

Intergas Central Asia JSC

Interim condensed financial statements (unaudited)

As at and for the six months ended June 30, 2020

Report on review of Interim Financial Information

To the Shareholder and management of Intergas Central Asia JSC:

Introduction

We have reviewed the accompanying interim condensed financial statements of “Intergas Central Asia” JSC (“the Company”), which comprise the interim condensed statement of financial position as at 30 June 2020 and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes (interim financial information). Management is responsible for the preparation and fair 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 "Intergas Central Asia" JSC is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP

Paul Cohn
Audit Partner



Adil Syzdykov
Auditor

Auditor qualification certificate
No МФ-0000172 dated 23 December
2013.

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22 July 2020



Gulmira Turmagambetova
General Director
Ernst and Young LLP

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МФЮ-2 No. 0000003 issued by the Ministry of
finance of the Republic of Kazakhstan on
15 July 2005

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INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

<i>In thousands of Tenge</i>	Notes	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Assets			
Non-current assets			
Property, plant and equipment	4	769,182,410	710,226,901
Intangible assets		4,208,692	3,693,429
Right-of-use assets		418,255	836,509
Advances paid	5	15,438,705	61,334,474
Bank deposits		1,979,527	2,202,745
Other non-current assets		199,277	248,899
		791,426,866	778,542,957
Current assets			
Inventories		2,744,178	2,163,133
Trade and other receivables	6	39,202,953	67,031,104
Advances paid	5	2,710,442	2,444,224
Prepaid taxes other than income tax	7	2,124,172	5,105,716
Corporate income tax prepaid		9,060,639	1,690,813
Bank deposits		16,945	9,609
Cash and cash equivalents	8	57,038,863	47,445,656
		112,898,192	125,890,255
Total assets		904,325,058	904,433,212
Equity and liabilities			
Equity			
Share capital	9	392,985,220	392,985,220
Retained earnings		256,273,219	309,386,591
		649,258,439	702,371,811
Non-current liabilities			
Bank loans	10	37,002,849	40,231,459
Financial guarantee obligation		8,197,462	8,848,832
Employee benefit obligations		344,025	1,380,004
Gas pipeline abandonment and site restoration provision	22	72,851,069	69,851,763
Other non-current liabilities		24,429	42,793
Deferred income tax liabilities		55,122,656	49,582,198
		173,542,490	169,937,049
Current liabilities			
Bank loans	10	14,134,917	13,393,466
Financial guarantee obligation		1,313,510	1,441,787
Employee benefit obligations		31,323	61,358
Provisions on gas losses		—	203,587
Trade and other payables	11	7,275,192	9,486,151
Dividends payable	9	51,133,183	—
Taxes payable other than income tax		672,087	1,277,455
Other current financial liabilities		1,724,736	2,279,918
Other current liabilities	12	5,239,181	3,980,630
		81,524,129	32,124,352
Total equity and liabilities		904,325,058	904,433,212

Deputy General Director

Acting Chief Accountant



Mamutova A.E.

Shirnova S.S.

The accounting policies and explanatory notes on pages 5 through 19 form an integral part of these interim condensed financial statements (unaudited)

For the six months ended June 30, 2020

Deputy General Director

Acting Chief Accountant

The stamp is a blue circular seal. The outer ring contains the text "ҚАЗАҚСТАН РЕСПУБЛИКАСЫ АЛМАТЫ АӨКЕ" at the top and "ҚАЗАҚСТАН РЕСПУБЛИКАСЫ АЛМАТЫ АӨКЕ" at the bottom. The inner circle contains the text "ИНТЕРГАС ЦЕНТРАЛ АЗИЯ". There are two handwritten signatures in blue ink over the stamp. The first signature is at the top right, and the second is at the bottom right. Below the first signature is the name "Mambayeva A.E.". Below the second signature is the name "Ashirova S.S.".

Mambayeva A.E.

Ashirova S.S.

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INTERIM STATEMENT OF CASH FLOWS**For the six months ended June 30, 2020**

<i>In thousands of Tenge</i>	Notes	For the six months ended June 30,	
		2020	2019
		(unaudited)	(unaudited)
Cash flows from operating activities			
Receipts from customers		129,048,432	115,841,292
Payments to suppliers		(27,149,943)	(32,196,011)
Payments to employees		(13,855,213)	(12,743,504)
Taxes paid other than income tax		(8,750,762)	(7,899,356)
VAT refund from the state	7	5,611,086	–
Other receipts		451,515	360,775
Other payments		(4,859,764)	(3,037,924)
Corporate income tax paid		(5,502,000)	(4,100,000)
Interest paid		(2,818,951)	(2,998,436)
Interest received		214,327	110,763
Net cash flows received from operating activities		72,388,727	53,337,599
Cash flows from investing activities			
Withdrawal of bank deposits		298,813	187,360
Placement of bank deposits		(75,595)	–
Purchase of non-current assets		(29,200,456)	(91,297,473)
Proceeds from sale of property, plant and equipment		–	2,645
Net cash flows used in investing activities		(28,977,238)	(91,107,468)
Cash flows from financing activities			
Common shares issued	9	–	39,138,864
Proceeds from bank loans	10	4,314,938	15,118,000
Repayment of bank loans	10	(6,842,688)	(21,067,704)
Dividends paid	9	(34,240,775)	(4,544)
Net cash flows (used in) / from financing activities		(36,768,525)	33,184,616
Net increase/(decrease) in cash and cash equivalents		6,642,964	(4,585,253)
Effects of exchange rate on cash and cash equivalents		2,950,243	(173,382)
Cash and cash equivalents, at the beginning of the period	8	47,445,656	17,545,987
Cash and cash equivalents, at the end of the period	8	57,038,863	12,787,352

Deputy General Director



Mamutova A.E.

Acting Chief Accountant

Ashirova S.S.

The accounting policies and explanatory notes on pages 5 through 19 form an integral part of these interim condensed financial statements (unaudited)

INTERIM STATEMENT OF CHANGES IN EQUITY**For the six months ended June 30, 2020**

<i>In thousands of tenge</i>	Share capital	Additional paid-in capital	Retained earnings	Total
As at January 1, 2019 (audited)	111,091,460	207,115,482	231,308,563	549,515,505
Net profit for the period (unaudited)	-	-	38,812,915	38,812,915
Total comprehensive income for the period	-	-	38,812,915	38,812,915
Common shares issued	39,138,864	-	-	39,138,864
Dividends on common shares (Note 9)	-	-	(16,256,158)	(16,256,158)
Dividends on preferred shares (Note 9)	-	-	(4,544)	(4,544)
As at June 30, 2019 (unaudited)	150,230,324	207,115,482	253,860,776	611,206,582
As at January 1, 2020 (audited)	392,985,220	-	309,386,591	702,371,811
Net profit for the period (unaudited)	-	-	32,219,489	32,219,489
Other comprehensive income, net of tax	-	-	41,097	41,097
Total comprehensive income for the period	-	-	32,260,586	32,260,586
Dividends on common shares (Note 9)	-	-	(85,370,844)	(85,370,844)
Dividends on preferred shares (Note 9)	-	-	(3,114)	(3,114)
As at June 30, 2020 (unaudited)	392,985,220	-	256,273,219	649,258,439

Deputy General Director

Acting Chief Accountant



Mamutova A.E.

Ashirova S.S.

The accounting policies and explanatory notes on pages 5 through 19 form an integral part of these interim condensed financial statements (unaudited)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)**For the six months ended June 30, 2019**

1. GENERAL INFORMATION

Intergas Central Asia JSC (the “Company”) was established in accordance with the laws of the Republic of Kazakhstan. The Company was registered on July 1, 1997 as a closed joint stock company. On January 28, 2005 the Company was re-registered as a joint stock company in accordance with the requirements of the legislation.

The Company is 100% owned by KazTransGas JSC (the “Shareholder” and “KTG”), a joint stock company established under the laws of the Republic of Kazakhstan. NC KazMunayGas JSC (“KazMunayGas”) is the sole shareholder of KazTransGas JSC. The Government represented by “Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna”) owns 90% minus 1 (one) share of KazMunayGas, and all subsidiaries of KazMunayGas and Samruk-Kazyna are considered as related parties of the Company (*Note 20*).

The principal activities of the Company are transportation, sale and storage of natural gas and provision of services on technical maintenance of gas pipelines.

The Company’s operating activities are regulated by the Law of the Republic of Kazakhstan dated December 27, 2018 No. 204-VI *On Natural Monopolies* (the “Law”) as the Company is a natural monopolist in transportation of gas within the Republic of Kazakhstan and storage of natural gas. According to the Law, the Company’s gas transportation tariff within the Republic of Kazakhstan and storage tariffs are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan.

In accordance with the Decree of the Government of the Republic of Kazakhstan dated June 15, 2018 No. 353, the Company obtained the status of a national operator of main gas pipelines. The main tasks of the national operator are to ensure the interest of the state and transport commodity gas through main gas pipelines to the domestic and foreign markets. In addition, the Company will ensure the innovative development of the main gas pipeline system and its integration into the world energy system, enhancement the state’s energy potential through diversification of commodity gas flows.

As at June 30, 2020 the Company has commitments in the amount of 41,111,631 thousand Tenge under the investment program for 2016-2021 approved by the common order of Vice-Minister of Energy dated July 29, 2016 No. 360 and Chairman of the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of national economy of the Republic of Kazakhstan dated July 29, 2016 No. 203-OD (as at December 31, 2018: 43,461,996 thousand Tenge). The results of the implementation of this program can influence the future tariffs. As of December 31, 2019, the Company fulfills its obligations under the approved investment program, taking into account the adjustments made.

The Company’s head office is located at BC “Bolashak”, 12 Alikhan Bukeikhan avenue, Nur-Sultan, Republic of Kazakhstan.

The accompanying interim condensed financial statements were authorized for issue by the Deputy General Director and Acting Chief Accountant of the Company on July 22, 2020.

2. BASIS OF PREPARATION

These interim condensed financial statements have been prepared as on June 30, 2020 in accordance with IAS 34 *Interim Financial Reporting* (the “IAS 34”). These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2019.

Foreign currency translation

The official exchange rate of the Kazakhstan Tenge to US Dollar as of June 30, 2020 and December 31, 2019 was 403.83 and 381.18 Tenge per US Dollar, respectively. As of June 30, 2020, the market rate set by Kazakhstan Stock Exchange JSC (“KASE”) was used to recalculate monetary assets and liabilities expressed in US Dollars. The market rate of KASE on June 30, 2020 was equal to 403.93 Tenge per 1 US Dollar (December 31, 2019: 382.59 Tenge per 1 US Dollar).

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**New standards, interpretations and amendments adopted to the existing standards and interpretations adopted by the Company for the first time**

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020. The Company has not early adopted any 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 financial statements of the Company.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company.

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 financial statements of the Company.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material 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 financial statements of the Company.

Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the financial statements of the Company.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)**4. PROPERTY, PLANT AND EQUIPMENT**

The movement in property, plant and equipment was as follows:

<i>in thousands of Tenge</i>		Land	Buildings and constructions	Gas transportation system	Equipment	Vehicles	Other	Construction in progress	Total
Cost									
At December 31, 2019 (audited)		483,135	91,360,195	373,705,308	368,178,283	45,594	5,776,136	29,947,898	869,496,549
Additions		-	-	-	120,563	-	-	72,650,126	72,770,689
Transfer from inventories		-	-	-	-	-	125	292,290	292,415
Transfer to intangible assets		-	-	-	-	-	-	(840,654)	(840,654)
Internal transfers		-	6,923,119	59,782	60,673,291	-	422,519	(68,078,711)	-
At June 30, 2020 (unaudited)		483,135	98,283,314	373,765,090	428,972,137	45,594	6,198,780	33,970,949	941,718,999
Accumulated depreciation									
At December 31, 2019 (audited)		-	14,245,616	60,610,479	79,856,383	29,574	4,180,752	346,844	159,269,648
Charge for the period		-	1,437,120	3,800,299	7,894,438	1,086	133,998	-	13,266,941
Internal transfers		-	-	-	(64)	-	64	-	-
At June 30, 2020 (unaudited)		-	15,682,736	64,410,778	87,750,757	30,660	4,314,814	346,844	172,536,589
Net book value									
At December 31, 2019 (audited)		483,135	77,114,579	313,094,829	288,321,900	16,020	1,595,384	29,601,054	710,226,901
At June 30, 2020 (unaudited)		483,135	82,600,578	309,354,312	341,221,380	14,934	1,883,966	33,624,105	769,182,410

Additions

During the six months of 2020, additions to construction-in-progress are mainly represented by construction of the “1A” compressor station of 59,261,333 thousand Tenge; reconstruction and construction of accumulation points of the “Bozoi” Underground Gas Storage (UGS) with the development of project design of 4,409,907 thousand Tenge; capital repair, fire work, emergency recovery works on replacing defective pipes of 2,394,666 thousand Tenge; construction of the “Merke” gas distribution station and gas pipeline of 1,461,602 thousand Tenge; reconstruction of the “Uzinagash” metering unit of TIP-03 jumper between “Kazakhstan-China” and “BGR-TBA” main gas pipelines with the development of project design of 1,441,940 thousand Tenge; capital repair of compressor station facilities of 1,432,916 thousand Tenge; construction of the “Kozhasay” compressor station of 1,031,632 thousand Tenge; capital repair of gas pipeline to the “Karatau” gas distribution station with the development of project design of 519,857 thousand Tenge; video surveillance installation of 331,307 thousand Tenge; installation of wellhead fences of “Bozoi” UGS of 200,900 thousand Tenge and other capital construction and improvement.

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Internal transfers

During the six months of 2020, the Company commissioned the objects for 68,078,711 thousand Tenge. The major part of this amount comprises works on construction of the “1A” compressor station of the “Beineu-Bozoi Shymkent” main gas pipeline with the development of project design of 59,289,028 thousand Tenge; works on construction of the “Kozhasay” compressor station of 6,799,396 thousand Tenge; capital repair, modernization of turbocompressor sections of compressor stations of 525,092 thousand Tenge; the organization of observation posts for expert and diagnostic support for the capital repair of the gas pipelines “SATs-4”, “Soyuz”, “Orenburg-Novopskov”, fire, emergency restoration and work on replacing defective pipes of 365,486 thousand Tenge; surveillance installation and structured cabling of 287,717 thousand Tenge; capital repair of the “Bukhara-Ural” main gas pipeline connection unit to the “Beineu-Bozoi Shymkent” main gas pipeline of 207,017 thousand Tenge; installation of wellhead fences of “Bozoi” UGS of 200,900 thousand Tenge.

Other

As at June 30, 2020, the initial cost of fully depreciated property, plant and equipment was equal to 13,179,315 thousand Tenge (December 31, 2019: 13,113,999 thousand Tenge).

As at June 30, 2020, the Company, has capital commitments for 76,636,796 thousand Tenge (as at December 31, 2019: 18,089,993 thousand Tenge), related to acquisition and construction of property, plant and equipment. These capital commitments are partially connected with investment program described in *Note 1*.

5. ADVANCES PAID

<i>In thousands of Tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Advances paid to suppliers for non-current assets		
Advances paid to third parties for capital repair, construction works and supply of fixed assets	15,438,705	61,334,474
	15,438,705	61,334,474
Advances to suppliers for current assets and services		
Advances paid to third parties for supply of materials and rendering current repair services	122,057	129,279
Advances paid to related parties (<i>Note 20</i>)	2,588,385	2,314,945
	2,710,442	2,444,224

As at June 30, 2020 advances paid to third parties for capital repair and construction works mainly included advances of 9,253,921 thousand Tenge paid to Elektrokhimzashchita LLP for construction of gas measuring stations and field camps on the main gas pipelines “BGR-TBA” and “Gazli-Shymkent” (as at December 31, 2019: 57,652,374 thousand Tenge); advances of 3,494,400 thousand Tenge paid to Electro-HSBM LLP for capital repair of the “Makat-North Caucasus” and “Soyuz” main gas pipelines (as at December 31, 2019: nil); advances of 1,149,081 thousand Tenge paid to Remstroy-XXI LLP for capital repair of the “BGR-TBA” main gas pipeline (as at December 31, 2019: 2,211,562 thousand Tenge); advances of 826,274 thousand Tenge paid to ABTM LLP for capital repair of the “Okarem-Beineu” main gas pipeline (as at December 31, 2019: nil); and others.

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

6. TRADE AND OTHER RECEIVABLES

<i>In thousands of Tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Related parties (Note 20)	37,210,914	59,968,010
Customers – residents	1,030,895	1,082,810
Customers – non-residents for gas transit	705,625	6,077,949
Other	616,510	244,713
	39,563,944	67,373,482
Allowance for expected credit losses	(360,991)	(342,378)
	39,202,953	67,031,104

As at June 30, 2020, accounts receivable from related parties are denominated in Tenge and are mainly represented by receivables due from KazTransGas JSC of 25,764,270 thousand Tenge for storage and domestic gas transportation (December 31, 2019: 38,581,464 thousand Tenge), Beineu-Shymkent Gas Pipeline LLP of 7,410,160 thousand Tenge for technical maintenance of gas pipeline (December 31, 2019: 12,117,518 thousand Tenge), KazTransGas Aimak JSC of 1,111,244 thousand Tenge for technical maintenance of gas pipeline (December 31, 2019: 961,589 thousand Tenge), Asia Gas Pipeline LLP of 809,237 thousand Tenge for technical maintenance of gas pipeline (December 31, 2019: 1,287,618 thousand Tenge) KazRosGas LLP of 173,209 thousand Tenge for storage and gas transportation for export (December 31, 2019: 3,838,372 thousand Tenge).

As at June 30, 2020, trade receivable from gas transit non-resident customers included of 705,617 thousand Tenge due from Gazprom PJSC (as at December 31, 2019: 4,508,256 thousand Tenge), amount of 8 thousand Tenge due from UzTransGas JSC (as at December 31, 2019: 1,569,693 thousand Tenge), and were denominated in US Dollars.

There were not any significant movements in the allowance for expected credit losses of trade and other receivables during the six months ended June 30, 2020. Measurement of expected credit losses was carried out individually in each case, taking into account the situation of a specific legal entity or individual in the aggregate.

As of June 30, 2020, the Company has trade receivables from the parent company KTG. Based on the history of payments and the results of a detailed analysis of the financial position of KTG and the market in which it operates, management determined that KTG has sufficient capabilities to fulfil its contractual obligations. Accordingly, no ECL charge was made in the financial statements for expected credit losses in respect of trade receivables from KTG.

7. PREPAID TAXES OTHER THAN INCOME TAX

<i>In thousands of Tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
VAT recoverable	1,994,862	4,722,562
Other	206,938	460,782
	2,201,800	5,183,344
Minus: allowance for non-recoverable VAT	(77,628)	(77,628)
	2,124,172	5,105,716
Current portion	2,124,172	5,105,716

During the six months ended June 30, 2020, the Company received the VAT refund from the state budget of 5,611,086 thousand Tenge by cash and 5,000,000 thousand Tenge as offset of corporate income tax payable.

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

8. CASH AND CASH EQUIVALENTS

<i>In thousands of Tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
US Dollar bank accounts	50,070,965	41,534,158
Tenge deposits with maturity less than three months	5,717,641	2,889,345
Tenge bank accounts	1,250,257	3,022,153
	57,038,863	47,445,656

As at June 30, 2020 the weighted average interest rate on current bank accounts was 1.33% in US Dollars and 0.10% in Tenge, respectively (December 31, 2019: 0% in US Dollars and 0.10% in Tenge, respectively).

As at June 30, 2020 deposits with maturity less than three months included deposits with Halyk Bank Kazakhstan JSC denominated in Tenge of 5,717,641 thousand Tenge (December 31, 2019: deposits denominated in Tenge of 2,889,345 thousand Tenge). Deposits with maturity less than three months earn interest at the rate of 7.93% per annum (December 31, 2019: 7.75% per annum).

9. EQUITY

Share capital

	Owner	Number of shares		In thousands of Tenge	
		June 30, 2020 (unaudited)	December 31, 2019 (audited)	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Common voting shares	KazTransGas JSC	246,886,387	246,886,387	185,546,933	185,546,933
Preferred non-voting shares	NC KazMunayGas JSC	41,481,470	41,481,470	207,407,350	207,407,350
Preferred non-voting shares	KazTransGas JSC	41,250	41,250	30,937	30,937
		288,409,107	288,409,107	392,985,220	392,985,220

The preference shares are not redeemable at fixed date or at the option of the holder. However, the Company is obliged to make minimum dividend payments to the holder of the shares. Further KTG will issue common shares to KazMunayGas in exchange for preference shares issued by the Company and the preference shares are planned to be converted to common shares.

Dividends

On April 15, 2020 based on the results of the year ended December 31, 2019 the Company declared dividends on common shares of 85,370,844 thousand Tenge (2019: 16,256,158 thousand Tenge) and dividends on preferred shares of 3,114 thousand Tenge (2019: 4,544 thousand Tenge) according to the decision of the Shareholder.

As at June 30, 2020 the Company paid dividends on common shares of 34,237,661 thousand Tenge and dividends on preferred shares of 3,114 thousand Tenge.

Book value per share

<i>In thousands of Tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Total assets	904,325,058	904,433,212
Less: intangible assets	(4,208,692)	(3,693,429)
Less: total liabilities	(255,066,619)	(202,061,401)
Less: preferred shares	(207,438,287)	(207,438,287)
Net assets for common shares	437,611,460	491,240,095
Number of common shares as at reporting date	246,886,387	246,886,387
Book value per common share, thousands of Tenge	1.77	1.99

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

9. EQUITY (continued)

Earnings per share

Basic and diluted earnings per share are calculated by dividing net income for the six month attributable to common shareholders by the number of shares outstanding during the half year.

The following reflects the income and share data used in the basic earnings per share computations for the six months ended June 30:

<i>In thousands of Tenge</i>	For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)
Net income attributable to Shareholder for basic and diluted earnings per share	32,219,489	38,812,915
Adjustment on preferred shares	(4,638,691)	(10,846)
Net income attributable to Shareholder for basic and diluted earnings per common share	27,580,798	38,802,069
Average number of common shares for basic and diluted earnings per share	246,886,387	174,696,652
Basic and diluted earnings per share for the period, thousands of Tenge	0.11	0.22

No earnings per share dilutive instruments were issued as at and for the six months ended June 30, 2020 and 2019.

10. BANK LOANS

As at June 30, 2020 and December 31, 2019 bank loans comprised the following:

<i>In thousands of Tenge</i>	Date of issue	Maturity	Interest rate	June 30, 2020 (unaudited)	December 31, 2019 (audited)
European Bank for Reconstruction and Development	July 26, 2016	September 5, 2023	3m CPI + margin (3.15%) + 50 bp cost	37,275,382	42,939,522
European Bank for Reconstruction and Development	June 18, 2018, September 18, 2019 and February 13, 2020	June 5, 2026	6m CPI + margin (3.15%) + 100 bp cost	13,862,384	10,685,403
				51,137,766	53,624,925
Less: amount due for settlement within 12 months				(14,134,917)	(13,393,466)
Amounts due for settlement after 12 months				37,002,849	40,231,459

European Bank for Reconstruction and Development

In accordance with the loan agreement dated July 26, 2016, the Company repaid principal under the loan agreement of 6,842,688 thousand Tenge during the six months ended June 30, 2020.

In accordance with the loan agreement dated May 26, 2016 on February 13, 2020 the Company received a third tranche from the EBRD of 4,314,938 thousand Tenge for Bozoi UGS modernisation, which will be repaid by 26 (twenty-seven) equal quarterly instalments commencing in March 2020.

During the six months ended June 30, 2020, the Company has accrued interest for two loans of 967,672 thousand Tenge. As at June 30, 2020 interest to be paid amounted to 449,541 thousand Tenge (as at December 31, 2019: 371,927 thousand Tenge).

Capitalization of interest expenses

In the result of application of amendments to the IAS 23, the Company capitalized the interest expenses on loans received from EBRD of 1,941,492 thousand Tenge to property, plant and equipment.

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

10. BANK LOANS (continued)

Covenants

Under the terms of bank loans where the Company is a borrower or a guarantor, the Company is obliged to comply with certain covenants, such as (a) the ratio of total debt (adjusted to the financial guarantee obligations) to earnings before interest, taxes, depreciation and amortization (EBITDA) with a threshold value of 2.5, and (b) the ratio of cash available for debt service to the sum of total debt repayments for the 12 months preceding the reporting date with the minimal value of 1.2.

The Company reviews compliance with loan covenants at each reporting date. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans.

11. TRADE AND OTHER PAYABLES

<i>In thousands of Tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Payables for purchased gas		
Payables to related parties (Note 20)	897,891	1,168,559
	897,891	1,168,559
Payables for assets and services received		
Payables to third parties	4,736,888	6,565,731
Payables to related parties (Note 20)	1,640,413	1,751,861
	6,377,301	8,317,592
	7,275,192	9,486,151

Payables are non-interest bearing and normally settled on 30 (thirty) day terms.

As at June 30, 2020 and December 31, 2019 the trade payables are denominated in the following currencies:

<i>In thousands of Tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Trade payables in Tenge	7,153,287	8,680,574
Trade payables in US Dollars	121,899	793,476
Trade payables in Roubles	6	7
Trade payables in Euro	-	12,094
	7,275,192	9,486,151

12. OTHER CURRENT LIABILITIES

<i>In thousands of Tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Provision for annual bonuses	3,195,538	2,890,815
Contract liabilities	1,513,962	68,944
Pension contributions payable	325,642	673,034
Other	204,039	347,837
	5,239,181	3,980,630

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

13. REVENUE

<i>In thousands of Tenge</i>	For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)
Transportation services		
Transportation of gas for export	41,633,831	46,874,543
Transportation of gas within Kazakhstan	16,447,868	16,025,795
Transportation of Central Asian gas (transit)	13,968,807	20,187,262
Transportation of Russian gas (transit)	8,378,996	6,637,881
	80,429,502	89,725,481
Storage and maintenance services		
Revenue from technical maintenance of gas pipelines	13,751,545	11,379,001
Storage of gas	1,865,483	2,250,130
	96,046,530	103,354,612

Timing of revenue recognition

The Company recognizes the revenue from transportation, storage and maintenance services as services transferred over time.

Transportation of Central Asian and Russian gas (transit)

For the six months ended June 30, 2020 19.61% of total transit of gas was generated from sales to PJSC "Gazprom" (for the six months ended June 30, 2019: 24.62%). The Company recognizes revenue from transportation of Central Asian and Russian gas over a period of time.

14. COST OF SALES

<i>In thousands of Tenge</i>	For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)
Salaries and social contributions	17,304,569	15,003,327
Depreciation and amortization	13,307,704	12,201,403
Transportation expenses	6,927,227	5,449,669
Fuel gas and gas losses	4,359,010	5,100,535
Taxes other than income tax	2,972,585	2,806,383
Expense relating to short-term leases	1,989,481	36,299
Security expenses	1,448,487	1,287,903
Repair and maintenance	1,117,268	1,034,023
Electricity	615,851	687,465
Third party services	612,941	509,474
Communication services	499,187	460,778
Business trip expenses	301,377	385,446
Insurance	299,637	274,096
Materials and supplies	236,847	447,381
Diagnostical expenses	115,031	196,177
Air service expenses	4,238	198,292
(Reversal)/accrual of unused vacation reserves	(272,046)	70,466
Impairment of property, plant and equipment	-	109,799
Other	308,015	334,129
	52,147,409	46,593,045

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

15. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of Tenge</i>	For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)
Salaries and social contributions	2,495,156	2,029,552
Depreciation and amortisation	698,938	663,375
Medical insurance	297,550	248,465
Utilities	173,955	167,726
Operating lease expenses	167,278	118,677
Professional services	126,713	156,056
Repair and maintenance	112,046	108,635
Education of students	83,558	100,749
Third party services	75,741	30,817
Communication	54,692	55,990
Security expenses	39,190	41,025
Taxes other than income tax	30,213	52,346
Business and representative expenses	22,287	71,539
Write-off of inventories	17,248	23,890
Stationary and printing expenses	15,373	19,669
Fines and penalties	2,013	9,934
Other	104,835	206,680
	4,516,786	4,105,125

16. OTHER OPERATING INCOME

<i>In thousands of Tenge</i>	For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)
Gain on curtailment	1,092,497	–
Income from fines	69,086	66,644
Income from disposal of inventories	42,188	152,639
Other	82,601	80,273
	1,286,372	299,556

The Company approved new collective labor agreement for periods from 2020 and 2024. Based on new collective agreement, some payments as voucher for resort treatments, holiday payments and payments in case of death of pensioner/spouse were transferred to Public Association “Professional labor union of workers of Intergas Central Asia JSC”. Accordingly, the Company recognized gain on curtailment of 1,092,497 thousand Tenge, which is included in the interim statement of comprehensive income as part of other operating income.

As a result of application of new labor agreement, the Company remeasured the employee benefit obligations as at June 30, 2020 using the 8.38% discount rate (31 December 2019: 8.44%).

17. OTHER OPERATING EXPENSES

<i>In thousands of Tenge</i>	For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)
VAT expense under Trust management agreement (Note 20)	–	2,255,722
Other	96,197	28,776
	96,197	2,284,498

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

18. FINANCE COSTS

<i>In thousands of Tenge</i>	For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)
Amortization of discount on gas pipeline abandonment and site restoration provision	2,999,306	2,669,016
Interest expenses on bank loans	967,672	913,066
Amortization of discount on employee benefit obligations	60,700	54,600
Interest expense on lease liabilities	–	49,726
Other	31,141	54,219
	4,058,819	3,740,627

19. INCOME TAX EXPENSES

The Company is subject to corporate income tax at the prevailing statutory rate of 20%.

<i>In thousands of Tenge</i>	For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)
Current income tax expense	2,997,922	5,825,719
Adjustment of prior year income tax	134,252	150,752
Deferred income tax expense	5,530,184	5,429,334
	8,662,358	11,405,805

20. RELATED PARTY TRANSACTIONS

Related parties include key management personnel of the Company, companies, in which a substantial interest is owned, directly or indirectly, by the Company's key management personnel, companies included in KazMunayGas Group, Samruk Kazyna Group and other entities controlled by the Government.

Terms and conditions of transactions with related parties

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for gas transportation services which are provided based on the tariffs available to related and third parties. Outstanding balances at the year-end are unsecured.

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

20. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties (continued)

The major transactions with related parties for the periods ended June 30, 2020 and December 31, 2019 were as follows:

<i>In thousands of Tenge</i>	For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)
Revenue		
Transportation services		
KazTransGas and companies under its control	40,259,982	40,305,309
Companies under joint control of KazMunayGas	16,212,134	20,911,654
Companies under control of KazMunayGas	–	457
	56,472,116	61,217,420
Storage of gas		
KazTransGas and companies under its control	1,865,483	2,250,130
	1,865,483	2,250,130
Revenue from technical maintenance of gas pipelines		
KazTransGas and companies under its control	8,206,764	5,983,031
KazTransGas and companies under its control	5,016,106	4,909,088
Companies under control of Samruk-Kazyna	6,451	–
Companies under joint control of Samruk-Kazyna	1,191	–
Companies under joint control of KazMunayGas	500	749
	13,231,012	10,892,868
	71,568,611	74,360,418
Finance income		
KazTransGas and companies under its control	779,647	816,053
	779,647	816,053
Other income from related parties		
KazTransGas and companies under its control	18,582	11,778
Companies under joint control of KazTransGas	2,053	2,053
Companies under joint control of KazMunayGas	1,430	–
Companies under control of Samruk-Kazyna	1,332	1,406
Companies under control of KazMunayGas	–	33,418
	23,397	48,655
Purchases of natural gas		
KazTransGas and companies under its control	4,323,340	5,063,048
	4,323,340	5,063,048
Other goods and services from related parties		
KazTransGas and companies under its control	5,642,629	4,435,496
Companies under joint control of Samruk-Kazyna	1,950,461	–
Companies under control of Samruk-Kazyna	1,135,886	1,142,268
Companies under control of KazMunayGas	11,771	1,046,726
Companies under joint control of KazMunayGas	41,073	41,073
	8,781,820	6,665,563
VAT expenses under Trust Management Agreement		
Companies under control of KazMunayGas	–	2,255,722
	–	2,255,722

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

20. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of transactions with related parties (continued)

<i>In thousands of Tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Trade and other receivables		
KazTransGas and companies under its control	26,880,240	39,546,648
Companies under joint control of KazTransGas	10,151,691	15,347,091
Companies under joint control of KazMunayGas	177,135	5,071,242
Companies under control of Samruk-Kazyna	1,720	2,729
Companies under control of KazMunayGas	128	300
	37,210,914	59,968,010
Advances paid		
Companies under control of KazMunayGas	2,310,546	2,310,546
Companies under joint control of Samruk-Kazyna	273,058	–
Companies under control of Samruk-Kazyna	3,369	4,399
KazTransGas and companies under its control	1,412	–
	2,588,385	2,314,945
Trade and other payables		
Payables for purchased gas		
KazTransGas and companies under its control	897,891	1,168,559
	897,891	1,168,559
Payables for assets and services received		
KazTransGas and companies under its control	1,304,476	1,295,810
Companies under control of Samruk-Kazyna	332,093	422,120
Companies under control of KazMunayGas	3,844	33,931
	1,640,413	1,751,861
Other current liabilities		
Companies under control of Samruk-Kazyna	18,160	17,558
	18,160	17,558
Other current financial liabilities		
Companies under control of Samruk-Kazyna	3,725	2,801
	3,725	2,801
Obligations on financial guarantees issued		
KazTransGas and companies under its control	9,510,972	10,290,619
	9,510,972	10,290,619
Contract liabilities		
Companies under joint control of KazMunayGas	1,449,692	–
	1,449,692	–

Dividends paid to the Shareholder

During the six months, ended June 30, 2020 the Company paid dividends to KazTransGas JSC in the amount of 34,237,664 thousand Tenge (2019: 16,260,702 thousand Tenge) and NC KazMunayGas JSC in the amount of 3,111 thousand Tenge.

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

20. RELATED PARTY TRANSACTIONS (continued)

Compensation to key management personnel

Key management personnel comprise members of the Management Board and Independent Directors of the Company, totalling 7 persons as at June 30, 2020 (June 30, 2019: 8 persons). Compensation to key management personnel included in administrative expenses in the interim statement of comprehensive income amounted to 54,185 thousand Tenge for the six months ended June 30, 2020 (for the six months, ended June 30, 2019: 58,911 thousand Tenge). The amount of remuneration to key management personnel paid from the provision created in the year preceding the year of payment is 11,546 thousand Tenge for the six months, ended June 30, 2020 (for the six months, ended June 30, 2019: 251,666 thousand Tenge).

Compensation to the key management personnel comprised of salary and other payments in accordance with internal regulations of the Company.

21. SEGMENT REPORTING

The Company's business operations are located in the Republic of Kazakhstan and relate primarily to transportation, storage of natural gas and provision of technical maintenance services on gas pipelines. Although the Company operates mainline gas transportation network in different regions within the Republic of Kazakhstan, the Company's chief operating decision maker reviews the Company's operations and allocates resources on the level of the Company. Therefore, the Company considers that it only has one reportable segment under IFRS 8. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements prepared in accordance with IFRS.

For six months ended June 30, 2020 the Company generated 43.86% of its revenues from KazTransGas JSC, 19.61% from Gazprom Group and 10.47% from Tengizchevroil LLP (for 6 months ended June 30, 2019: 41.17% from KazTransGas JSC, 24.6% from Gazprom Group and 12% Tengizchevroil LLP).

22. COMMITMENTS AND CONTINGENT LIABILITIES

Environmental matters

The Company is subject to various environmental laws and regulations. Management believes that the Company has met Government requirements concerning environmental matters.

Under the terms of legislation, the Company has legal obligations to dismantle and remove fixed assets and restore the land. Specifically, the Company's obligation relates to removal of gas pipelines and recultivation of the land plots. As at June 30, 2020, the amount of provision equals to 72,851,069 thousand Tenge (December 31, 2019: 69,851,763 thousand Tenge).

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, excluding the carrying amount, which is a reasonable approximation of fair value:

	Carrying amount		Fair values	
	June 30, 2020 (unaudited)	December 31, 2019 (audited)	June 30, 2020 (unaudited)	December 31, 2019 (audited)
<i>In thousands of Tenge</i>				
Financial liabilities				
Bank loans (Level 2)	51,137,766	53,624,925	51,297,255	53,747,391

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

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**Estimates and assumptions**

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value hierarchy

Fair value of long-term loans received as at June 30, 2020 and December 31, 2019 was assessed using significant observable inputs (Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).