no impairment was recognized.

***Provisions assumptions***

The nominal risk-free discount rate applied to provisions was reviewed as a result of the changes in long-dated government bond yields during the first quarter of 2020. The changes have not significantly affected the Group's overall assessment of the discount rate applied to the Group's provisions and therefore the rate, as disclosed in the consolidated financial statements, remains unchanged. The timing and amount of cash flows relating to Group's existing provisions are not currently expected to change significantly as a result of the current environment however the detailed annual review will take place later in 2020.

***Other accounting judgments and estimates***

All other significant accounting judgments and estimates disclosed in the annual consolidated financial statements remain applicable and no new significant accounting judgments or estimates have been identified.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****New and amended standards and interpretations***

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards and interpretations effective as of January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

***Amendments to IFRS 3 Business Combinations***

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, since the Group's current practice is in line with these amendments.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New and amended standards and interpretations (continued)***Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group as the Group does not have any interest rate hedge arrangements.

*Amendments to IAS 1 and IAS 8 Definition of Material*

The amendments provide a new definition of materiality that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

*Conceptual Framework for Financial Reporting issued on 29 March 2018 (Financial reporting framework)*

The *Conceptual Framework* is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the *Conceptual Framework* is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised *Conceptual Framework* includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

**Changes in accounting policies related to presentation**

Since December 31, 2019 in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Group has applied voluntary changes in accounting policies related to presentation of the consolidated financial statements and elected to present its statement of comprehensive income based on nature and cash flow statement using indirect method to improve presentation of the financial information and increase the comparability of the Group's consolidated financial statements with the industry peers. These reclassifications do not affect net profit, comprehensive income for the period or equity.

*Changes in presentation of the interim consolidated statement of financial position*

The Group decided to present financial and non-financial other current assets, non-current and current liabilities separately as at March 31, 2020 and December 31, 2019.

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Changes in accounting policies related to presentation (continued)

*Changes in presentation of the interim consolidated statement of comprehensive income* from function based to nature based approach led to reclassification of certain line items below:

<i>In millions of tenge</i>	Notes	For the three months ended March 31, According to the issued interim condensed consolidated financial statements		Reclassified
		2019		2019
Cost of purchased oil, gas, petroleum products and other materials	[A]	–		1,066,813
Production expenses	[B]	–		162,899
Taxes other than income tax	[C]	–		118,677
Depreciation, depletion and amortization	[D]	–		83,369
Cost of sales	[A], [B], [C], [D]	1,351,183		–
General and administrative expenses	[C], [D]	40,660		32,097
Transportation and selling expenses	[C], [D]	186,973		115,555
Other expenses	[D]	5,062		4,734
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	[D]	266		–
		<b>1,584,144</b>		<b>1,584,144</b>

For the three months ended March 31, 2019 the following changes in presentation were made:

- [A] The Group elected to present *Cost of purchased oil, gas, petroleum products and other materials* as a separate line item.
- [B] Other line items previously presented within *Cost of sales*, except for *Cost of purchased oil, gas, petroleum products and other materials, taxes and depreciation*, were aggregated as *Production expenses* and shown as a separate line item of the interim consolidated statement of comprehensive income.
- [C] The Group excluded (extracted) mineral extraction and other taxes from *Cost of sales* in the amount of 30,713 million tenge and 16,892 million tenge, respectively, *other taxes* from *General and administrative expenses* of 3,256 million tenge, rent tax on crude oil export and customs duty from *Transportation and selling expenses* of 34,171 and 33,645 million tenge, respectively and presented as *Taxes other than income tax* in the interim consolidated statement of comprehensive income. The components of the line item were not altered and corresponds to the prior year issued interim condensed consolidated financial statements.
- [D] The Group excluded *Depreciation, depletion and amortization charges* from *Cost of sales* of 73,867 million tenge, from *General and administrative expenses* of 5,307 million tenge, from *Transportation and selling expenses* of 3,602 million tenge, from *Other expenses* of 593 million tenge and present as a separate line item of the interim consolidated statement of comprehensive income.

Additionally, interest income and expenses were shown separately within finance income and finance costs disclosures.

*Changes in presentation of the interim consolidated cash flow statement* from direct to indirect method was applied retrospectively, also viewing that one of the Group's principal activities is representation of the State interests in subsoil use contracts through interest participation in those contracts through joint ventures, the Group decided to show dividends received from joint ventures and associates of 1,696 million tenge within operating cash flows in accordance with IAS 7.

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

## 4. REVENUE

<i>In millions of tenge</i>	For the three months ended March 31,	
	2020 (unaudited)	2019* (unaudited) (reclassified)
<b>Type of goods and services</b>		
Sales of crude oil and gas*	801,433	1,071,315
Sales of refined products*	381,280	507,838
Oil and gas transportation services	82,033	78,374
Refining of oil and oil products	50,909	50,950
Other revenue	60,459	56,794
	<b>1,376,114</b>	<b>1,765,271</b>
<b>Geographical markets</b>		
Kazakhstan	304,294	316,189
Other countries	1,071,820	1,449,082
	<b>1,376,114</b>	<b>1,765,271</b>

\* The Group excluded sales of gas products from Sales of crude oil and gas of 9,433 million tenge and included to Sales of refined products for three months ended March 31, 2019.

## 5. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

<i>In millions of tenge</i>	For the three months ended March 31,	
	2020 (unaudited)	2019 (unaudited)
Tengizchevroil LLP (TCO)	63,951	105,735
Caspian Pipeline Consortium	20,124	17,520
Mangistau Investments B.V.	6,114	23,269
KazGerMunay LLP	6,006	6,795
PetroKazakhstan Inc.	2,718	1,877
Teniz Service LLP	415	3,653
Kazakhoil-Aktobe LLP	(17)	1,650
Kashagan B.V.	(101)	5,175
Ural Group Limited	(2,466)	(1,806)
Asian Gas Pipeline LLP (AGP)	(4,282)	30,856
KazRosGas LLP (KRG)	(6,441)	1,637
Beineu-Shymkent Gas Pipeline	(7,767)	23,256
Valsera Holdings B.V.	(11,275)	(2,839)
Other joint ventures and associates	(1,663)	2,244
	<b>65,316</b>	<b>219,022</b>

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

<i>In millions of tenge</i>	For the three months ended March 31,	
	2020 (unaudited)	2019 (unaudited) (reclassified)
Purchased oil for resale	406,618	614,158
Purchased gas for resale	146,062	129,306
Cost of oil for refining	123,291	226,132
Materials and supplies	16,661	54,429
Purchased petroleum products for resale	48,752	42,788
	<b>741,384</b>	<b>1,066,813</b>

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

## 7. PRODUCTION EXPENSES

<i>In millions of tenge</i>	For the three months ended March 31,	
	2020 (unaudited)	2019 (unaudited) (reclassified)
Payroll	72,827	78,599
Energy	21,207	22,387
Repair and maintenance*	19,351	21,866
Short-term lease expenses*	16,386	18,306
Transportation costs	7,750	7,311
Others	36,875	14,430
	<b>174,396</b>	<b>162,899</b>

\* For the three months ended March 31, 2019, the Group excluded outsourced repair and maintenance amounts from Others for 14,063 million tenge and included into production expenses. Additionally, Lease expenses were excluded from Others and presented separately within production expenses.

## 8. TAXES OTHER THAN INCOME TAX

<i>In millions of tenge</i>	For the three months ended March 31,	
	2020 (unaudited)	2019 (unaudited) (reclassified)
Export customs duty	30,963	33,645
Rent tax on crude oil export	19,597	34,171
Mineral extraction tax	18,524	30,713
Other taxes	25,209	20,148
	<b>94,293</b>	<b>118,677</b>

## 9. TRANSPORTATION AND SELLING EXPENSES

<i>In millions of tenge</i>	For the three months ended March 31,	
	2020 (unaudited)	2019 (unaudited) (reclassified)
Transportation	108,232	100,946
Payroll	2,928	4,237
Other	7,489	10,372
	<b>118,649</b>	<b>115,555</b>

## 10. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In millions of tenge</i>	For the three months ended March 31,	
	2020 (unaudited)	2019 (unaudited) (reclassified)
Payroll	17,594	16,775
Consulting services	5,697	4,193
VAT that could not be offset	986	901
Accrual of expected credit losses for trade receivables	616	1,383
Impairment of VAT receivable	551	-
Short-term lease expenses	523	505
Accrual/(reversal) of expected credit losses for other current assets	207	(10)
Social payments	1,044	909
Maintenance	1,741	1,340
Communication	762	718
Other	7,976	5,383
	<b>37,697</b>	<b>32,097</b>

For the three months ended March 31, 2020, the total payroll amounted to 93,349 million tenge (for three months ended March 31, 2019: 99,611 million tenge) and included in production expenses, transportation and selling expenses and general and administrative expenses in the interim consolidated statement of comprehensive income.

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

### 11. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, EXPLORATION AND EVALUATION ASSETS

<i>In millions of tenge</i>	For the three months ended March 31,	
	2020 (unaudited)	2019 (unaudited)
Property, plant and equipment (Note 14)	44,751	76
Exploration and evaluation assets	16,388	292
	<b>61,139</b>	<b>368</b>

Impairment losses were recognised for the following CGUs:

<i>In millions of tenge</i>	For the three months ended March 31,	
	2020 (unaudited)	2019 (unaudited)
Embamunaigas (EMG)	60,440	–
Others	699	368
	<b>61,139</b>	<b>368</b>

#### EMG

As of March 31, 2020, EMG carried out a formal assessment of the recoverable amount of property, plant and equipment and exploration and evaluation assets due to the presence of impairment indicators such as decline in the forecasted oil prices. EMG calculated recoverable amount using a discounted cash flow model. The discount rate applied to cash flow projections was equal to 13.99%. The 5-year business plan was used as a primary source of information. It contains forecasts for crude oil production, sales volumes, revenues, costs and capital expenditure. The result of this assessment indicated that the carrying value of assets exceeded their estimated recoverable amount by 60,440 million tenge, and was recognised as impairment in the interim consolidated statement of comprehensive income.

#### Sensitivity analysis

The key assumptions required for the recoverable amount estimation are the oil prices, production volumes, foreign exchange rate, inflation rate and discount rate. The sensitivity of the headroom to changes in the key assumptions was estimated as follows:

- If Brent crude oil prices had been assumed to be 5% lower than the price assumptions used in the assessment, this would have led to decrease in estimated recoverable amount by almost 48 billion tenge;
- If the production volume were to be reduced by around 5% for the whole period, this would cause almost 14 billion tenge effect;
- If the discount rate rises by 5%, this would cause almost 3 billion tenge;
- If the inflation rate rises by 5%, this would cause almost 4 billion tenge;
- If the KZT/US dollar exchange rate had been assumed to be 5% lower for the whole period, this would have led to decrease in estimated recoverable amount by 38 billion tenge;
- If the above factors increased by 5%, the headroom would have increased significantly.



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

### 12. FINANCE INCOME / FINANCE COST

#### Finance income

<i>In millions of tenge</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income on bank deposits, financial assets, loans and bonds	22,932	25,606
Amortization of issued financial guarantees	1,631	519
<b>Total interest income</b>	<b>24,563</b>	<b>26,125</b>
Discount on borrowings with non-market interest rate (Note 19)	11,002	-
Other	1,450	3,481
	<b>37,015</b>	<b>29,606</b>

#### Finance costs

<i>In millions of tenge</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest on loans and debt securities issued (Note 19)	55,655	57,916
Interest on lease liabilities	865	990
Interest under oil supply agreement	-	8,792
<b>Total interest expense</b>	<b>56,520</b>	<b>67,698</b>
Unwinding of discount on asset retirement obligations and provision for environmental obligation	3,059	2,983
Changes of fair value of debt securities	-	2,799
Discount on assets with non-market interest rate	466	110
Allowance of expected credit losses of bank deposits, current accounts and loans due from related parties	157	227
Other	6,872	11,576
	<b>67,074</b>	<b>85,393</b>

### 13. INCOME TAX EXPENSES

<i>In millions of tenge</i>	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Current income tax</b>		
Corporate income tax	22,748	28,042
Excess profit tax	33	86
Withholding tax on dividends and interest income	3,052	3,475
<b>Deferred income tax</b>		
Corporate income tax	(20,318)	15,327
Excess profit tax	3,465	7
Withholding tax on dividends	9,593	12,744
<b>Income tax expenses</b>	<b>18,573</b>	<b>59,681</b>

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

## 14. 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	Capital work in progress	Total
<b>Net book value as at December 31, 2018 (audited)</b>	1,081,676	787,813	1,551,204	263,204	394,602	116,561	44,124	275,986	4,515,170
Change in accounting policy	-	-	(524)	-	-	-	-	-	(524)
<b>As at January 1, 2019 (restated)</b>	1,081,676	787,813	1,550,680	263,204	394,602	116,561	44,124	275,986	4,514,646
Foreign currency translation	(7,127)	(451)	(6,159)	(374)	453	(421)	(103)	(217)	(14,399)
Change in estimate	622	-	-	-	-	-	-	-	622
Additions	6,222	111	89	243	732	537	419	56,176	64,529
Disposals	(1,823)	(153)	(331)	(2,592)	(1,338)	(797)	(1,530)	(18)	(8,582)
Depreciation charge	(22,223)	(7,288)	(29,117)	(4,275)	(9,493)	(3,143)	(2,176)	-	(77,715)
Accumulated depreciation and impairment on disposals	940	148	327	1,350	1,101	699	1,187	-	5,752
Reversal impairment/(impairment) (Note 11)	-	-	-	-	43	(4)	-	(115)	(76)
Transfers from/(to) inventory, net	5	(2)	(14)	1	300	19	12	140	461
Transfers to assets classified as held for sale	-	-	(18)	(1)	(239)	(117)	-	-	(375)
Transfers to investment property	-	-	-	-	(32)	-	(77)	(7)	(116)
Transfers from intangible assets	-	-	-	-	-	-	-	41	41
Transfers from exploration and evaluation assets	3,020	-	-	-	-	-	-	1,134	4,154
Transfers and reclassifications	(6,332)	393	1,769	27,856	109,336	1,326	63,945	(198,293)	-
<b>Net book value as at March 31, 2019 (unaudited)</b>	1,054,980	780,571	1,517,226	285,412	495,465	114,660	105,801	134,827	4,488,942
At cost	2,106,867	985,513	2,369,620	547,470	828,821	234,610	222,038	183,658	7,478,597
Accumulated depreciation and impairment	(1,051,887)	(204,942)	(852,394)	(262,058)	(333,356)	(119,950)	(116,237)	(48,831)	(2,989,655)
<b>Net book value as at March 31, 2019 (unaudited)</b>	1,054,980	780,571	1,517,226	285,412	495,465	114,660	105,801	134,827	4,488,942

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

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In millions of tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve- ments	Machinery and equipment	Vehicles	Other in progress	Capital work in progress	Total
<b>Net book value as at December 31, 2019 (audited)</b>	1,049,763	803,717	1,381,661	300,655	457,811	97,637	106,286	286,741	4,484,271
Foreign currency translation	86,206	6,768	71,192	13,355	6,133	5,235	12,073	26,358	227,320
Additions	4,751	1,246	267	5	920	420	541	132,122	140,272
Change in estimate	3,755	3,904	-	-	-	-	-	-	7,659
Disposals	(3,226)	(10,014)	(200)	(155)	(452)	(227)	(380)	(633)	(15,287)
Depreciation charge	(31,261)	(7,520)	(29,027)	(4,363)	(9,179)	(2,844)	(2,650)	-	(86,844)
Accumulated depreciation and impairment on disposals	2,232	973	199	152	433	206	359	599	5,153
Impairment (Note 11)	(43,149)	-	-	(410)	(952)	-	(169)	(71)	(44,751)
Transfers to assets classified as held for sale	-	-	-	-	(73)	(3)	-	-	(76)
Transfers from/(to) inventory, net	15	(11)	437	-	22	(19)	72	310	826
Transfers from/(to) intangible assets	-	-	-	-	-	-	12	(1,070)	(1,058)
Transfers and reclassifications	17,847	6,364	779	9,663	8,798	156	5,646	(49,253)	-
<b>Net book value as at March 31, 2020 (unaudited)</b>	1,086,933	805,427	1,425,308	318,902	463,461	100,561	121,790	395,103	4,717,485
At cost	2,195,193	1,041,492	2,604,261	616,503	875,874	236,981	251,862	446,699	8,268,865
Accumulated depreciation and impairment	(1,108,260)	(236,065)	(1,178,953)	(297,601)	(412,413)	(136,420)	(130,072)	(51,596)	(3,551,380)
<b>Net book value as at March 31, 2020 (unaudited)</b>	1,086,933	805,427	1,425,308	318,902	463,461	100,561	121,790	395,103	4,717,485

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

### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Additions

For the three months ended March 31, 2020 additions were mainly attributable to development drilling at Ozenmunaigas, Embamunaigas and Karachaganak for 34,900 million tenge, the construction of compressor station at KTG for 56,210 million tenge within the framework of Beineu-Bozoy-Shymkent gas pipeline, the replacement of Prorva-Kulsary pipeline for 7,700 million tenge at KTO and Rompetrol Rafinare for 16,761 million tenge.

#### Other

For the three months ended March 31, 2020, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs of 1,380 million tenge at the average interest rate of 2.55% related to the construction of new assets (for the year ended December 31, 2019: 2,525 million tenge at the average interest rate of 4.30%) (Note 19).

As at March 31, 2020, the cost of fully depreciated but still in use property, plant and equipment was 457,112 million tenge (as at December 31, 2019: 394,841 million tenge).

As at March 31, 2020, property, plant and equipment with the net book value of 1,062,006 million tenge (as at December 31, 2019: 1,023,146 million tenge) were pledged as collateral to secure borrowings and payables of the Group.

Capital commitments are disclosed in Note 23.

### 15. BANK DEPOSITS

	March, 31 2020 (unaudited)	December, 31 2019 (audited)
<i>In millions of tenge</i>		
Denominated in US dollar	416,608	390,598
Denominated in tenge	17,792	21,940
Less: allowance for expected credit losses	(506)	(508)
	<b>433,894</b>	<b>412,030</b>

As at March 31, 2020, the weighted average interest rate for long-term bank deposits was 1.08% in US dollars and 2.62% in tenge, respectively (December 31, 2019: 1.08% in US dollars and 2.58% in tenge, respectively).

As at March 31, 2020, the weighted average interest rate for short-term bank deposits was 1.75% in US dollars, 9.44% in tenge, respectively (December 31, 2019: 1.57% in US dollars, 8.33% in tenge, respectively).

	March, 31 2020 (unaudited)	December, 31 2019 (audited)
<i>In millions of tenge</i>		
Maturities under 1 year	375,527	359,504
Maturities between 1 and 2 years	3,478	1,029
Maturities over 2 years	54,889	51,497
	<b>433,894</b>	<b>412,030</b>

As at March 31, 2020, bank deposits include cash pledged as collateral of 56,241 million tenge (December 31, 2019: 50,046 million tenge), which are represented mainly by 44,481 million tenge (December 31, 2019: 37,916 million tenge) at restricted bank accounts designated as a liquidation fund per requirements of the subsoil use contracts.

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

## 16. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In millions of tenge	Main activity	Place of business	March 31, 2020 (unaudited)		December 31, 2019 (audited)	
			Carrying value	Percentage ownership	Carrying value	Percentage ownership
<b>Joint ventures</b>						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	2,854,664	20.00%	2,377,207	20.00%
Kashagan B.V.	Oil and gas exploration and production	Kazakhstan	2,407,718	50.00%	2,057,795	50.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	165,022	50.00%	158,867	50.00%
Asia Gas Pipeline LLP	Construction and operation of the gas pipeline		163,804	50.00%	168,086	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	93,999	50.00%	101,766	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	85,880	50.00%	79,849	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	35,804	50.00%	25,620	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	34,443	50.00%	47,662	50.00%
MunayTas LLP	Oil transportation	Kazakhstan	21,802	51.00%	21,373	51.00%
Kazakhoil-Aktobe LLP	Production of crude oil	Kazakhstan	21,421	50.00%	21,438	50.00%
Teniz Services LLP	Design, construction and operation of infrastructure facilities, support of offshore oil operations	Kazakhstan	16,997	48.996%	19,277	48.996%
Valsera Holding BV	Oil refining	Kazakhstan	-	50.00%	12,776	50.00%
Other			13,779		19,641	
<b>Associates</b>						
PetroKazakhstan Inc. (PKI)	Exploration, production and processing of oil and gas	Kazakhstan	82,595	33.00%	95,320	33.00%
Caspian Pipeline Consortium (CPC)	Transportation of liquid hydrocarbons	Kazakhstan/Russia	443,268	20.75%	359,173	20.75%
Other			27,920		24,534	
			6,469,116		5,590,384	

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

### 16. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

As of March 31, 2020, the Group's share in unrecognized losses of joint ventures and associates was equal to 43,195 million tenge (as of December 31, 2019: 17,812 million tenge).

The following table summarizes the movements in the investments during the three months ended March 31, 2020:

*In millions of tenge*

<b>At December 31, 2019 (audited)</b>	5,590,384
Share in profits of joint ventures and associates, net (Note 5)	65,316
Other changes in the equity of the joint venture	24
Dividends received	(7,510)
Change in dividends receivable	(483)
Impairment of investments	(38,000)
Foreign currency translation	859,385
<b>At March 31, 2020 (unaudited)</b>	<b>6,469,116</b>

On October 16, 2015, the Group sold 50% of its shares in KMG Kashagan B.V. to Samruk-Kazyna with a right to buy back all or part of the shares effective from January 1, 2018 to December 31, 2020 (further "Option"). On December 20, 2017, the exercise period for the call option was changed to January 1, 2020 and December 31, 2022. As of March 31, 2020 and December 31, 2019 the fair value of the option was insignificant.

The Amsterdam Court imposed certain restrictions on 50% of shares in Kashagan B.V. owned by Samruk-Kazyna (further restrictions). During the restriction period, these shares of Kashagan B.V. cannot be sold, transferred or pledged. As of March 31, 2020 and December 31, 2019, the restrictions remained in force and control over the asset was not transferred to the Group.

### 17. OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

	March 31, 2020 (unaudited)	December 31, 2019 (audited)
<i>In millions of tenge</i>		
<b>Other current financial assets</b>		
Other receivables	97,726	91,610
Dividends receivable	8,065	7,582
Less: allowance for expected credit losses	(39,733)	(35,637)
	<b>66,058</b>	<b>63,555</b>
<b>Other current non-financial assets</b>		
Advances paid and prepaid expenses	66,220	138,822
Taxes receivable, other than VAT	45,993	52,642
Other current non-financial assets	11,303	10,794
Less: impairment provision	(3,710)	(3,719)
	<b>119,806</b>	<b>198,539</b>
<b>Total other current assets</b>	<b>185,864</b>	<b>262,094</b>



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

### 18. CASH AND CASH EQUIVALENTS

<i>In millions of tenge</i>	March 31, 2020 (unaudited)	December 31, 2019 (audited)
Term deposits with banks – US dollars	467,165	108,298
Term deposits with banks – tenge	174,682	210,354
Term deposits with banks – other currencies	4,983	6,450
Current accounts with banks – US dollars	418,776	633,231
Current accounts with banks – tenge	85,864	75,168
Current accounts with banks – other currencies	8,267	10,220
Cash in transit	69,361	19,991
Cash-on-hand and cheques	586	1,150
Less: allowance for expected credit losses	(56)	(410)
	<b>1,229,628</b>	<b>1,064,452</b>

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 March 31, 2020, the weighted average interest rate for time deposits with banks was 2.13% in US dollars, 8.69% in tenge and 0.62% in other currencies, respectively (December 31, 2019: 2.02% in US dollars, 8.84% in tenge and 0.12% in other currencies, respectively).

As at March 31, 2020 and December 31, 2019, cash and cash equivalents were not pledged as collateral.

### 19. BORROWINGS

<i>In millions of tenge</i>	March, 31 2020 (unaudited)	December, 31 2019 (audited)
Fixed interest rate borrowings	3,747,333	3,146,477
Weighted average interest rates	5.45%	5.48%
Floating interest rate borrowings	685,226	691,027
Weighted average interest rates	5.38%	5.73%
	<b>4,432,559</b>	<b>3,837,504</b>

<i>In millions of tenge</i>	March, 31 2020 (unaudited)	December, 31 2019 (audited)
US dollar – denominated borrowings	4,131,671	3,555,347
Tenge – denominated borrowings	297,784	271,776
Euro-denominated borrowings	3,103	2,881
Other currencies – denominated borrowings	1	7,500
	<b>4,432,559</b>	<b>3,837,504</b>

<i>In millions of tenge</i>	March, 31 2020 (unaudited)	December, 31 2019 (audited)
Current portion	338,571	253,428
Non-current portion	4,093,988	3,584,076
	<b>4,432,559</b>	<b>3,837,504</b>

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

## 19. BORROWINGS (continued)

As at March 31, 2020 and as at December 31, 2019, the bonds comprised:

*In millions of tenge*

Bonds	Issuance amount	Redemption date	Interest	March, 31 2020 (unaudited)	December, 31 2019 (audited)
AIX 2019	56 billion KZT	2024	5.00%	54,199	52,843
Bonds LSE 2018	1.5 billion USD	2048	6.375%	682,633	574,230
Bonds LSE 2018	1.25 billion USD	2030	5.375%	571,987	482,393
Bonds LSE 2018	0.5 billion USD	2025	4.75%	228,224	192,764
Bonds LSE 2017	1.25 billion USD	2047	5.75%	556,911	468,940
Bonds LSE 2017	1 billion USD	2027	4.75%	450,671	380,413
Bonds ISE 2017	750 million USD	2027	4.375%	335,135	289,487
Bonds LSE 2017	0.5 billion USD	2022	3.88%	226,609	191,694
Bonds LSE 2013	1 billion USD	2023	4.40%	182,912	154,442
Others	–	–	–	4,443	4,518
<b>Total</b>				<b>3,293,724</b>	<b>2,791,724</b>

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

### 19. BORROWINGS (continued)

As at March 31, 2020 and December 31, 2019, the loans comprised:

*In millions of tenge*

Loans	Issuance amount	Redemption date	Interest	March, 31 2020 (unaudited)	December, 31 2019 (audited)
The Export-Import Bank of China (Eximbank)	1.13 billion USD	2026	6M Libor + 4.10%	328,469	350,042
Development bank of Kazakhstan JSC (DBK)	230 billion KZT	2022-2028	7.00%-10.20%	172,316	138,313
DBK	1.1 billion USD	2023-2025	6M Libor + 4.00%, 5.00%, 10.99%	128,167	131,022
The Syndicate of banks	360 million USD	2023	1M Libor + 2.75%, 1M Libor + 2.50%, 1M Robor + 2.00%, 1W Libor + 2.50%, ON Libor + 2.50%, 1M Euribor + 2.75%, 1W Euribor + 2.50%		
(Unicredit, ING Bank, BCR, Raiffeisen Bank)				115,937	99,554
The Syndicate of banks (Citibank, N.A., London Branch, Mizuho Bank, Ltd., MUFG Bank Ltd., Société Générale, ING Bank, and ING Bank N.V.)	200 million USD	2021	3M Libor + 1.35%	89,479	76,442
Japan Bank for International Cooperation	297.5 million USD	2025	2.19% + CIRR	77,964	65,254
Halyk bank JSC (Halyk bank)	150 million USD	2024	5.25%	50,604	52,771
European Bank for Reconstruction and Development (EBRD)	68 billion KZT	2023	3M CPI + 50 basis points + 3.15%	40,125	42,940
Halyk bank	100 million USD <sup>1</sup>	2020	5.00%	31,389	38,323
EBRD	39 billion KZT	2026	6M CPI + 100 basis points + 3.15%	27,755	24,573
BNP Paribas	368 million USD <sup>1</sup>	2020	COF (1.43%) + 0.25%	19,644	-
Sberbank Russia	50 million USD	2020	COF (2.23%) + 1.50%	14,957	13,773
Other	-	-	-	42,029	12,773
<b>Total</b>	-	-	-	<b>1,138,835</b>	<b>1,045,780</b>

The increase in carrying value of placed bonds during the three months ended March 31, 2020, is due to the effect of the foreign currency exchange rate on bonds placed at the London Stock Exchange (LSE) and Irish Stock Exchange (ISE) and denominated in US dollars for 469,295 million tenge.

In January 2020, ANPZ received tenge denominated long-term loan from DBK for 46,062 million tenge at 7.99% p.a. with maturity of 6 years to refinance existing US dollar denominated loan from Eximbank, which was obtained to fund the new oil processing facilities.

In 2020, ANPZ has made partial repayment of the loan from Eximbank for 203 million US dollars (equivalent to 77,076 million tenge), including accrued interest.

<sup>1</sup> Revolving credit facility.

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

## 19. BORROWINGS (continued)

Changes in liabilities arising from financing activities for the three months ended March 31

In millions of tenge	2020				2019		
	Short-term loans	Long-term loans	Bonds	Total	Short-term loans	Long-term loans	Total
On January 1 (audited)	70,843	974,937	2,791,724	3,837,504	81,813	1,258,009	2,813,416
Received in cash	48,831	51,630	-	100,461	129,590	62,312	56,223
Interest paid	(1,419)	(22,722)	(8,614)	(32,755)	(1,573)	(28,579)	(8,576)
Repayment of principal	(22,082)	(92,761)	(5,671)	(120,514)	(111,570)	(173,758)	(20,071)
Interest expensed (Note 12)	1,412	15,063	39,180	55,655	1,538	18,718	37,660
Interest capitalized (Note 14)	-	1,380	-	1,380	-	110	110
Discount (Note 12)	-	(11,002)	-	(11,002)	-	-	-
Translation difference	10,375	15,473	414,579	440,427	(328)	(1,127)	(26,971)
Foreign currency difference	5,004	93,199	62,457	160,660	(1,866)	(11,561)	(2,658)
Other	-	674	69	743	-	347	(11,189)
On March 31 (unaudited)	112,964	1,025,871	3,293,724	4,432,559	97,604	1,124,471	2,837,487
Current portion	112,964	143,759	81,848	338,571	97,604	149,000	101,622
Non-current portion	-	882,112	3,211,876	4,093,988	-	975,471	2,735,865

## Covenants

The Group is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As of March 31, 2020 and December 31, 2019 the Group complied with all financial and non-financial covenants.

## Hedge of net investment in the foreign operations

As at March 31, 2020, certain borrowings denominated in foreign currency were designated a hedge instrument for the net investment in the foreign operations. These borrowings are used to hedge the Group's exposure to the US dollar foreign exchange risk of foreign operations. For the three months ended, March 31, 2020 loss of 414,579 million tenge (for the three months ended, March 31, 2019: gain of 26,971 million tenge) on the translation of these borrowings were transferred to other comprehensive income and offset translation gains of the net investments in foreign operations.

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

## 20. OTHER CURRENT FINANCIAL AND NON-FINANCIAL LIABILITIES

	March, 31 2020 (unaudited)	December, 31 2019 (audited)
<i>In millions of tenge</i>		
<b>Other current financial liabilities</b>		
Due to employees	53,185	51,613
Financial guarantees	6,276	5,866
Dividends payable	391	354
Other	33,380	35,306
	<b>93,232</b>	<b>93,139</b>
<b>Other current non-financial liabilities</b>		
Contract liabilities	103,386	184,362
Short-term lease prepayments	2,669	4,399
Other	13,809	21,116
	<b>119,864</b>	<b>209,877</b>
<b>Total other current liabilities</b>	<b>213,096</b>	<b>303,016</b>

## 21. 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, except as indicated below. The Group recognizes allowances for expected credit losses on amounts owed by related parties.

### Transactions balances

The following table provides the balances of transactions with related parties as at March 31, 2020 and December 31, 2019:

<i>In millions of tenge</i>	As at	Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	March 31, 2020 (unaudited)	344,968	1,751	–	54,199
	December 31, 2019 (audited)	327,597	6,168	–	52,843
Associates	March 31, 2020 (unaudited)	46,586	2,284	–	–
	December 31, 2019 (audited)	56,331	3,814	–	–
Other state-controlled parties	March 31, 2020 (unaudited)	5,545	400	136,505	300,483
	December 31, 2019 (audited)	6,381	712	192,548	269,335
Joint ventures	March 31, 2020 (unaudited)	497,716	295,234	–	–
	December 31, 2019 (audited)	519,351	217,027	–	–

### Due from/to related parties

#### *Samruk-Kazyna entities*

As at March 31, 2020, the increase in due from Samruk-Kazyna entities is mainly due to additional tranches of financial aid provided to Samruk-Kazyna for 14,441 million tenge.

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

### 21. RELATED PARTY DISCLOSURES (continued)

#### Due from/to related parties (continued)

##### Associates

As at March 31, 2020, the decrease in due from associates was mainly attributable to the interest repayment on the “Kazakhstan Note” of 12,862 million tenge.

##### Joint ventures

As at March 31, 2020, the decrease in due from joint ventures is mainly due to settlement of advances paid to TCO for crude oil. Increase in due to joint ventures primarily attributable to increase in accounts payable to TCO for crude oil by 28,247 million tenge and due to BeineuShymkent Pipelines for gas transportation by 26,001 million tenge.

#### Cash and deposits placed with related parties

##### Other state-controlled parties

As at March 31, 2020, the decrease in cash and deposits is due to withdrawal of deposits placed with the related party of 200 million US dollars (equivalent to 75,174 million tenge as of the withdrawal date).

#### Borrowings payable to related parties

##### Other state-controlled parties

The increase in the borrowings from related parties is mainly due to the Group received additional loan from DBK for 46,062 million tenge, which was partially offset by the effect of the repayment of the loan to DBK for total amount of 21,162 million tenge, including interest (Note 19).

#### Proceeds from loans given to related parties

During the three months ended March 31, 2020, the Group received proceeds from interest redemption of the loan issued to PetroKazakhstan Oil Products LLP (“PKOP”) for 1,493 million tenge (during the three months ended March 31, 2019: 2,143 million tenge), CPC for 3,000 million tenge (during the three months ended March 31, 2019: 3,203 million tenge), BeineuShymkent Pipelines for 2,163 million tenge (during the three months ended March 31, 2019: nil), and the “Kazakhstan Note” for 12,863 million tenge (during the three months ended March 31, 2019: 12,155 million tenge).

#### Transactions turnover

The following table provides the total amount of transactions, which have been entered into with related parties during the three months ended March 31, 2020 and 2019:

<i>In millions of tenge</i>	<i>As at March 31,</i>	<i>Sales to</i>	<i>Purchases</i>	<i>Interest</i>	<i>Interest</i>
		<i>related parties</i>	<i>from</i>	<i>earned from</i>	<i>incurred to</i>
			<i>related parties</i>	<i>related parties</i>	<i>related parties</i>
Samruk-Kazyna entities	<b>2020 (unaudited)</b>	<b>5,039</b>	<b>12,839</b>	<b>6,810</b>	<b>570</b>
	2019 (unaudited)	14,165	5,271	5,375	643
Associates	<b>2020 (unaudited)</b>	<b>11,241</b>	<b>8,799</b>	<b>1,248</b>	<b>–</b>
	2019 (unaudited)	1,764	4,114	2,789	–
Other state-controlled parties	<b>2020 (unaudited)</b>	<b>27,861</b>	<b>14,383</b>	<b>11,665</b>	<b>6,689</b>
	2019 (unaudited)	5,490	600	–	7,809
Joint ventures	<b>2020 (unaudited)</b>	<b>110,525</b>	<b>342,312</b>	<b>7,957</b>	<b>119</b>
	2019 (unaudited)	75,235	418,502	8,836	143

#### Purchases from related parties

##### Joint ventures

The decrease in purchases from joint ventures is primarily driven by the decrease in the volume of crude oil purchased from TCO and oil price decline in March 2020.



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

### 21. RELATED PARTY DISCLOSURES (continued)

#### Key management employee compensation

Total compensation to key management personnel (members of the Boards of directors and Management boards of the Group) included in general and administrative expenses in the accompanying interim condensed consolidated statement of the comprehensive income was equal to 1,822 million tenge and 1,448 million tenge for the three months ended March 31, 2020 and 2019, respectively. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

### 22. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

#### Fair values of financial instruments

The carrying amount of the Group financial instruments as at March 31, 2020 and December 31, 2019 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

In millions of tenge	March 31, 2020 (unaudited)					December 31, 2019 (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
Bonds receivable from Samruk-Kazyna	16,065	13,827	-	13,827	-	16,241	18,835	-	18,835	-
Debts issued to related parties at amortised cost and lease receivable from a joint venture	547,160	515,345	-	309,231	206,114	510,002	506,868	-	304,422	202,446
Fixed interest rate borrowings	3,747,333	3,752,358	3,247,023	505,335	-	3,146,477	3,576,082	3,172,400	403,682	-
Floating interest rate borrowings	685,226	704,751	-	704,751	-	691,027	714,271	-	714,271	-
Financial guarantee issued	20,253	24,804	-	-	24,804	20,189	20,189	-	-	20,189

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

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

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

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

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the three months ended March 31, 2020.

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

	Valuation technique	Significant unobservable inputs	Range
Debts issued to related parties at amortised cost and lease receivable from a joint venture	DCF method	Discount rate	March 31, 2020: 4.2%-6.5% December 31, 2019: 4.5%-9.1%
Financial guarantee issued	DCF method	Discount rate	March 31, 2020: 4.8% December 31, 2019: 4.1%

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

### 23. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to the contingent liabilities and commitments disclosed in the Group annual consolidated financial statements of the Group for the year ended December 31, 2019, the following changes have taken place during the three months ended March 31, 2020:

#### Cost recovery audits

As of March 31, 2020 Group's share in the total disputed amounts of costs is 475,091 million tenge (as of December 31, 2019: 402,474 million tenge). The disputed amounts are denominated in US dollars and the change in the amount is due to the increase of exchange rate of tenge against the US dollar.

#### Kazakhstan local market obligation

During the three months ended March 31, 2020 in accordance with its obligations, the Group delivered 1,794,204 tons of crude oil (for the three months ended March 31, 2019: 1,459,691 tons), including the joint ventures, to the Kazakhstan market.

#### Commitments under subsoil use contracts

As at March 31, 2020, the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government:

*In millions of tenge*

Year	Capital expenditures	Operational expenditures
2020	146,070	36,485
2021	89,614	5,234
2022	93,209	4,980
2023	1,934	4,701
2024-2048	6,293	37,585
<b>Total</b>	<b>337,120</b>	<b>88,985</b>

#### Oil supply commitments

As of March 31, 2020 the Group had commitments under the oil supply agreements in the total amount of 14 million ton (as of December 31, 2019: 12.8 million ton), including commitments of the joint venture.

#### Other contractual commitments

As of March 31, 2020, the Group, including the joint ventures, had other capital commitments of approximately 440,142 million tenge (as of December 31, 2019: 335,609 million tenge), related to acquisition and construction of long-lived assets. The increase is mainly due to conclusion of a contract for construction of a gas pipeline from the Kashagan integrated gas unit to the “Makat North-Caucasus” gas pipeline for 56,000 million tenge by KazTransGas JSC (KTG), the subsidiary.

As of March 31, 2020, the Group had commitments of 76,386 million tenge (as of December 31, 2019: 78,677 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.

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

### 24. SEGMENT REPORTING

The Group's operating segments have their own structure and management according to the type of the produced goods and services provided. Moreover, all segments are strategic directions of the business which offer different types of the goods and services in different markets. The functions have been defined as the operating segments of the Group because they are segments a) that engages in business activities from which revenues are generated and expenses incurred; b) whose operating results are regularly reviewed by the Group's chief operating decision makers to make decisions. The Group's activity consists of four main operating segments: exploration and production of oil and gas, oil transportation, gas trading and transportation, refining and trading of crude oil and refined products. The Group presents KMG's activities separately, since KMG performs not only the functions of the parent company, but also carries out operational activities. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

Disaggregation of revenue by types of goods and services is presented in *Note 4* to the financial statements.

For the three months ended March 31, 2020 disaggregated revenue type *Sales of crude oil and gas* mainly represents sales made by the following operating segments: *Gas trading and transportation* of 280,548 million tenge (for the three months ended March 31, 2019: 249,838 million tenge) and *Refining and trading of crude oil and refined products* of 520,885 million tenge (for the three months ended March 31, 2019: 821,477 million tenge).

For the three months ended March 31, 2020 disaggregated revenue type *Sales of refined products* mainly includes revenue of operating segments such as *Refining and trading of crude oil and refined products* of 277,899 million tenge (for the three months ended March 31, 2019: 463,298 million tenge), *Sales of crude oil and gas* of 1,093 million tenge (for the three months ended March 31, 2019: 1,031 million tenge) and *Corporate* of 99,176 million tenge (for the three months ended March 31, 2019: 40,764 million tenge).

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

EBITDA is a supplemental non-IFRS financial measure used by management to evaluate segments performance, and is defined as earnings before depreciation, depletion and amortization, finance income and expense, income tax expense.

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

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

### Geographic information

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

	March, 31 2020 (unaudited)	December, 31 2019 (audited)
<i>In millions of tenge</i>		
Kazakhstan	3,859,282	3,751,128
Other countries	858,203	733,143
	<b>4,717,485</b>	<b>4,484,271</b>

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

### 24. SEGMENT REPORTING (continued)

#### Geographic information (continued)

The following represents information about profit or loss, and assets and liabilities of operating segments of the Group as of March 31, 2020 and for the period then ended:

<i>In millions of tenge</i>	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	291	54,900	326,095	868,962	99,871	25,995	-	1,376,114
Revenues from sales to other segments	248,121	30,146	399	101,019	14,135	18,265	(412,085)	-
<b>Total revenue</b>	<b>248,412</b>	<b>85,046</b>	<b>326,494</b>	<b>969,981</b>	<b>114,006</b>	<b>44,260</b>	<b>(412,085)</b>	<b>1,376,114</b>
Cost of purchased oil, gas, petroleum products and other materials	(8,106)	(3,123)	(144,196)	(835,838)	(56,548)	(5,995)	312,422	(741,384)
Production expenses	(82,481)	(30,001)	(20,982)	(54,802)	(37,301)	(33,677)	84,848	(174,396)
Taxes other than income tax	(72,397)	(3,462)	(4,189)	(3,276)	(9,125)	(1,844)	-	(94,293)
Transportation and selling expenses	(32,650)	(5,594)	(85,666)	(14,230)	(2,078)	(5)	21,574	(118,649)
General and administrative expenses	(9,314)	(2,881)	(4,545)	(9,313)	(6,817)	(7,493)	2,666	(37,697)
Share in profit of joint ventures and associates, net	76,557	17,251	(18,453)	(10,003)	-	(136)	-	65,316
<b>EBITDA</b>	<b>120,121</b>	<b>57,236</b>	<b>48,463</b>	<b>42,519</b>	<b>2,137</b>	<b>(4,890)</b>	<b>9,425</b>	<b>275,011</b>
EBITDA, %	44%	21%	18%	15%	1%	(2%)	3%	
Depreciation, depletion and amortization	(33,330)	(9,896)	(10,659)	(34,901)	(755)	(2,217)	-	(91,758)
Finance income	27,456	893	4,601	13,342	26,955	2,891	(39,123)	37,015
Finance costs	(4,133)	(1,823)	(7,604)	(23,835)	(61,722)	(3,697)	35,740	(67,074)
Impairment of property, plant and equipment, exploration and evaluation assets	(61,040)	(61)	-	8	(46)	-	-	(61,139)
Impairment of investments in joint venture and associate	(38,000)	-	-	-	-	-	-	(38,000)
Income tax expenses	(14,138)	(7,606)	(9,214)	16,144	(3,035)	(724)	-	(18,573)
<b>Net profit for the period</b>	<b>31,573</b>	<b>46,045</b>	<b>21,681</b>	<b>(86,906)</b>	<b>68,181</b>	<b>(15,116)</b>	<b>4,056</b>	<b>69,514</b>
<b>Other segment information</b>								
Investments in joint ventures and associates	5,607,254	465,361	344,751	31,162	-	20,588	-	6,469,116
Capital expenditures	41,300	6,819	68,833	21,304	987	4,023	-	143,266
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(3,448)	(5,883)	(10,089)	(58,361)	(25,261)	(9,660)	-	(112,702)
<b>Assets of the segment</b>	<b>8,598,192</b>	<b>1,175,935</b>	<b>2,321,846</b>	<b>2,834,689</b>	<b>1,575,792</b>	<b>296,561</b>	<b>(1,426,483)</b>	<b>15,376,532</b>
<b>Liabilities of the segment</b>	<b>810,566</b>	<b>209,324</b>	<b>1,058,364</b>	<b>1,709,846</b>	<b>3,980,608</b>	<b>148,621</b>	<b>(1,437,157)</b>	<b>6,480,172</b>

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

### 24. SEGMENT REPORTING (continued)

#### Geographic information (continued)

The following represents information about profit or loss, and assets and liabilities of operating segments of the Group as of December 31, 2019 and for the period ended March 31, 2019:

<i>In millions of tenge</i>	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	25,532	56,619	287,251	1,350,462	40,764	4,643	-	1,765,271
Revenues from sales to other segments	325,097	32,639	384	148,924	49,914	3,821	(560,779)	-
<b>Total revenue</b>	<b>350,629</b>	<b>89,258</b>	<b>287,635</b>	<b>1,499,386</b>	<b>90,678</b>	<b>8,464</b>	<b>(560,779)</b>	<b>1,765,271</b>
Cost of purchased oil, gas, petroleum products and other materials	(14,068)	(2,548)	(131,978)	(1,359,292)	(46,475)	(250)	487,798	(1,066,813)
Production expenses	(93,449)	(37,988)	(17,205)	(41,642)	(24,583)	(3,861)	55,829	(162,899)
Taxes other than income tax	(101,749)	(3,107)	(4,036)	(2,849)	(6,513)	(423)	-	(118,677)
Transportation and selling expenses	(31,414)	(478)	(81,402)	(19,544)	(1,799)	-	19,082	(115,555)
General and administrative expenses	(7,904)	(2,736)	(4,604)	(7,706)	(7,081)	(3,183)	1,117	(32,097)
Share in profit of joint ventures and associates, net	146,686	17,959	55,739	(2,341)	-	979	-	219,022
<b>EBITDA</b>	<b>248,731</b>	<b>60,360</b>	<b>104,149</b>	<b>66,012</b>	<b>4,227</b>	<b>1,726</b>	<b>3,047</b>	<b>488,252</b>
<b>EBITDA, %</b>	<b>51%</b>	<b>12%</b>	<b>21%</b>	<b>14%</b>	<b>1%</b>	<b>-</b>	<b>1%</b>	
Depreciation, depletion and amortization	(24,783)	(10,349)	(10,002)	(35,731)	(574)	(1,930)	-	(83,369)
Finance income	17,681	1,912	4,597	13,573	111,465	83	(119,705)	29,606
Finance costs	(6,064)	(1,976)	(12,750)	(37,487)	(59,511)	(2,592)	34,987	(85,393)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	19	-	(110)	19	(292)	(4)	-	(368)
Impairment of investments in joint venture and associate	-	-	-	-	-	-	-	-
Income tax expenses	(34,008)	(5,853)	(7,709)	(8,822)	(3,142)	(147)	-	(59,681)
<b>Net profit for the period</b>	<b>195,911</b>	<b>43,635</b>	<b>77,215</b>	<b>60,775</b>	<b>16,021</b>	<b>(2,424)</b>	<b>(81,933)</b>	<b>309,200</b>
<b>Other segment information</b>								
Investments in joint ventures and associates	4,788,390	384,097	350,732	40,304	-	26,861	-	5,590,384
Capital expenditures	37,902	5,122	22,829	5,126	1,756	478	-	73,213
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(3,146)	(5,173)	(9,991)	(46,020)	(22,297)	(9,903)	-	(96,530)
<b>Assets of the segment</b>	<b>7,504,594</b>	<b>1,079,970</b>	<b>2,195,386</b>	<b>2,854,018</b>	<b>1,480,009</b>	<b>454,084</b>	<b>(1,486,146)</b>	<b>14,081,915</b>
<b>Liabilities of the segment</b>	<b>748,226</b>	<b>204,540</b>	<b>956,917</b>	<b>1,771,290</b>	<b>3,453,634</b>	<b>117,899</b>	<b>(1,367,247)</b>	<b>5,885,259</b>

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

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**25. SUBSEQUENT EVENTS**

In April 2020, the Company provided tranches of the financial aid to Samruk-Kazyna for 9,955 million tenge and respective discount was recognized directly in equity for 2,377 million tenge.

In April 2020, PKOP, the JV, partially settled its loan to the Group for 13,993 million tenge, including interest.

In April 2020, the Company redeemed Eurobonds coupon payments to bondholders for 171,603 thousand US dollars (equivalent to 73,746 million tenge as of payment dates).

In April 2020, KTG, the subsidiary, made a partial redemption of its guaranteed bonds for 43,380 million US dollars (equivalent to 18,628 million tenge at payment dates).

In April 2020, ANPZ made a partial early repayment of its loan from Halyk Bank for 21.4 million US dollars (equivalent to 9,220 million tenge at payment dates), including interest.

In May 2020, the Company, in accordance with the decision of Samruk-Kazyna and the National Bank of RK, announced dividends for 2019 for 133.97 tenge per share in total of 81,738 million tenge (Samruk-Kazyna 73,911 million tenge and National Bank 7,827 million tenge).

In May 2020, the Company placed additional short-term deposits with the National Bank of RK for 100 million US dollars (equivalent to 42,373 million tenge at a placement date) at market terms till July 30, 2020.