

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Interim condensed consolidated financial statements
(unaudited)

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

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Report on Review of Interim Financial Information

To the Shareholder and Management of "Sovereign Wealth Fund "Samruk-Kazyna" JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2020 and the interim consolidated statement of comprehensive income for the three and six months then ended, interim consolidated statements of changes in equity and cash flows for the six months 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.

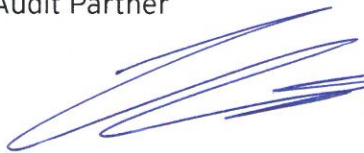
Conclusion

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

Ernst & Young LLP



Paul Cohn
Audit Partner



Albert Asmatulayev
Auditor

Auditor Qualification Certificate
No. MΦ-0000461 dated 6 February 2017

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

25 September 2020



Rustamzhan Sattarov
General Director
Ernst & Young LLP

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In millions of tenge</i>	Note	June 30, 2020 (unaudited)	December 31, 2019 (audited) (restated)*
Assets			
Non-current assets			
Property, plant and equipment	7	13,219,141	13,141,813
Intangible assets	8	2,026,652	2,003,998
Exploration and evaluation assets		372,142	371,894
Investment property		41,079	24,888
Investments in joint ventures and associates	9	4,569,119	4,242,871
Loans issued and finance lease receivables		378,579	370,556
Amounts due from credit institutions	10	165,220	169,792
Deferred tax assets		98,526	91,229
Other non-current financial assets	11	363,225	336,245
Other non-current assets	12	690,930	768,673
		21,924,613	21,521,959
Current assets			
Inventories	13	611,842	654,452
VAT receivable		193,389	191,260
Income tax prepaid		82,544	81,894
Trade accounts receivable	14	586,060	620,388
Loans issued and finance lease receivables		116,269	150,273
Amounts due from credit institutions	10	494,137	593,974
Other current financial assets	11	117,428	74,669
Other current assets	14	301,938	396,166
Cash and cash equivalents	15	2,229,934	1,993,962
		4,733,541	4,757,038
Assets classified as held for sale	6	10,549	130,487
Total assets		26,668,703	26,409,484

*The explanatory notes on pages 8 through 49 form
an integral part of these interim condensed consolidated financial statements (unaudited).*

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In millions of tenge</i>	Note	June 30, 2020 (unaudited)	December 31, 2019 (audited) (restated)*
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	16.1	5,257,843	5,229,112
Additional paid-in capital	16.3	12,407	17,303
Currency translation reserve	16.10	1,543,551	1,319,406
Revaluation reserve of investments at fair value through other comprehensive income		27,656	29,354
Hedging reserve		(49,122)	(46,726)
Other capital reserves		(16,984)	(16,984)
Retained earnings		6,366,847	6,171,987
		13,142,198	12,703,452
Non-controlling interest		1,588,194	1,634,069
Total equity		14,730,392	14,337,521
Non-current liabilities			
Borrowings	17	6,329,611	6,103,443
Loans from the Government of the Republic of Kazakhstan	18	589,815	622,322
Lease liabilities	20	373,035	340,029
Provisions		345,262	350,863
Deferred tax liabilities		1,085,532	1,065,288
Employee benefit liabilities		115,088	111,840
Obligations under oil supply agreements	19	295,945	357,902
Other non-current liabilities		123,140	113,520
		9,257,428	9,065,207
Current liabilities			
Borrowings	17	880,963	737,950
Loans from the Government of the Republic of Kazakhstan	18	16,792	5,238
Lease liabilities	20	106,399	84,138
Provisions		118,930	119,367
Employee benefit liabilities		12,829	12,983
Income tax payable		18,030	16,124
Trade and other payables	21	760,483	1,045,282
Obligations under oil supply agreements	19	119,626	158,162
Other current liabilities	21	645,945	741,726
		2,679,997	2,920,970
Liabilities associated with assets classified as held for sale	6	886	85,786
Total liabilities		11,938,311	12,071,963
Total equity and liabilities		26,668,703	26,409,484

* Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2019 and reflect adjustments made, refer to Note 2.

Managing Director for Economy and Finance –
Member of the Management Board



Barbit Karymsakov

Chief accountant



Dinaz Abdrakhmanova

The explanatory notes on pages 8 through 49 form
an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In millions of tenge</i>	Note	For the three months ended June 30		For the six months ended June 30	
		2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Continuing operations					
Revenue	22	1,704,400	2,481,149	3,984,714	5,014,214
Government grants		6,661	6,856	11,044	23,257
		1,711,061	2,488,005	3,995,758	5,037,471
Cost of sales	23	(1,347,186)	(1,836,359)	(3,097,017)	(3,804,169)
Gross profit		363,875	651,646	898,741	1,233,302
General and administrative expenses	24	(96,263)	(104,765)	(193,316)	(206,049)
Transportation and selling expenses	25	(134,529)	(184,938)	(329,995)	(389,494)
Impairment loss, net	26	(175,720)	(60,377)	(283,550)	(68,851)
Gain/(loss) on disposal of subsidiaries		-	5,723	(173)	23,354
Gain on business combination		-	17,310	-	71,960
Operating (loss)/profit		(42,637)	324,599	91,707	664,222
Finance costs	27	(163,780)	(132,643)	(309,329)	(272,861)
Finance income	28	52,026	47,075	96,323	83,974
Other non-operating loss		(1,334)	(4,225)	(23,469)	(13,048)
Other non-operating income		22,522	31,900	58,011	39,145
Share in profit of joint ventures and associates, net	29	201,497	256,823	276,253	496,390
Net foreign exchange (loss)/gain		(97,034)	(7,066)	72,383	(19,324)
(Loss)/profit before income tax		(28,740)	516,463	261,879	978,498
Income tax expenses	30	(19,879)	(113,798)	(85,377)	(194,806)
Net (loss)/profit for the period		(48,619)	402,665	176,502	783,692
Net (loss)/profit for the period attributable to:					
Equity holder of the Parent		6,832	345,327	225,597	679,047
Non-controlling interest		(55,451)	57,338	(49,095)	104,645
		(48,619)	402,665	176,502	783,692

The explanatory notes on pages 8 through 49 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Other comprehensive income, net of tax				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of foreign operations	16.10	(559,066)	2,431	(37,271)
Unrealized gain/(loss) from revaluation of investments at fair value through other comprehensive income		3,121	(1,251)	(58)
Gain/(loss) on cash flow hedge		10,770	(1,098)	2,670
Reclassification of losses on cash flow hedge to profit or loss		-	-	19,005
Reclassification to profit or loss of the revaluation reserve for the sale of financial assets at fair value through other comprehensive income		115	(137)	112
Share of the OCI items of associates and joint ventures		2,013	1,948	(164)
Tax effect on transactions of OCI components		42,145	(19,881)	2,524
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(500,902)	3,660	(13,182)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>				
Share of the OCI items of associates and joint ventures		(96)	(96)	190
Actuarial loss on defined benefit plans		(1,395)	(1,200)	(2,132)
Tax effect on transactions of OCI components		35	43	-
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(1,456)	(1,253)	(1,942)
Other comprehensive (loss)/income for the period, net of tax		(502,358)	2,047	(15,124)
Total comprehensive (loss)/income for the period, net of tax		(550,977)	404,712	768,568
Total comprehensive (loss)/income for the period, net of tax, attributable to:				
Equity holder of the Parent		(452,370)	346,815	667,554
Non-controlling interest		(98,607)	57,897	101,014
		(550,977)	404,712	768,568

Managing Director for Economy and Finance –
Member of the Management Board

Chief accountant



The explanatory notes on pages 8 through 49 form
an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In millions of tenge</i>	Note	Attributable to the equity holder of the Parent							Total	Non-controlling interest	Total
		Share capital	Additional paid-in capital	Revaluation reserve of investments at fair value through other comprehensive income	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings			
Balance as at December 31, 2018		5,133,766	17,303	28,806	1,349,799	(67,163)	(16,807)	5,100,419	11,546,123	1,407,152	12,953,275
Effect of adoption of new standards		-	-	-	-	-	-	(8,932)	(8,932)	(6,227)	(15,159)
Balance as at December 31, 2018 (audited)		5,133,766	17,303	28,806	1,349,799	(67,163)	(16,807)	5,091,487	11,537,191	1,400,925	12,938,116
Total comprehensive income for the period		-	-	111	(31,063)	20,849	-	677,657	667,554	101,014	768,568
Issue of shares		15,149	-	-	-	-	-	-	15,149	1,896	17,045
Dividends		-	-	-	-	-	-	-	-	(42,077)	(42,077)
Other transactions with the Shareholder		-	-	-	-	-	-	(2,501)	(2,501)	-	(2,501)
Other distributions to the Shareholder		-	-	-	-	-	-	(55,678)	(55,678)	-	(55,678)
Discount on loans from the Government		-	-	-	-	-	-	(1,796)	(1,796)	-	(1,796)
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		-	-	290	160	(160)	(312)	(1,540)	(1,852)	(487)	(2,339)
Other equity movements		-	-	-	-	-	-	(321)	(31)	(2,341)	(2,372)
Balance as at June 30, 2019 (unaudited)		5,148,915	17,303	29,207	1,318,896	(46,474)	(17,119)	5,707,308	12,158,036	1,544,734	13,702,770

The explanatory notes on pages 8 through 49 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

In millions of tenge	Note	Attributable to the equity holder of the Parent							Total	Non-controlling interest	Total
		Share capital	Additional paid-in capital	Revaluation reserve of investments at fair value	other comprehensive income	Currency translation reserve	Hedging reserve	Other capital reserves			
Balance as at December 31, 2019 (audited) (restated)*		5,229,112	17,303	29,354	1,319,406	(46,726)	(16,984)	6,171,987	1,634,069	14,337,521	
Total comprehensive income for the period		-	-	(1,528)	223,906	(2,231)	-	224,312	(27,624)	416,835	
Issue of shares	16.1	28,731	-	-	-	-	-	-	-	28,731	
Dividends	16.2	-	-	-	-	-	-	-	-	(63,682)	
Other contributions of the Shareholder	16.3	-	(4,896)	-	-	-	-	626	-	(4,270)	
Other transactions with the Shareholder	16.4	-	-	-	-	-	-	8,245	-	8,245	
Other distributions to the Shareholder	16.5	-	-	-	-	-	-	(19,749)	-	(19,749)	
Transfer of assets to the Shareholder	16.6	-	-	-	-	-	-	(24,809)	-	(24,809)	
Discount on loans from the Government	16.7	-	-	-	-	-	-	(18,743)	-	(18,743)	
Disposal of subsidiaries	16.8	-	-	-	-	-	-	-	(14,040)	(14,040)	
Change in ownership interests of subsidiaries – disposal of interest that does not result in the loss of control	16.9	-	-	(170)	74	(165)	-	25,174	59,492	84,570	
Other equity movements		-	-	-	165	-	-	(196)	(21)	(217)	
Balance as at June 30, 2020 (unaudited)		5,257,843	12,407	27,656	1,543,551	(49,122)	(16,984)	6,366,847	1,588,194	14,730,392	

* Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2019 and reflect adjustments made, refer to Note 2.

Managing Director for Economy and Finance –
Member of the Management Board

Chief accountant



The explanation of the changes in consolidated financial statements (unaudited) is an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of tenge</i>	Note	For the six months ended June 30, 2020 (unaudited)	For the six months ended June 30, 2019 (unaudited) (restated)*
Cash flows from operating activities			
Receipts from customers		4,275,263	4,838,529
Payments to suppliers		(2,538,295)	(3,169,296)
Payments to employees		(486,891)	(484,423)
Other taxes and payments		(632,180)	(786,556)
Operations with financial instruments (the Fund and Kazpost JSC)		15,930	4,218
Short-term lease payments and variable lease payments		(43,434)	(45,053)
Proceeds from subsidized interest rates on financial liabilities	28	14,592	-
Other payments		(49,999)	(62,720)
VAT received		94,828	44,895
Income taxes paid		(89,840)	(118,365)
Interest paid		(245,176)	(225,987)
Interest received		73,725	81,053
Net cash flows received from operating activities		388,523	76,295
Cash flows from investing activities			
Redemption/(placement) of bank deposits, net		117,113	(193,600)
Sale/(acquisition) of joint ventures and associates, net		30,387	(580)
Acquisition of subsidiaries, net of cash acquired with the subsidiary	5	(26,499)	(170,580)
Acquisition of property, plant and equipment, and exploration and evaluation assets		(473,526)	(422,015)
Acquisition of intangible assets		(5,949)	(5,639)
Proceeds from sale of subsidiaries, net of cash of disposed subsidiaries		9,441	62,128
Dividends received from joint ventures and associates	9	90,829	129,140
Proceeds from the sale of property, plant and equipment and intangible assets		6,969	21,928
Proceeds from the sale of other non-current assets		4,022	2,731
Loans issued		(1,727)	(3,141)
Repayment of loans issued		17,969	33,063
Purchase of debt instruments		(80,515)	(31,877)
Proceeds of receivables from sale of BTA Bank JSC		-	30,318
Other receipts		39,561	12,398
Net cash flows used in investing activities		(271,925)	(535,726)
Cash flows from financing activities			
Proceeds from borrowings		690,208	644,993
Repayment of borrowings		(628,178)	(767,733)
Repayment of lease liabilities		(45,671)	(41,061)
Contributions to the share capital	16.1	26,000	15,000
Distributions to the Shareholder		(21,550)	(74,516)
Share buyback by subsidiary		(212)	(2,382)
Sale of non-controlling interest	16.9	83,944	-
Dividends paid to non-controlling interest of subsidiaries	16.2	(51,223)	(27,379)
Bonds early extinguishment premium paid	27	(24,221)	-
Other payments		(1,625)	(2,726)
Net cash flows received/(used) in financing activities		27,472	(255,804)
Net increase/(decrease) in cash and cash equivalents		144,070	(715,235)
Effects of exchange rate changes on cash and cash equivalents		91,109	(26,174)
Changes in cash and cash equivalents disclosed as part of assets classified as held for sale		529	6,184
Change in allowance for expected credit losses		264	(1,919)
Cash and cash equivalents, at the beginning of the period		1,993,962	2,487,533
Cash and cash equivalents, at the end of the period	15	2,229,934	1,750,389

* Certain numbers shown here do not correspond to the consolidated financial statements for the period ended June 30, 2019 and reflect adjustments made, refer to Note 2.

Managing Director for Economy and Finance –
Member of the Management Board

Chief accountant


 Beibit Karymsakov
 Anas Abdрахmanova

The explanatory notes on pages 8 through 19 form
an integral part of these interim condensed consolidated financial statements (unaudited).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

1. GENERAL INFORMATION

Corporate information

“Sovereign Wealth Fund “Samruk-Kazyna” JSC (the “Fund” or “Samruk-Kazyna”) was established on November 3, 2008 in accordance with the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 and the Resolution of the Government of the Republic of Kazakhstan dated October 17, 2008. The formation was enacted by the merger of “Sustainable Development Fund “Kazyna” JSC (“Kazyna”) and “Kazakhstan Holding Company for State Assets Management “Samruk” JSC (“Samruk”) and the additional transfer to the Fund of interests in certain entities owned by the Government of the Republic of Kazakhstan (the “State” or the “Government”). The Government, represented by the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan, is the sole shareholder of the Fund (the “Shareholder” or the “Parent”).

During this process the Government’s overall objective was to increase management efficiency and to optimise organisational structures in these entities for them to successfully achieve their strategic objectives as set in the respective Government programs and development plans of these entities.

The Fund is a holding company combining state-owned enterprises listed in *Note 31* (the “Group”). Prior to February 1, 2012, the Fund’s activities were governed by the Law of the Republic of Kazakhstan *On National Welfare Fund* No. 134-4 dated February 13, 2009 and were aimed to assist in provision of stable development of the state economy, modernization and diversification of economy, and improvement of the Group companies’ efficiency. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 *On Sovereign Wealth Fund* No. 550-4, the Fund’s activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has 8 (eight) reportable operating segments as follows (*Note 35*):

- Oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil, gas and refined products;
- Transportation segment includes operations related to railway and air transportation of cargo and passengers;
- Communication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also renting out of lines, data transfer services and wireless communication services;
- Energy segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Energy System of Kazakhstan;
- Mining segment includes exploration, mining, processing, sales of mineral resources and geological exploration;
- Industrial segment includes projects for the development of chemical industry;
- Corporate center segment covers Fund’s investing and financing activities, including provision of loans to related and third parties;
- Other segment includes operations related to assisting the Government in increasing housing availability by investing into residential development and other operations.

The address of the Fund’s registered office is 17/10 E10 str., Nur-Sultan, the Republic of Kazakhstan.

These interim condensed consolidated financial statements were authorised for issue by Managing Director for Economy and Finance – Member of the Management Board and Chief accountant of the Fund on September 25, 2020.

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the three and six months ended June 30, 2020 were prepared in accordance with International Accounting Standard No. 34 *Interim Financial Statements* (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.

These interim condensed consolidated financial statements are presented in Kazakhstan tenge (“tenge”) and all monetary amounts are rounded to the nearest million tenge except where otherwise indicated.

Restatements affecting comparative information

Acquisition of Khan Tengri Holding B.V.

On June 28, 2019 the Group obtained control over Khan Tengri Holding B.V. As at December 31, 2019, the Group applied provisional amounts for the acquired assets and liabilities as the assessment of fair value for the business combination was not complete at the end of the reporting period. As at June 30, 2020 an independent professional appraiser finalised fair value assessment of acquired assets and liabilities and, as a result, comparative information as at December 31, 2019, was restated.

Effect of restatement on the statement of financial position as at December 31, 2019:

<i>In millions of tenge</i>	December 31, 2019 (audited)	Khan Tengri Holding B.V.	December 31, 2019 (audited) (restated)
Assets			
Property, plant and equipment	13,141,006	807	13,141,813
Intangible assets	2,000,417	3,581	2,003,998
Total assets	26,405,096	4,388	26,409,484
Equity			
Retained earnings	6,171,964	23	6,171,987
Equity attributable to equity holder of the Parent	12,703,429	23	12,703,452
Non-controlling interest	1,634,047	22	1,634,069
Total equity	14,337,476	45	14,337,521
Liabilities			
Deferred tax liabilities	1,064,128	1,160	1,065,288
Other non-current liabilities	111,659	1,861	113,520
Trade and other payables	1,046,047	(765)	1,045,282
Other current liabilities	739,639	2,087	741,726
Total liabilities	12,067,620	4,343	12,071,963
Total equity and liabilities	26,405,096	4,388	26,409,484

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

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

Acquisition of Khan Tengri Holding B.V. (continued)

In addition, the Group reclassified right of use of property, plant and equipment under lease agreements acquired with Khan Tengri Holding B.V. between categories of property, plant and equipment in order the classification to conform with the Corporate accounting policy of the Group:

<i>In millions of tenge</i>	December 31, 2019 (audited)	Reclassification	December 31, 2019 (audited) (restated)
Right-of-use assets under lease agreements included in property, plant and equipment			
Buildings and premises	30,694	40,837	71,531
Machinery, equipment and vehicles	294,357	(18,154)	276,203
Other	45,167	(22,683)	22,484
	414,960	-	414,960

Reclassification of cash flows

Certain amounts in the interim condensed consolidated statement of cash flows for the six months ended June 30, 2019 have been restated in accordance with the presentation adopted in the interim condensed consolidated financial statements for the six months ended June 30, 2020. The Group changed the presentation of its consolidated financial statements as the new presentation provides information that is more relevant to users of the consolidated financial statements:

<i>In millions of tenge</i>	For the six months ended June 30, 2019 (unaudited)	Reclassification	For the six months ended June 30, 2019 (unaudited) (restated)
Cash flows from operating activities			
Short-term lease payments and variable lease payments	-	(45,053)	(45,053)
Other payments	(107,773)	45,053	(62,720)
Net cash flows received from operating activities	76,295	-	76,295
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment and intangible assets	-	21,928	21,928
Proceeds from the sale of other non-current assets	-	2,731	2,731
Other receipts	37,057	(24,659)	12,398
Net cash flows used in investing activities	(535,726)	-	(535,726)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities included in these interim condensed consolidated financial statements for the three and six months ended June 30, 2020 are measured using the currency of the primary economic environment in which the entities operate (“the functional currency”). The interim condensed consolidated financial statements are presented in tenge (“tenge”), which is the Group’s presentation currency.

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

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

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 the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

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 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.

Group entities

Gains, losses 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 their 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 following table presents foreign currency exchange rate to tenge:

	June 30, 2020	December 31, 2019	Weighted average for the six months ended June 30, 2020	Weighted average for the six months ended June 30, 2019	September 25, 2020
United States dollar (“USD”)	403.93	382.59	404.71	379.29	426.32
Euro (“EUR”)	452.52	429	445.58	428.45	496.41
Russian ruble (“RUR”)	5.7	6.16	5.83	5.81	5.5

Operating environment

The economy of the Republic of Kazakhstan continues to display characteristics of an emerging market and is particularly sensitive to the price changes for oil and gas and other commodities, which constitute major parts of the country’s exports. These characteristics include, but are not limited to, the existence of a national currency that is not freely convertible outside of the country and a low level of market liquidity of debt and equity securities.

Volatility of exchange rates has caused and may continue to cause negative impacts on the economy of the Republic of Kazakhstan, including decreases in liquidity and creation of difficulties in attracting international financing.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group’s business in the current circumstances. The future economic situation and regulatory environment may differ from management’s current expectations.

In December 2019, news from China about the outbreak of a new virus first appeared. On March 11, 2020, the World Health Organization made an official announcement about the pandemic of the new type of coronavirus COVID-19.

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

2. BASIS OF PREPARATION (continued)

Operating environment (continued)

According to the Decree of the President of the Republic of Kazakhstan dated March 15, 2020 No. 285 *On the Introduction of a State of Emergency in the Republic of Kazakhstan*, in order to ensure security a state of emergency was introduced for the period from March 16, 2020 until April 15, 2020 and later extended until May 11, 2020. Major cities of Kazakhstan, including Almaty and Nur-Sultan fell under a quarantine regime; also, the activities of many enterprises in the two above-mentioned cities were suspended. The COVID-19 epidemic has spread globally, with a sharp negative effect on the entire global economy.

On July 5, 2020, State Commission for Ensuring State of Emergency under the President of Kazakhstan, with the consideration of the complications of the epidemiological situation and the increase in the prevalence of coronavirus infection in Kazakhstan, introduced restrictive measures for 14 days, subsequently extended until August 16, 2020.

On March 9, 2020 oil quotes dropped amid the collapse of the OPEC deal, and the price of Brent crude in March fell below 25 US dollar per barrel. The depreciation of tenge against the US dollar in March 2020 from the beginning of the year was 17%. However, during May-June 2020 due to a gradual increase in oil prices, the currency partially recovered. As of June 30, 2020, the price of Brent crude oil increased to 41.27 US dollar per barrel, and the price of WTI futures increased to 39.34 US dollar per barrel. The devaluation of the tenge against the US dollar since the beginning of the year was 6%, and as of June 30, 2020, the exchange rate was 403.93 tenge per US dollar.

Management will continue to monitor the potential effect of the above events and will take all necessary measures to prevent negative consequences for the business.

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 these interim condensed consolidated financial statements has been considered. The Group continues to consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial information. Forecast liquidity has been assessed under a number of stressed scenarios to support this assertion.

The significant accounting judgments and estimates of the Group were disclosed in its consolidated financial statements for the year ended December 31, 2019. These were subsequently reviewed at the end of the six months ended June 30, 2020 to determine if any changes were required to these judgments and estimates as a result of the current market conditions. The valuation of certain assets and liabilities is subject to a greater level of uncertainty than when reported in the annual consolidated financial statements, including those set out below.

Recoverability of oil and gas assets, downstream, refining and other assets

The price assumptions used in value-in-use impairment testing were reviewed as a result of the significant changes in market prices during the six months ended June 30, 2020. The Group's long-term assumptions for Brent oil prices, KZT/USD exchange rate and inflation projections have been revised and are based on externally sourced forecasts and rates of the independent research organizations considering long-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 application filing for extension of subsoil use contracts.

The discount rates used in value-in-use impairment testing were also reviewed. Discount rates were estimated on the weighted average cost of capital of the individual cash generating unit and ranged between 8.92%-14.01% depending on the production period, size, equity risk premium, beta and gearing ratio of the relevant cash-generating unit.

At the end of the second quarter the revision to the Group's oil and gas price assumptions and discount rates did not result in the recognition of any impairment charges for the second quarter of 2020, except for amounts recognized at the end of the first quarter, 60,440 million tenge attributable to Embamunaigas CGU (*Note 26*) and 38,000 million tenge related to the Group's joint venture and the associate (*Note 9*).

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

2. BASIS OF PREPARATION (continued)

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

Recoverability of oil and gas assets, downstream, refining and other assets (continued)

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

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

With the COVID-19 pandemic having continued during the second quarter of 2020, the Group assessed recoverability of the refining assets, including goodwill attributable to Pavlodar refinery. The Group considered forecasted refinery margins, production volumes among other factors. As a result of the impairment analysis of the recoverable amount of refining assets at KMG International (further – KMGI), impairment charges were recognized in the consolidated financial statements for the six months ended June 30, 2020 for 159,009 million tenge (*Note 26*), recoverable amounts of other refinery were higher than their carrying values.

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

Energy generating assets

As of December 31, 2019, the Group carried out an impairment test for property, plant and equipment and intangible assets of subsidiaries such as Ekibastuz GRES-1 named after Bulat Nurzhanov LLP (hereinafter referred to as EGRES-1) and “Station Ekibastuzskaya GRES-2” JSC (hereinafter “EGRES-2”).

As a result of assessing the presence of impairment indicators of fixed assets and intangible assets of EGRES-2 the management concluded that there were no signs of impairment at the date of the analysis. As a result, the Group’s management decided not to carry out an impairment test for property, plant and equipment and intangible assets of EGRES-2 as of June 30, 2020.

The main factors indicating the absence of signs of impairment are a significant increase in the electricity tariff cap- from 7.73 tenge / kWh to 9.13 tenge / kWh from July 1, 2020, in accordance with the Order of the Minister of Energy of the Republic of Kazakhstan and the application of a new methodology for determining fixed profit starting from 2021, taken into account when approving the maximum tariffs for electric energy, as well as fixed profit for balancing, taken into account when approving the maximum tariffs for balancing electricity, approved by Order of the Ministry of Energy of the Republic of Kazakhstan No. 205 dated May 22, 2020.

The Group has updated the test for impairment of property, plant and equipment and intangible assets of EGRES-1 as of June 30, 2020, in accordance with IAS 36 *Impairment of Assets*, this enterprise is subject to the negative impact of the current economic situation.

EGRES-1

The following table sets out the major changes in assumptions where the impairment test calculations have been updated as of May 31, 2020:

	Units	2020	2021	2022	2023	2024	2025
May 31, 2020							
Tariff for electrical energy – Kazakhstan	Tenge/kWh	5.80	8.61	8.78	8.80	8.76	8.78
Tariff for maintenance of electric power capacity	mln. Tenge / (MW *month)	0.59	0.63	0.66	0.70	0.73	0.75
Tariff for power regulation services (KEGOC)	mln. Tenge / (MW *month)	0.69	0.72	0.76	0.79	0.82	0.84
	Units	2020	2021	2022	2023	2024	2025
December 31, 2019							
Tariff for electrical energy – Kazakhstan	Tenge/kWh	5.76	6.51	6.78	7.06	7.62	7.79
Tariff for maintenance of electric power capacity	mln. Tenge / (MW *month)	0.59	0.62	0.65	0.67	0.70	0.72
Tariff for power regulation services (KEGOC)	mln. Tenge / (MW *month)	0.69	0.80	0.84	0.87	0.90	0.93

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

2. BASIS OF PREPARATION (continued)

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

Energy generating assets (continued)

EGRES-1 (continued)

The Group expects to receive an individual tariff for services to maintain of electric power capacity from 2024 due to the scheduled completion of the investment project “Restoration of Power Unit No. 1 with the installation of new electrostatic precipitators” using borrowed funds. On January 30, 2020 an application to the Market Council was submitted in accordance with the Rules of the Ministry of Energy “Admission for consideration, consideration and selection of investment programs of modernization, expansion, reconstruction and (or) renewal, the conclusion of investment agreements for modernization, expansion, reconstruction and (or) renewal, the corresponding conclusion of contracts on the purchase of service on maintaining the readiness of electric capacity and establishment of individual tariffs for these contracts for the service on maintaining the readiness of electric capacity, volumes and terms of purchase of service on maintaining the availability of electric capacity”. On March 27, 2020, a meeting of the Presidium of the Market Council was held, where the recommendations of the Expert Commission of the Market Council dated March 11, 2020 were considered and a decision was made to recommend admitting the investment program of EGRES-1 and other energy producing companies to the authorized body.

Volume of sales	Unit	7m 2020	2021	2022	2023	2024	2025
May 31, 2020							
Sale of electricity – Kazakhstan	mln kWh	9,607	16,832	18,011	19,026	19,660	20,054
Sale of electric power	mWt	10,931	25,798	26,248	27,078	22,058	22,761
Sale of electricity – Uzbekistan	mln kWh	875	1,500	1,174	31	–	–

Volume of sales	Unit	2020	2021	2022	2023	2024	2025
December 31, 2019							
Sale of electricity – Kazakhstan	mln kWh	17,527	18,935	20,261	21,404	22,117	22,616
Sale of electric power	mWt	18,744	25,800	26,244	27,072	28,056	28,764
Sale of electricity – Uzbekistan	mln kWh	1,500	1,500	1,174	–	–	–

The volume of capacity sales in 2020 was adopted based on the results of centralized bidding held in December 2019. Starting from 2021, EGRES-1 expects an even distribution of capacity sales at tenders between the main market participants at an average market tariff. The management is confident that EGRES-1 will be able to realize the projected capacity volumes starting from 2021, since the capacity is in demand, and this is indicated by the current station load and sales volume. Also, a contract for the supply of electricity for 2020 was signed with Uzbekenergo in 2019.

As a result of this test, management has not identified any impairment. Based on the results of impairment testing, the recoverable amount of assets at May 31, 2020 was determined in the amount of 566,538 million tenge, which exceeds the carrying amount of assets by 126,954 million tenge. Accordingly, the Group did not recognize any impairment loss in 2020.

In case the tariff for electricity remains at the level of 5.8 tenge / kWh for 2020-2025, the recoverable amount of the company’s assets will be lower than their carrying amount by 336,225 million tenge.

In case the tariff cap for electricity remains at the level at which the Group will neither incur losses nor generate profit (profitability gap), the recoverable amount of the company’s assets will be less than their carrying amount by 128,088 million tenge.

The long-term inflation rate used to calculate the terminal value is 2.31% per annum. The discount rate has been calculated to reflect the current market assessment of the risks inherent in the industry and is based on a weighted average cost of capital for each company of 11.52% (2019: 10.62%).

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

2. BASIS OF PREPARATION (continued)

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

Railway assets

Due to existing impairment indicators, the Group performed an impairment test for the property, plant and equipment and intangible assets as at June 30, 2020. The discount rate (WACC) used in calculating the value in use of property, plant and equipment, intangible assets and goodwill of the Group amounted to 11.2%.

Based on the calculation no impairment was identified. However, the value in use estimate is sensitive particularly to the following assumptions:

- Transit freight transportation volumes;
- Revenue rate, including the tariffs growth, types of freight, distance of freight transportation; and
- The discount rate (WACC).

Adverse changes in the planned growth rates of freight turnover associated with general trends in the country’s economy, insufficient indexation of tariffs to inflation, continued volatility of the tenge against foreign currencies, changes in the level of government support, as well as adverse changes in other factors in the future, may lead to incurring a significant impairment loss in the periods in which such changes occur.

Aircraft

Due to the COVID-19 outbreak in early 2020, many countries have required airline businesses to limit or suspend operations and implemented travel restrictions and quarantine measures, thus, the management concludes that there are indications that the assets might be impaired as at June 30, 2020.

One of the responses to the crisis is positioning the Group to be a more efficient airline over the next several years by using the most efficient aircraft in its fleet to serve the airline’s network which resulted in the retirement of four Boeing 757-200 and four Embraer E190. The Group recognized individual impairment losses of 5,443 million tenge related to the right-of-use assets on these aircraft, since the aircraft will no longer be in use till the end of existing leases terms.

The impairment for these aircraft have been recognized within impairment loss of property, plant and equipment (*Note 26*).

For the remaining property, plant and equipment and intangible assets the recoverable value has been determined by reference to the value in use, representing the discounted cash flows resulted from the planned operating activities. To determine whether impairment exists, the recoverable amount was compared to the carrying amount of assets engaged in generating of respective cash flows. To forecast cash flows, the Group used its five year business plan adjusted to reflect the latest information available as of June 30, 2020. The following key assumptions were used:

- The discount rate used was the weighted average cost of capital, which is 11% per annum for the entire forecasting period;
- Domestic flights will be fully recovered at the beginning of the second quarter of 2021;
- Demand for international flights starts to recover at the end of 2020. The Group expects that international market reach the pre-crisis levels by the second half of 2022 and beginning of 2023;
- Pre-crisis assumptions are adopted going forward from 2022.

The estimated discounted future cash flows exceed the carrying amount of corresponding property, plant and equipment and intangible assets. Management has identified two key assumptions for which there could be a reasonably possible change in either assumption that could result in the carrying amount to be equal the discounted amount of future cash flows:

- A decrease of EBITDAR (earnings before interest, tax, depreciation, amortisation and rent) by 3.4%;
- An increase of the Group’s weighted average cost of capital by 2.8%.

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

2. BASIS OF PREPARATION (continued)

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

Provisions assumptions

The credit-adjusted risk-free rate used to discount provisions was reviewed as a result of the changes in long-dated government bond yields during the six months ended June 30, 2020. The changes have not significantly affected the Group's overall assessment of the discount rate applied to the Group's provisions as the discount rates changed insignificantly. The timing and amount of cash flows relating to Group's existing provisions are not currently expected to change significantly as a result of the current environment however the detailed annual review will take place later in 2020.

Other accounting judgments and estimates

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

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 Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, since the Group's current practice is in line with these amendments.

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.

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

2. BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

Conceptual Framework for Financial Reporting issued on March 29, 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.

3. SEASONALITY OF OPERATIONS

The Group’s operating expenses are subject to seasonal fluctuations, with higher expenses for various materials, production services, maintenance and other services usually expected in the second half of the year rather than in the first six months. These fluctuations are mainly due to requirements to conduct formal public tenders during the first six months with goods and services being purchased in the second six months of the year.

4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS

The preparation of interim condensed consolidated financial statements required management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2019.

5. BUSINESS COMBINATION

Logistic System Management B.V.

In November 2019, the Group entered into an agreement to purchase 50% of shares in the joint venture Logistic System Management B.V. from the second partner (third party). Due to suspensive conditions, the Group completed the transaction at the end of May 2020 and made payment by transferring cash for the purchased shares in the amount of 73,000 thousand US dollars (equivalent to 30,669 million tenge as at payment date). As a result, the Group obtained control of Logistic System Management B.V., the sole shareholder of the Kazakhstani company Kedentransservice JSC.

Kedentransservice JSC is a leading logistics terminal operator in Kazakhstan with an extensive client base. Due to the consolidation of the operation of rolling stock, terminal and other services at Kedentransservice JSC, the Group is planning to create an integrated company to provide container transportation services, with a container, wagon fleets and terminals. According to the expectations of Group’s management, the implementation of the project will help increase the Group’s share of the Kazakhstan container market and the quality of services provided and profitability.

The acquisition was accounted for using the purchase method.

The excess of the purchase price over the amount of net identifiable assets acquired at the acquisition date was 35,822 million tenge and was classified as preliminary goodwill. The initial accounting for the business combination has not been completed as at June 30, 2020, and the condensed interim consolidated financial statements present the provisional amounts. The Group initially recorded in its financial statements for the six months ended June 30, 2020 identifiable assets and liabilities assumed as at the acquisition date at provisional (carrying) amounts. The fair value of a previously held interest in Logistic System Management B.V. share capital was preliminarily determined using the transaction price for the acquisition of a 50% share from the second partner. The Group’s management plans to complete an assessment of the fair value of the acquired net identifiable assets and preliminary goodwill within one year from the acquisition date.

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

5. BUSINESS COMBINATION (continued)

Logistic System Management B.V. (continued)

The Group’s preliminary allocation of the total consideration for the acquisition for the fair value of assets acquired and liabilities assumed is presented below:

<i>In millions of tenge</i>	At acquisition date
Assets	
Non-current assets	
Property, plant and equipment	18,056
Intangible assets	146
Investment property	4,635
Other non-current financial assets	2
Other non-current assets	13
Current assets	
Inventories	1,233
VAT receivable	260
Income tax prepaid	698
Amounts due from credit institutions	9
Trade accounts receivable	3,557
Other current assets	3,038
Cash and cash equivalents	4,170
Total assets	35,817
Liabilities	
Non-current liabilities	
Lease liabilities	2,466
Deferred tax liabilities	140
Employee benefit liabilities	419
Current liabilities	
Lease liabilities	413
Employee benefit liabilities	17
Trade and other payables	3,483
Other current liabilities	3,363
Total liabilities	10,301
Net assets	25,516
Cash consideration	30,669
Share in net assets previously belonging to the Group	14,670
Increase in the fair value of a previously held interest in a joint venture	15,999
Less identifiable net assets	(25,516)
Preliminary goodwill from the acquisition	35,822

Net cash outflow arising on acquisition of a subsidiary:

<i>In millions of tenge</i>	
Cash consideration	30,669
Less: cash and cash equivalent balances acquired	(4,170)
	26,499

If the business combination had occurred on January 1, 2020, Group revenue and profit for the six months ended June 30, 2020 would have increased by 11,910 million tenge and 251 million tenge, respectively.

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

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE

Disposals

Transtelecom JSC

In April 2018, a purchase and sale agreement was concluded on the sale of 26% minus 1 (one) share of Transtelecom JSC. On January 24, 2020 the remaining balance of the purchase price was paid by the buyer for 26% minus 1 (one) share of Transtelecom JSC. On January 29, 2020 shares of Transtelecom JSC were disposed, as a result, the Group lost control over the subsidiary and recognised residual interest of 25% at fair value of 9,086 million tenge as investment in associate (*Note 9*) and disposal of non-controlling interest in Transtelecom JSC of 14,040 million tenge in consolidated statement of changes in equity (*Note 16*).

At the date of loss of control net assets of Transtelecom JSC were as follows:

<i>In millions of tenge</i>	Net assets at the date of disposal
Property, plant and equipment	85,466
Intangible assets	4,607
Other non-current financial assets	97
Other non-current assets	577
Inventories	2,307
VAT receivable	767
Income tax prepaid	169
Trade accounts receivable	8,333
Loans issued and finance lease receivables	798
Amounts due from credit institutions	27
Other current assets	12,171
Cash and cash equivalents	6,352
Total assets	121,671
Borrowings	53,139
Lease liabilities	1,853
Deferred tax liabilities	4,467
Employee benefit liabilities	504
Other non-current liabilities	2,472
Trade and other payables	18,841
Other current liabilities	7,646
Total liabilities	88,922
Net assets	32,749

Net cash inflow from disposal of a subsidiary was as follows:

<i>In millions of tenge</i>	
Cash consideration received	9,450
Advances received previously	(470)
Less: cash and cash equivalents of disposed subsidiary	(6,352)
Total cash inflow	2,628

Net of loss incurred by Transtelecom JSC for the period from January 1, 2020 till the date of sale amounted to 16 million tenge. The resulting loss on disposal of Transtelecom JSC amounted to 173 million tenge.

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

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Disposals (continued)

MC SEZ Khorgos-Eastern Gates JSC (“Khorgos”)

In March 2020, in accordance with the Resolution of the Government of the Republic of Kazakhstan dated March 19, 2019 the Group transferred 100% of shares in Khorgos free of charge to the akimat of Almaty oblast. As a result, the Group lost control of Khorgos and recorded the disposal of net assets of 24,809 million tenge through equity in retained earnings (Note 16).

The assets and liabilities of Khorgos as at the disposal date are as follows:

<i>In millions of tenge</i>	Net assets at the date of disposal
Property, plant and equipment	20,219
Intangible assets	555
Other non-current assets	2,734
Inventories	16
Trade accounts receivable	31
Other current assets	332
Cash and cash equivalents	1,886
Total assets	25,773
Employee benefit liabilities	3
Trade and other payables	847
Other current liabilities	114
Total liabilities	964
Net assets	24,809

Khorgos revenue and loss for the period from January 1 until the disposal date were 60 million tenge and 1,248 million tenge, respectively.

Summary information

Assets classified as held for sale comprised the following:

<i>In millions of tenge</i>	Segment	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Transtelecom JSC	Transportation	-	106,247
Other		10,549	24,240
		10,549	130,487

Liabilities associated with assets classified as held for sale comprised the following:

<i>In millions of tenge</i>	Segment	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Transtelecom JSC	Transportation	-	85,656
Other		886	130
		886	85,786

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

7. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are presented as follows:

<i>In millions of tenge</i>	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infrastructure	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
Net book value at January 1, 2020 (audited) (restated)	4,232,980	2,186,306	1,148,047	1,134,626	3,204,886	164,837	169,741	900,390	13,141,813
Foreign currency translation	206,341	26,474	5,077	(59)	16,156	-	5,022	7,263	266,274
Changes in estimates	(29,573)	(1,672)	(59)	-	(2,180)	(33)	135	-	(33,382)
Additions	9,128	6,493	4,137	1	43,092	7,443	1,979	397,014	469,287
Additions through lease agreements	-	-	1,959	-	81,944	-	46	2	83,951
Acquisition through business combinations (Note 5)	-	-	6,813	-	7,817	-	455	1,128	16,213
Disposals	(7,021)	(15,562)	(13,869)	(233)	(28,100)	-	(2,055)	(1,624)	(68,464)
Depreciation charge	(144,588)	(73,175)	(33,423)	(18,540)	(161,677)	(13,873)	(10,034)	-	(455,310)
Depreciation and impairment on disposals	5,824	6,519	2,788	128	9,515	-	1,736	845	27,355
Impairment, net of reversal of impairment	(41,758)	(152,524)	(1,170)	(41)	(12,605)	-	(254)	(3,238)	(211,590)
Discontinued operations / transfer from/(to) assets classified as held for sale	-	(3)	(16)	-	(77)	-	(2)	9	(89)
Transfers from/(to) intangible assets	(253)	-	-	-	-	5	(580)	(1,540)	(2,368)
Transfers from/(to) exploration and evaluation assets, investment property	-	-	(15,900)	-	-	18	-	-	(15,882)
Transfer from/(to) inventories	19	653	-	(360)	110	1,024	97	(210)	1,333
Other transfers and reclassifications	41,441	9,673	33,012	11,473	107,002	1,335	3,873	(207,809)	-
Net book value at June 30, 2020 (unaudited)	4,272,540	1,993,182	1,137,396	1,126,995	3,265,883	160,756	170,159	1,092,230	13,219,141
Historical cost	5,874,830	3,504,603	1,693,441	1,399,447	5,617,861	330,469	334,431	1,184,248	19,939,330
Accumulated depreciation and impairment	(1,602,290)	(1,511,421)	(556,045)	(272,452)	(2,351,978)	(169,713)	(164,272)	(92,018)	(6,720,189)
Net book value at June 30, 2020 (unaudited)	4,272,540	1,993,182	1,137,396	1,126,995	3,265,883	160,756	170,159	1,092,230	13,219,141
Historical cost	5,615,863	3,437,819	1,661,680	1,390,130	5,395,828	320,677	324,215	994,697	19,140,909
Accumulated depreciation and impairment	(1,382,883)	(1,251,513)	(513,633)	(255,504)	(2,190,942)	(155,840)	(154,474)	(94,307)	(5,999,096)
Net book value at December 31, 2019 (audited) (restated)	4,232,980	2,186,306	1,148,047	1,134,626	3,204,886	164,837	169,741	900,390	13,141,813

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

7. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In millions of tenge</i>	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infrastructure	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
<i>Including right-of-use assets under lease agreements</i>									
Net book value at January 1, 2020 (audited) (restated)	43,814	928	71,531	-	276,203	-	22,484	-	414,960
Foreign currency translation	2,373	29	803	-	12,008	-	975	-	16,188
Changes in estimates	-	90	(6)	-	(537)	-	135	-	(318)
Additions through lease agreements	-	-	1,959	-	81,944	-	46	2	83,951
Acquisition through business combinations (Note 5)	-	-	939	-	813	-	-	-	1,752
Disposals	-	-	(165)	-	(12,894)	-	(752)	-	(13,811)
Depreciation charge	(3,524)	(140)	(7,855)	-	(29,124)	-	(1,557)	-	(42,200)
Depreciation and impairment on disposals	-	-	(124)	-	4,453	-	518	-	4,847
Impairment, net of reversal of impairment	-	-	-	-	(5,443)	-	-	-	(5,443)
Net book value at June 30, 2020 (unaudited)	42,663	907	67,082	-	327,423	-	21,849	2	459,926

Historical cost of right-of-use assets under lease agreements	52,363	1,495	89,982	-	528,754	-	25,154	2	697,750
Accumulated depreciation and impairment of right-of-use assets under lease agreements	(9,700)	(588)	(22,900)	-	(201,331)	-	(3,305)	-	(237,824)
Net book value at June 30, 2020 (unaudited)	42,663	907	67,082	-	327,423	-	21,849	2	459,926

As at June 30, 2020 property, plant and equipment with net book value of 1,001,679 million tenge was pledged as collateral for some of the Group’s borrowings (December 31, 2019: 1,101,686 million tenge).

As at June 30, 2020 the cost of fully amortised property, plant and equipment of the Group was equal to 1,176,509 million tenge (December 31, 2019: 1,088,767 million tenge).

For the six months ended June 30, 2020 the Group capitalized borrowing costs at an average interest rate of 3.5% in the amount of 14,264 million tenge (Note 17) (for the six months ended June 30, 2019: at an average interest rate of 5.3% in the amount of 9,820 million tenge).

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

8. INTANGIBLE ASSETS

Movements in intangible assets are presented as follows:

<i>In millions of tenge</i>	Licenses	Subsur- face use rights	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value at January 1, 2020 (audited) (restated)	700,364	845,690	301,549	28,960	51,900	75,535	2,003,998
Foreign currency translation	27,490	10,900	557	1,628	205	549	41,329
Additions	369	50	-	-	2,466	1,254	4,139
Acquisition through business combinations (<i>Note 5</i>)	-	-	35,822	-	146	-	35,968
Disposals	(637)	-	-	-	(1,118)	(830)	(2,585)
Amortization charge	(22,604)	(17,966)	-	-	(9,322)	(2,564)	(52,456)
Accumulated amortization on disposals	633	-	-	-	399	-	1,032
(Impairment)/reversal of impairment, net	-	-	-	(6,765)	(376)	-	(7,141)
Transfers from/(to) property, plant and equipment, net	64	253	-	-	636	1,415	2,368
Other transfers	846	-	-	-	1,958	(2,804)	-
Net book value at June 30, 2020 (unaudited)	706,525	838,927	337,928	23,823	46,894	72,555	2,026,652
Historical cost	839,471	923,846	454,895	61,151	167,284	142,425	2,589,072
Accumulated amortization and impairment	(132,946)	(84,919)	(116,967)	(37,328)	(120,390)	(69,870)	(562,420)
Net book value at June 30, 2020 (unaudited)	706,525	838,927	337,928	23,823	46,894	72,555	2,026,652
Historical cost	806,879	912,221	418,457	57,921	161,474	139,728	2,496,680
Accumulated amortization and impairment	(106,515)	(66,531)	(116,908)	(28,961)	(109,574)	(64,193)	(492,682)
Net book value at December 31, 2019 (audited) (restated)	700,364	845,690	301,549	28,960	51,900	75,535	2,003,998

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

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates comprised the following:

<i>In millions of tenge</i>	Main activity	Place of business	June 30, 2020 (unaudited)		December 31, 2019 (audited) (restated)	
			Carrying amount	Percentage ownership	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	2,579,183	20.00%	2,377,207	20.00%
Asian Gas Pipeline LLP	Transportation of natural gas	Kazakhstan	244,652	50.00%	168,086	50.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	163,656	50.00%	158,867	50.00%
Beineu-Shymkent Gas Pipeline LLP	Transportation of natural gas	Kazakhstan	125,905	50.00%	101,766	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	85,906	50.00%	79,849	50.00%
Forum Muider B. V.	Production and sale of coal	Kazakhstan	41,282	50.00%	33,938	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	29,372	50.00%	25,620	50.00%
AstanaGas KMG LLP	Gas pipeline construction	Kazakhstan	26,605	50.00%	33,813	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	26,405	50.00%	47,662	50.00%
Other			129,295		146,329	
Total joint ventures			3,452,261		3,173,137	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	451,876	29.82%	459,091	29.82%
Caspian Pipeline Consortium	Transportation of crude oil	Kazakhstan/ Russia	419,792	20.75%	359,173	20.75%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	86,498	33.00%	95,320	33.00%
JV KATCO LLP	Exploration, production and processing of uranium	Kazakhstan	63,683	49.00%	61,642	49.00%
Other			95,009		94,508	
Total associates			1,116,858		1,069,734	
			4,569,119		4,242,871	

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

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following table summarizes the movements in equity investments in joint ventures and associates:

In millions of tenge

Balance as at January 1 (audited)	4,242,871
Share in profit of joint ventures and associates, net (Note 29)	276,253
Transfers from assets classified as held for sale (Note 6)	9,086
Additional contributions without change in ownership	8,646
Other comprehensive income, other than foreign currency translation	1,828
Discount on loans issued	815
Dividends received	(90,829)
Change in dividends receivable	(6,824)
Impairment (Note 26)	(50,624)
Disposals (Note 5)	(14,670)
Write off of investments	(21)
Foreign currency translation	192,588
Balance as at June 30, 2020 (unaudited)	4,569,119

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Bank deposits	541,739	643,857
Loans to credit institutions	124,605	127,393
Less: allowance for expected credit losses	(6,987)	(7,484)
Amounts due from credit institutions, net	659,357	763,766
Less: current portion	(494,137)	(593,974)
Non-current portion	165,220	169,792

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Rating from A+(A1) to A-(A3)	124,496	207,078
Rating from BBB-(Baa3) to BB-(Ba3)	364,592	420,760
Rating from B+(B1) to B-(B3)	170,269	135,928
	659,357	763,766

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	Weighted average interest rate	December 31, 2019 (audited)	Weighted average interest rate
Amounts due from credit institutions, denominated in US dollars	421,100	0.78%	546,639	1.06%
Amounts due from credit institutions, denominated in tenge	238,076	6.09%	217,117	5.86%
Amounts due from credit institutions, denominated in other currencies	181	4%	10	4%
	659,357		763,766	

As at June 30, 2020 amounts due from credit institutions included funds of 12,274 million tenge pledged as collateral for certain Group’s borrowings (December 31, 2019: 15,062 million tenge).

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

11. OTHER FINANCIAL ASSETS

Other financial assets comprised the following:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Financial assets at FVOCI, including	64,827	52,984
Bonds of Kazakhstani financial institutions	40,132	35,268
Corporate bonds	10,140	1,214
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	9,224	11,475
Treasury notes of foreign governments	5,269	4,965
Equity securities	62	62
Financial assets at amortized cost, including	365,018	310,326
Bonds of Kazakhstani financial institutions	222,088	210,161
Corporate bonds	102,306	101,885
Notes of the National Bank of the Republic of Kazakhstan	47,351	7,460
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	1,766	1,676
Less: allowance for expected credit losses	(8,493)	(10,856)
Financial assets at FVPL, including	50,808	47,604
Equity securities	30,861	27,754
Note receivable from shareholder of joint venture	9,909	13,627
Corporate bonds	4,567	4,006
Forward and futures contracts	2,977	952
Options	1,746	543
Bonds of Kazakhstani financial institutions	748	722
Total financial assets	480,653	410,914
Less: current portion	(117,428)	(74,669)
Non-current portion	363,225	336,245

Other financial assets by currency, except for derivatives, comprised:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Financial assets, denominated in tenge	394,098	341,777
Financial assets, denominated in US dollars	81,832	67,642
	475,930	409,419

12. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Advances paid for non-current assets	351,655	434,486
Long-term VAT receivable	200,038	235,573
Restricted cash	109,814	98,188
Long-term inventories	58,884	24,024
Prepaid expenses	12,783	14,507
Long-term receivables	11,663	14,497
Other	37,689	40,067
Less: impairment allowance	(91,596)	(92,669)
	690,930	768,673

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

13. INVENTORIES

Inventories comprised the following:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Uranium products	194,804	169,367
Production materials and supplies	61,009	61,707
Goods for resale	51,438	70,604
Oil refined products for sale	44,933	53,943
Oil and gas industry materials and supplies	41,183	35,744
Work in progress	35,117	44,913
Gas processed products	31,257	52,566
Fuel	28,625	17,523
Crude oil	26,477	61,100
Railway industry materials and supplies	15,860	21,485
Aircraft spare parts	12,576	11,504
Electric transmission equipment spare parts	6,420	2,803
Telecommunication equipment spare parts	2,242	2,100
Uranium industry materials and supplies	1,793	1,137
Other materials and supplies	58,108	47,956
	611,842	654,452

14. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

Trade accounts receivable comprised the following:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Trade accounts receivable	630,138	666,464
Less: allowance for expected credit losses	(44,078)	(46,076)
	586,060	620,388

Other current assets comprised the following:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Advances paid and deferred expenses	115,191	195,205
Other accounts receivable	106,788	109,307
Other prepaid taxes	77,252	97,818
Restricted cash	55,421	53,262
Dividends receivable	18,931	12,708
Amounts due from employees	6,197	4,928
Other current assets	19,328	20,136
Other current financial assets	8,455	9,907
Less: impairment allowance	(105,625)	(107,105)
	301,938	396,166

As at June 30, 2020 the Group's receivables of 124,404 million tenge were pledged under certain Group borrowings (December 31, 2019: 71,401 million tenge).

At at June 30, 2020 303 million tenge of the Group's receivables were interest bearing (December 31, 2019: 313 million tenge). As June 30, 2020 the weighted average interest rate was, 11.11% (December 31, 2019: 11.16%).

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

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Current accounts with banks – US dollars	812,450	1,116,492
Current accounts with banks – tenge	221,518	215,008
Current accounts with banks – other currency	30,798	33,392
Bank deposits – US dollars	528,115	199,949
Bank deposits – tenge	580,761	379,212
Bank deposits – other currency	6,838	6,450
Cash in transit	18,037	23,555
Cash on hand	9,984	9,821
Reverse repurchase agreements with other banks with contractual maturity of three months or less	21,821	10,735
Less: allowance for expected credit losses	(388)	(652)
	2,229,934	1,993,962

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at June 30, 2020 the weighted average interest rates for short-term bank deposits and current accounts were 5.06% and 1.18%, respectively (December 31, 2019: 6.02% and 0.87%, respectively).

16. EQUITY

16.1 Share capital

Payment for shares	Number of shares authorized and issued	Par value per share, in tenge	Share capital in millions of tenge
As at December 31, 2019 (audited)	3,481,957,769		5,229,112
Cash contributions	763	34,075,462	26,000
Property contributions	125	21,848,312	2,731
As at June 30, 2020 (unaudited)	3,481,958,657		5,257,843

Cash contributions

On April 23, 2020 the Shareholder made cash contributions to the Fund’s share capital of 26,000 million tenge. These amounts were aimed to finance projects carried out by United Chemical Company LLP (“UCC”), subsidiary of the Fund.

Property contributions

On June 23, 2020 the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan contributed property of 2,731 million tenge to the Fund’s share capital. This property was transferred to the charter capital of subsidiary Samruk Energy JSC.

16.2 Dividends

Dividends attributable to non-controlling interest

During the six months ended June 30, 2020, the Group declared dividends of 63,682 million tenge to the holders of non-controlling interest in National Company “KazMunayGas” JSC (“NC KMG”) group, KTC, National Atomic Company “Kazatomprom” JSC (“NAC KAP”) and Kazakhstan Electricity Grid Operating Company JSC (“KEGOC”). Total amount of dividends paid to the holders of non-controlling interest during the six months ended June 30, 2020 equaled 51,223 million tenge.

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

16. EQUITY (continued)

16.3 Other contributions of the Shareholder

In 2017 the Government contributed gas pipelines to the Group on trust management, the fair value of which was recorded within additional paid in capital in the amount of 9,638 million tenge. In 2018 the fair value of pipelines was adjusted to 9,629 million tenge. Upon termination of trust management agreement, the Group returned gas pipelines to the Government and reversed the carrying value of these pipelines from additional paid in capital, and 626 million tenge of accumulated depreciation of gas pipelines was reversed from retained earnings.

During the six months ended June 30, 2020, the Group received property, plant and equipment represented by gas transportation system under trust management agreement from the Government with the fair value of 4,733 million tenge.

16.4 Other transactions with the Shareholder

In April 2020, the Group entered into purchase and lease agreements with DBK-Leasing JSC, which is under the common control of the ultimate Shareholder, to update its passenger wagon fleet for 17,857 million tenge. Interest is repaid annually at 1.5%. Principal is repaid annually until fully repaid in 2040. The principal grace period is 6 years. The Group treats finance liabilities under these types of agreement as loans.

The loan interest was lower than the market rate, and the fair value of the loan was calculated based on the market interest rate of 10.2%. The Group recognised the adjustment to fair value at 10,307 million tenge net of the deferred tax effect of 2,062 million tenge as other transaction with the Shareholder in consolidated statement of changes in equity.

16.5 Other distributions to the Shareholder

Social projects financing

During the six months ended June 30, 2020, in accordance with the Shareholder's resolutions, the Fund recognized liabilities for financing of various social projects for total amount of 14,748 million tenge. These liabilities were recognized as other distributions to the Shareholder in the consolidated statement of changes in equity. These liabilities were fully settled as of June 30, 2020.

Financing construction of social facilities

During the six months ended June 30, 2020, in accordance with the Shareholder's resolutions, the Fund recognized liabilities for financing of the construction of social facilities located in the Turkestan city as part of the socio-economic development of the Turkestan region in the amount of 4,927 million tenge. This financing was recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

16.6 Transfer of assets to the Shareholder

Transfer of shares of Khorgos

In March 2020 in accordance with the Resolution of the Government of the Republic of Kazakhstan dated March 19, 2019 the Group transferred 100% of the shares of a subsidiary Khorgos with the net assets of 24,809 million tenge to the Almaty region municipalities free of charge (*Note 6*). This transaction was recognized as transfer of assets to the Shareholder in consolidated statement of changes in equity.

16.7 Discount on loans from the Government

During the six months ended June 30, 2020 the Group made partial early repayment of bonds in the amount of 50,182 million tenge purchased by the National Bank. Due to the early redemption of obligations due to the National Bank of the Republic of Kazakhstan, the Group recognized the decrease in discount on loans from the Government of 18,743 million tenge in consolidated statement of changes in equity (*Note 18*).

16.8 Disposal of subsidiaries

In January 2020 the Group sold 26% minus 1 (one) share of Transtelecom JSC to the third party. As a result, the Group lost control over the subsidiary and recognised disposal of non-controlling interest in Transtelecom JSC of 14,040 million tenge in consolidated statement of changes in equity (*Note 6*).

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

16. EQUITY (continued)

16.9 Change in ownership interests of subsidiaries – sale of interest that does not result in the loss of control

NAC KAP

As part of the Comprehensive Privatization Plan for 2016-2020, during the six months ended June 30, 2020 the Fund additionally placed 6.28% shares of NAC KAP on international stock exchanges of Nur-Sultan (AIX) and London (LSE).

As a result of share issue, the Group recognized proceeds of 84,570 million tenge, net of transaction costs of 595 million tenge, non-controlling interest increased by 59,492 million tenge, and the difference of 25,078 million tenge was recognized as an increase in retained earnings. Total amount of cash received equaled 83,944 million tenge as at date of payment.

16.10 Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in the consolidated financial statements. During the six months ended June 30, 2020 foreign translation difference amounted to 475,162 million tenge.

Certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in the foreign operations. As at June 30, 2020 unrealized foreign currency loss of 213,157 million tenge resulting from translation of these borrowings were transferred to currency translation reserve recognized in other comprehensive income.

16.11 Book value per share

In accordance with the decision of the Exchange Board of Kazakhstan Stock Exchange JSC (“KASE”) dated October 4, 2010 financial statements shall disclose book value per share (common and preferred) as of the reporting date, calculated in accordance with the KASE rules.

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited) (restated)
Total assets	26,668,703	26,409,484
Less: intangible assets	(2,026,652)	(2,003,998)
Less: total liabilities	(11,938,311)	(12,071,963)
Net assets for common shares	12,703,740	12,333,523
Number of common shares	3,481,958,657	3,481,957,769
Book value per common share, tenge	3,648	3,542

Earnings per share

<i>In tenge</i>	For the six months ended June 30, 2020 (unaudited)	For the six months ended June 30, 2019 (unaudited) (restated)
Weighted average number of common shares for basic and diluted earnings per share	3,481,958,039	3,481,940,567
Basic and diluted share in net profit for the period per share	50.69	225.07
Basic and diluted share in net profit from continuing operations per share	50.69	225.07

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

17. BORROWINGS

Borrowings, including interest payable, comprised the following:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Fixed interest rate borrowings	5,782,385	5,519,465
Floating interest rate borrowings	1,428,189	1,321,928
	7,210,574	6,841,393
Less: amounts due for settlement within 12 months	(880,963)	(737,950)
Amounts due for settlement after 12 months	6,329,611	6,103,443

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
US dollar-denominated borrowings	4,847,689	4,694,855
Tenge-denominated borrowings	1,864,234	1,758,863
Other currency-denominated borrowings	498,651	387,675
	7,210,574	6,841,393

Under the terms of some loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. The Group reviews compliance with all the Group loan covenants at each reporting date. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As of June 30, 2020 and December 31, 2019, the Group complied with all financial and non-financial covenants.

Changes in borrowings are as follows:

In millions of tenge

Balance as at January 1, 2020 (audited)	6,841,393
Additions	679,512
Foreign currency translation	259,388
Interest accrued	217,077
Purchase of property plant and equipment financed by borrowings	24,050
Interest capitalized (Note 7)	14,264
Amortization of discount	5,449
Discount	(21,336)
Interest paid	(220,760)
Repayment of principal	(576,404)
Other	(12,059)
Balance as at June 30, 2020 (unaudited)	7,210,574

* Cash proceeds and repayments of certain borrowings obtained by the Fund's Corporate Center are included within cash flows from operating activities because these borrowings are part of the Fund's main activity of assets management.

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

17. BORROWINGS (continued)

The carrying amount of borrowings by the Group subsidiaries is presented below:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
NC KMG and its subsidiaries	3,913,696	3,777,706
NC KTZh and its subsidiaries	1,421,808	1,362,486
The Fund	554,027	536,088
UCC and its subsidiaries	344,619	277,685
Kazakhtelecom and its subsidiaries	301,655	263,782
Samruk-Energy and its subsidiaries	204,417	205,063
NAC KAP and its subsidiaries	162,744	159,964
KEGOC and its subsidiaries	159,224	150,326
EGRES-2	96,071	94,088
Other subsidiaries of the Fund	52,313	14,205
Total borrowings	7,210,574	6,841,393

18. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

Loans from the Government of the Republic of Kazakhstan comprised the following:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund	556,078	578,001
Loans from the Government of the Republic of Kazakhstan	50,529	49,559
	606,607	627,560
Less: amounts due for settlement within 12 months	(16,792)	(5,238)
Amounts due for settlement after 12 months	589,815	622,322

Bonds, purchased by the National Bank of the Republic of Kazakhstan

In accordance with the Rules on proceeds to the National Fund of the Republic of Kazakhstan from transfer of assets of national managing holdings, national holdings, national companies and their subsidiaries, affiliates and other legal entities affiliated with them to the competitive environment approved by the Resolution of the Government of the Republic of Kazakhstan No. 323 dated June 4, 2018, funds received from sale of national assets can be used for redemption of Fund’s liabilities due to the National Fund.

In this regard, during the six months ended June 30, 2020, in accordance with the adopted corporate decisions of the Fund, a partial early repayment of bonds at par value in the amount of 50,182 million tenge was carried out within the eleventh issue of the Fund’s bonds purchased by the National Bank of the Republic of Kazakhstan. In this regard, the Fund recognized depreciation of the discount on loans from the Government in the amount of 18,743 million tenge in a consolidated statement of changes in equity (*Note 16*).

19. OBLIGATIONS UNDER OIL SUPPLY AGREEMENTS

KMG Kashagan B.V.

During 2016, the KMG Kashagan B.V. entered into a long-term crude oil supply agreement. In accordance with the terms of the agreement, during the period from 2018 till 2025, KMG Kashagan B.V. will supply the minimum volume of oil of 16.6 million tons from the Kashagan field.

The Agreement stipulates price determination on the basis of current market quotations and prepayment is reimbursed by means of physical supply of crude oil.

For the six months ended June 30, 2020 KMG Kashagan B.V. has partially settled the prepayments by oil supply in the total amount of 340 million US dollars (equivalent to 137,707 million tenge).

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

19. OBLIGATIONS UNDER OIL SUPPLY AGREEMENTS (continued)

KMG Kashagan B.V. (continued)

The total amount of accrued remuneration for the six months ended June 30, 2020 was 8,651 million tenge (for the six months ended June 30, 2019: 33,457 million tenge) (Note 27). Payment of remuneration shall be made in kind with crude oil.

In accordance with the terms of agreement, KMG Kashagan B.V. must ensure the supplied volume of crude oil is unencumbered.

Prepayment on oil supply agreement is recognized as contract liability to customers in accordance with IFRS 15.

20. LEASE LIABILITIES

Future minimum lease payments under leases together with the present value of the net minimum lease payments comprised the following:

	Minimum lease payments		Present value of minimum lease payments	
	June 30, 2020 (unaudited)	December 31, 2019 (audited)	June 30, 2020 (unaudited)	December 31, 2019 (audited)
<i>In millions of tenge</i>				
Within one year	123,669	101,784	106,399	84,138
Two to five years inclusive	347,109	293,864	282,421	236,087
After five years	136,337	146,158	90,614	103,942
	607,115	541,806	479,434	424,167
Less: amounts representing finance costs	(127,681)	(117,639)	-	-
Present value of minimum lease payments	479,434	424,167	479,434	424,167
Less: amounts due for settlement within 12 months	-	-	(106,399)	(84,138)
Amounts due for settlement after 12 months	-	-	373,035	340,029

As at June 30, 2020 interest calculation was based on effective interest rates ranging from 5.53% to 14.50% (December 31, 2019: from 4.7% to 14.00%).

Changes in lease liabilities are as follows:

<i>In millions of tenge</i>	
January 1, 2020 (audited)	424,167
Additions of leases	79,706
Foreign currency translation	17,776
Interest accrued	17,290
Interest paid	(13,260)
Repayment of principal	(45,549)
Business combination (Note 5)	1,037
Other	(1,733)
June 30, 2020 (unaudited)	479,434

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

21. TRADE AND OTHER PAYABLES, AND OTHER CURRENT LIABILITIES

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited) (restated)
Trade accounts payable	672,003	909,461
Accounts payable for the supply of property, plant and equipment	64,691	112,150
Other accounts payable	23,789	23,671
	760,483	1,045,282

Trade accounts payable were expressed in the following currencies:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited) (restated)
Tenge-denominated trade accounts payable	410,384	507,172
US dollar-denominated trade accounts payable	191,671	326,279
Other currency-denominated trade accounts payable	69,948	76,010
	672,003	909,461

Other current liabilities comprised the following:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited) (restated)
Contract liabilities to customers	208,925	299,467
Due to employees	118,656	118,657
Other taxes payable	104,428	137,789
Amounts due to customers	43,843	34,768
Dividends payable	19,457	6,727
Other estimated liabilities	18,853	19,975
Advances received and deferred income	14,827	11,802
Pension and social contributions liabilities	13,451	15,805
Liability under joint operations	10,079	-
Obligations to the Shareholder on the financing of social projects	8,905	12,100
Obligations under guarantee agreements	6,566	7,355
Government grant liability	4,346	-
Other financial liabilities	34,444	43,312
Other non-financial liabilities	39,165	33,969
	645,945	741,726

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

22. REVENUE

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of crude oil	362,381	799,661	979,788	1,731,176
Sales of oil refined products	337,322	653,142	821,188	1,271,964
Railway cargo transportation	259,879	238,670	499,969	448,404
Sales of gas products	156,594	197,016	442,830	444,863
Sales of refined gold	138,824	94,242	261,378	165,139
Telecommunication services	122,462	96,761	244,935	184,783
Sales of uranium products	87,312	109,218	142,645	157,859
Electricity transmission services	70,453	53,099	139,808	108,681
Oil and gas transportation fee	65,513	81,386	147,541	159,753
Electricity complex	49,363	49,516	122,336	112,259
Oil processing fees	41,213	45,228	92,001	96,037
Air transportation	14,627	79,977	78,015	143,224
Interest revenue	11,784	11,904	24,224	23,931
Postal services	9,822	10,882	19,325	21,603
Railway passenger transportation	3,543	20,968	21,675	40,742
Other revenue	78,087	89,674	167,689	178,224
Less: quality bank for crude oil	1,237	(6,854)	(1,650)	(8,344)
Less: indirect taxes and commercial discounts	(106,016)	(143,341)	(218,983)	(266,084)
	1,704,400	2,481,149	3,984,714	5,014,214

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Geographical markets				
Kazakhstan	905,893	849,246	1,895,485	1,707,164
Other countries	798,507	1,631,903	2,089,229	3,307,050
	1,704,400	2,481,149	3,984,714	5,014,214

23. COST OF SALES

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Materials and supplies	570,850	1,045,870	1,472,765	2,200,328
Depreciation, depletion and amortization	228,090	176,608	461,466	392,140
Personnel costs, including social tax and contributions	213,189	198,472	425,210	409,301
Fuel and energy	70,818	89,120	174,431	186,249
Repair and maintenance	60,674	58,111	113,826	102,980
Production services received	54,530	86,740	114,113	152,678
Taxes other than social taxes and withdrawals	22,808	21,496	49,312	41,915
Mineral extraction tax	20,589	29,879	44,402	68,050
Rent	13,429	17,659	33,662	44,231
Interest expense	12,592	18,976	33,928	42,835
Transportation expenses	10,651	11,440	21,568	22,076
Other	68,966	81,988	152,334	141,386
	1,347,186	1,836,359	3,097,017	3,804,169

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

24. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Personnel costs, including social tax and contributions	45,249	49,412	94,871	94,877
Taxes other than social taxes and withdrawals	10,732	5,156	18,339	13,345
Depreciation and amortization	9,125	9,594	17,742	19,034
Consulting services	7,393	7,100	14,855	13,806
Repair and maintenance	1,791	1,331	2,975	2,175
Rent	1,528	1,528	2,744	2,751
Allowance for expected credit losses for trade receivable and other assets	1,491	2,898	1,269	11,676
Other services by third parties	1,252	1,391	2,526	2,343
Sponsorship and charitable donations	1,066	914	2,260	5,326
Utilities expenses and maintenance of buildings	833	961	1,888	2,013
Fines and penalties	587	2,419	894	2,801
Transportation services	510	862	1,211	1,625
Bank services	414	522	867	1,081
Business trips	311	2,302	1,568	3,775
Professional education and advanced trainings	242	748	579	1,082
Other	13,739	17,627	28,728	28,339
	96,263	104,765	193,316	206,049

25. TRANSPORTATION AND SELLING EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Transportation	106,296	96,665	230,951	210,828
Custom duties	10,401	33,132	41,622	66,952
Depreciation and amortization	3,938	3,321	7,731	6,958
Personnel costs, including social tax and contributions	3,700	4,793	7,774	9,933
Commission fees to agents and advertising	2,739	3,816	7,155	7,099
Rent expenses	1,510	890	2,412	1,444
Rent tax	(123)	34,798	19,474	68,969
Other	6,068	7,523	12,876	17,311
	134,529	184,938	329,995	389,494

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

26. IMPAIRMENT LOSS

	For the three months ended June 30		For the six months ended June 30	
	2020 (unaudited)	2019 (unaudited) (restated)	2020 (unaudited)	2019 (unaudited) (restated)
<i>In millions of tenge</i>				
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets	174,010	45,741	235,269	45,901
Impairment / (reversal of impairment) of investments in joint ventures and associates (Note 9)	3,954	(528)	50,624	(1,220)
Expected credit losses on other financial assets	344	9,084	718	8,641
Accrual/(reversal) of expected credit losses on loans issued	133	(5,240)	(558)	(5,911)
Impairment / (reversal of impairment) of assets held for sale	28	(4,608)	(133)	4
(Reversal)/accrual of expected credit losses on amounts in credit institutions	(656)	2,122	(493)	3,654
(Reversal of impairment) / impairment of VAT receivable	(10)	11,365	593	12,526
Other	(2,083)	2,441	(2,470)	5,256
	175,720	60,377	283,550	68,851

Impairment losses on property, plant and equipment, exploration and evaluation assets and intangible assets were recognised for the following CGUs:

	For the three months ended June 30		For the six months ended June 30	
	2020 (unaudited)	2019 (unaudited) (restated)	2020 (unaudited)	2019 (unaudited) (restated)
<i>In millions of tenge</i>				
CGUs of KMGI	159,009	-	159,009	-
Embamunaigas (EMG)	-	-	60,440	-
Write-off of brownfields of KazMunayGas Exploration Production (“KMG EP”)	-	18,888	-	18,888
Others	15,001	26,853	15,820	27,013
	174,010	45,741	235,269	45,901

CGUs of KMGI

As of June 30, 2020, KMGI, the Group subsidiary, performed impairment tests of its CGUs – Petrochemical, Bulgaria, Refining and others. The Group considered forecasted refinery margins and production volumes, among other factors, when reviewing for indicators of impairment.

The recoverable amount of the CGUs was determined based on fair value less costs of disposal (FVLCD), which was determined using the discounted cash flow method. The key assumptions used in the fair value less costs to disposal calculations for the above-mentioned CGUs were operating profit, discount rates and growth rate used to extrapolate cash flows beyond the budgeted period.

The discount rate applied to cash flow projections for Refining and Petrochemical CGUs was 10.3% and cash flows beyond the 5-year period were extrapolated using 1.9% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values was 8.4%.

As to Bulgaria CGU, the discount rate applied to cash flow projections was 10.4% and cash flows beyond the 5-year period were extrapolated using growth rate of 1.9% that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values was 8.5%.

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

26. IMPAIRMENT LOSS (continued)

CGUs of KMGI (continued)

In 2020, the recoverable amounts of the above CGUs exceeded their respective carrying values, except for Refining CGU. For the purposes of impairment test, KMGI updated projected cash flows to reflect the decrease in forecasted refinery margins and change in post-tax discount rate.

As at June 30, 2020 based on the results of the test performed, KMGI recognized impairment loss of property, plant and equipment and intangible assets of 152,244 million tenge and 6,765 million tenge, respectively.

EMG

As of June 30, 2020, EMG carried out an assessment of the recoverable amount of property, plant and equipment and exploration and evaluation assets due to the presence of impairment indicators such as decline in the forecasted oil prices. EMG calculated recoverable amount using a discounted cash flow model for value in use valuation method. The discount rate applied to cash flow projections was equal to 13.99%. The 5-year business plan was used as a primary source of information, which contains forecasts for crude oil production, sales volumes, revenues, costs and capital expenditure. The result of this assessment indicated that the carrying value of assets exceeded their estimated recoverable amount by 60,440 million tenge, and was recognised as impairment in the interim consolidated statement of comprehensive income.

Write of the brownfields of KMG EP

During six months ended June 30, 2019 the Group has written-off exploration and evaluation assets of 18,888 million tenge related to few KMG EP subsoil use contracts, which were terminated with contract territories relinquishment to the Government of the Republic of Kazakhstan.

27. FINANCE COSTS

	For the three months ended June 30		For the six months ended June 30	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
<i>In millions of tenge</i>				
Interest on loans and debt securities issued	106,262	90,859	211,048	183,423
Finance costs for the early redemption of bonds	24,221	–	24,221	2,316
Financial guarantees	11,194	–	11,696	–
Interest on lease liabilities	8,790	6,735	17,308	12,621
Amortization of discount on provisions and other payables	5,437	4,665	10,219	9,724
Interest under oil supply agreement (Note 19)	3,413	15,301	8,651	33,457
Other	4,463	15,083	26,186	31,320
	163,780	132,643	309,329	272,861

In June 2020, the Group made an early partial redemption of 217,022 thousand US dollars (equivalent to 86,503 million tenge as at the date of payment) of Eurobonds 2012 with a total nominal value of 1,100,000 thousand US dollars. Total payments amounted to 284,073 thousand US dollars (equivalent to 113,229 million tenge as at payment date), including accrued interest of 6,285 thousand US dollars (equivalent to 2,505 million tenge as at payment date) and a bonds early extinguishment premium of 60,766 thousand US dollars (equivalent to 24,221 million tenge as at payment date). The Group recognised the premium for early repayment in financial costs.

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

28. FINANCE INCOME

	For the three months ended June 30		For the six months ended June 30	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
<i>In millions of tenge</i>				
Interest income on amounts due from credit institutions and cash and cash equivalents	16,169	19,136	33,040	38,920
Income from subsidized interest rates on financial liabilities	14,396	27	14,748	369
Income from loans and financial assets	9,880	9,118	19,226	18,772
Income from financial guarantees	2,284	15,358	4,570	16,092
Unwinding of discount on long-term receivables	707	1,369	1,148	3,426
Discount on liabilities at rates below market	244	-	11,532	975
Other	8,346	2,067	12,059	5,420
	52,026	47,075	96,323	83,974

In May 2020, the Group entered into an agreement with the Transport Committee of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan to subsidise a part of coupon interest of 307,194 million tenge on bonds issued in 2019 at 11.5% per annum and used for the early redemption of 2017 Eurobonds of 780,000 thousand US dollars. The agreement states that the subsidy amount should be stipulated according to national budget programme No. 010 *Subsidisation of Coupon Interest on Carrier Bonds issued to Develop a Major Railway Network and Railway Rolling Stock* (the “Programme”).

During the six months ended June 30, 2020, the Group recognised income from subsidized interest rate under the Programme of 14,592 million tenge in finance income.

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

	For the three months ended June 30		For the six months ended June 30	
	2020 (unaudited)	2019 (unaudited) (restated)	2020 (unaudited)	2019 (unaudited) (restated)
<i>In millions of tenge</i>				
Asian Gas Pipeline LLP	80,848	36,662	76,566	67,518
Beineu-Shymkent Pipeline LLP	31,906	10,584	24,139	33,840
Caspian Pipeline Consortium	20,540	15,876	40,664	33,396
Kazzinc LLP	11,811	16,494	15,361	26,431
JV KATCO LLP	7,297	3,111	12,331	6,266
Valsera Holdings B.V.	7,256	(550)	(4,020)	(3,388)
Tengizchevroil LLP	5,563	117,882	69,514	223,618
PetroKazakhstan Inc.	4,628	1,072	7,347	2,948
Forum Muider B. V.	3,506	1,907	7,437	6,355
JV Kazgermunai LLP	2,949	5,067	8,955	11,863
Mangistau Investments B.V.	(1,359)	22,973	4,755	46,242
Ural Group Limited BVI	(2,486)	(1,859)	(4,952)	(3,665)
AstanaGas KMG JSC	(3,791)	(135)	(7,208)	(144)
Other	32,829	27,739	25,364	45,110
	201,497	256,823	276,253	496,390

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

30. INCOME TAX EXPENSES

	For the three months ended June 30		For the six months ended June 30	
	2020 (unaudited)	2019 (unaudited) (restated)	2020 (unaudited)	2019 (unaudited) (restated)
<i>In millions of tenge</i>				
Current income tax expenses				
Corporate income tax (“CIT”)	38,021	64,090	89,755	106,936
Withholding tax on dividends and interest income	5,145	3,489	9,049	9,705
Excess profit tax	(241)	7,256	(208)	7,342
Deferred income tax expense/(benefit)				
Corporate income tax (“CIT”)	(23,136)	18,068	(26,367)	37,177
Withholding tax on dividends and interest income	108	20,799	9,701	33,543
Excess profit tax	(18)	96	3,447	103
Income tax expenses	19,879	113,798	85,377	194,806

31. CONSOLIDATION

Subsidiaries included in the interim condensed consolidated financial statements are presented as follows:

	Ownership percentage	
	June 30, 2020 (unaudited)	December 31, 2019 (audited)
1 National Company “KazMunayGas” JSC (“NC KMG”) and subsidiaries	90.42%	90.42%
2 KMG Kashagan B.V.	95.00%	95.00%
3 National Company “Kazakhstan Temir Zholy” JSC (“NC KTZh”) and subsidiaries	100.00%	100.00%
4 National Atomic Company “Kazatomprom” JSC (“NAC KAP”) and subsidiaries	75.00%	81.28%
5 Samruk-Energy JSC (“Samruk-Energy”) and subsidiaries	100.00%	100.00%
6 Kazakhstan Electricity Grid Operating Company JSC (“KEGOC”) and subsidiaries	90% + 1	90.00% + 1
7 Kazpost JSC and subsidiaries	100.00%	100.00%
8 Kazakhtelecom JSC (“KTC”) and subsidiaries	52.03%	52.03%
9 Air Astana JSC (“Air Astana”) and subsidiaries	51.00%	51.00%
10 Samruk-Kazyna Construction JSC and subsidiaries	100.00%	100.00%
11 National Mining Company “Tau-Ken Samruk” JSC and subsidiaries	100.00%	100.00%
12 United Chemical Company LLP (“UCC”) and subsidiaries	100.00%	100.00%
13 Samruk-Kazyna Invest LLP and subsidiaries	100.00%	100.00%
14 Samruk-Kazyna Contract LLP	100.00%	100.00%
15 KOREM JSC	100.00%	100.00%
16 SK Business Service LLP and subsidiaries	100.00%	100.00%
17 Qazaq Air JSC	100.00%	100.00%
18 Kazakhstan nuclear electric plants JSC	100.00%	100.00%
19 Stantsiya Ekibastuzskaya GRES-2 JSC (“EGRES-2”)	100.00%	100.00%

32. RELATED PARTY DISCLOSURES

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

32. RELATED PARTY DISCLOSURES (continued)

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group’s key management personnel and other entities controlled by the Government. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following table provides the total amount of transactions, which have been entered into with related parties during the six months ended June 30, 2020 and 2019 and the related balances as at June 30, 2020, and December 31, 2019, respectively:

<i>In millions of tenge</i>		Associates	Joint ventures where the Group is a venturer	Other state- controlled entities
Due from related parties	June 30, 2020	4,317	29,095	23,333
	December 31, 2019	4,225	40,165	25,921
Due to related parties	June 30, 2020	32,694	256,690	166,021
	December 31, 2019	34,212	186,746	14,946
Sale of goods and services	June 30, 2020	58,462	150,628	312,162
	June 30, 2019	64,628	177,257	189,453
Purchase of goods and services	June 30, 2020	85,391	562,616	12,529
	June 30, 2019	71,602	792,542	9,771
Other income/(loss)	June 30, 2020	8,087	15,529	(206)
	June 30, 2019	(3,341)	(2,917)	5,399
Cash and cash equivalents, and amounts due from credit institutions	June 30, 2020	-	127	302,605
	December 31, 2019	-	248	308,250
Loans issued	June 30, 2020	36,981	375,620	5,418
	December 31, 2019	66,394	365,017	5,184
Borrowings	June 30, 2020	14,102	4	989,790
	December 31, 2019	17,460	5	1,114,707
Other assets	June 30, 2020	13,000	32,404	145,117
	December 31, 2019	13,171	116,244	120,270
Other liabilities	June 30, 2020	66,333	54,871	87,287
	December 31, 2019	15,132	61,270	31,483
Interest accrued due from related parties	June 30, 2020	3,253	15,876	16,717
	June 30, 2019	5,763	15,187	-
Interest accrued due to related parties	June 30, 2020	8,690	230	50,789
	June 30, 2019	-	464	16,544

As at June 30, 2020 some of the Group’s borrowings in the amount of 52,215 million tenge were guaranteed by the Government of the Republic of Kazakhstan (as at December 31, 2019: 51,062 million tenge).

For the six months ended June 30, 2020 the total compensation to key management personnel included in personnel costs in the accompanying interim consolidated statement of comprehensive income was equal to 3,265 million tenge (for the six months ended June 30, 2019: 3,132 million tenge). Compensation to key management personnel consists primarily of contractual salary and performance bonus based on operating results.

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

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The carrying amount of the financial instruments of the Group as at June 30, 2020 and December 31, 2019 is a reasonable estimate of their fair value for the following financial instruments:

<i>In millions of tenge</i>	Level 1	Level 2	Level 3	June 30, 2020 (unaudited)
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	-	-	210,336	210,336
Financial assets measured at fair value through OCI	56,005	8,760	62	64,827
Financial assets at fair value through profit and loss	9,310	15,285	21,490	46,085
Derivative financial assets	-	2,977	1,746	4,723

<i>In millions of tenge</i>	Level 1	Level 2	Level 3	December 31, 2019 (audited)
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	-	-	214,396	214,396
Financial assets measured at fair value through OCI	42,577	10,344	63	52,984
Financial assets at fair value through profit and loss	3,900	17,125	25,084	46,109
Derivative financial assets	-	952	543	1,495

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

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at June 30, 2020 and December 31, 2019 the carrying amount of the Group’s financial instruments approximates their fair value except for the following financial instruments:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)				
	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Loans issued at amortized cost and finance lease receivables	284,512	285,383	-	19,221	266,162
Amounts due from credit institutions	659,357	680,036	501,988	178,031	17
Financial liabilities					
Borrowings	7,210,574	7,767,821	4,921,263	2,071,611	774,947
Loans from the Government of the Republic of Kazakhstan	606,607	383,289	-	383,289	-
Guarantee obligations	57,192	65,326	-	39,347	25,979

<i>In millions of tenge</i>	December 31, 2019 (audited)				
	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Loans issued at amortized cost and finance lease receivables	306,433	314,192	-	26,674	287,518
Amounts due from credit institutions	763,766	776,646	474,248	302,381	17
Financial liabilities					
Borrowings	6,841,393	7,324,768	4,943,524	1,948,352	432,892
Loans from the Government of the Republic of Kazakhstan	627,560	548,717	-	548,717	-
Guarantee obligations	48,957	46,414	-	25,992	20,422

The fair value of the above financial instruments has been calculated by discounting the expected future cash flows at prevailing interest rates.

34. COMMITMENTS AND CONTINGENCIES

In addition to the contingent liabilities and commitments disclosed in the Group annual consolidated financial statements of the Group for the year ended December 31, 2019, the following changes have taken place during the six months ended June 30, 2020:

Cost recovery audits

As at June 30, 2020 the Group’s share in the total disputed amounts of costs is 829,585 million tenge (December 31, 2019: 782,206 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government of the Republic of Kazakhstan with respect to the recoverability of these costs.

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

34. COMMITMENTS AND CONTINGENCIES (continued)

Kazakhstan local market obligation

During six months ended June 30, 2020, in accordance with its obligations, the Group, including joint ventures, delivered 3,048 thousand tons of crude oil (six months ended June 30, 2019: 3,052 thousand tons) to the Kazakhstan market.

Oil supply commitments

As at June 30, 2020 the Group had commitments under the oil supply agreement in the amount of 18.18 million ton to be delivered till March 2021 (December 31, 2019: 19.15 million ton).

Capital commitments

As at June 30, 2020 the Group, including its joint ventures and associates, had capital commitments of approximately 3,291,542 million tenge related to acquisition and construction of property, plant and equipment (December 31, 2019: 2,979,596 million tenge).

Legal proceedings

The proceedings initiated against Mr. Stati and his related parties related to the arrest of shares KMG Kashagan B.V. belonging to the Fund

On September 14, 2017 the pre-judgement attachment in respect of the Fund's rights on management of 50% KMG Kashagan B.V. shares worth 5.2 billion US dollars was imposed with regard to the decision of the Amsterdam Court (the “Pre-judgement Attachment”).

The named Pre-judgement Attachment was imposed as part of the claim for recognition and enforcement of the arbitral award on the matter of Anatolie Stati, Gabriel Stati, Ascom Group SA and Terra Raf Trans Trading Ltd. against the Republic of Kazakhstan issued in 2013 by the Arbitration Tribunal at the Arbitration Institute of the Stockholm Chamber of Commerce.

On July 14, 2020, the Amsterdam Appeal Court has decided to recognize the arbitrary award rendered in 2013 against the Republic of Kazakhstan on the territory of the Netherlands, though the court has rejected claim of Mr. Stati to enforce the arbitrary award in relation to the Fund.

Currently, the Fund makes all necessary arrangements to protect its interest in accordance with the established procedure and will continue to defend its rights.

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

35. SEGMENT REPORTING

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group as at June 30, 2020 and for the six months then ended:

<i>In millions of tenge</i>	Oil and gas	Mining	Transportation	Communications	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	2,386,463	416,119	617,004	263,534	263,966	5,359	19,432	12,837	-	3,984,714
Revenues from sales to other segments	15,794	95	1,756	2,365	55,873	4,736	228,229	5,106	(313,954)	-
Total revenue	2,402,257	416,214	618,760	265,899	319,839	10,095	247,661	17,943	(313,954)	3,984,714
Gross profit	546,648	71,203	118,607	86,385	90,911	1,390	211,433	8,197	(236,033)	898,741
General and administrative expenses	(87,874)	(12,818)	(48,492)	(21,676)	(13,162)	(2,447)	(9,098)	(1,782)	4,033	(193,316)
Transportation and selling expenses	(317,282)	(4,988)	(2,683)	(5,646)	(5,821)	(543)	-	-	6,968	(329,995)
Finance income	63,830	4,959	24,355	3,522	4,045	305	13,864	5,122	(23,679)	96,323
Finance costs	(149,017)	(7,612)	(108,436)	(26,238)	(28,117)	(2,984)	(18,154)	(5,836)	37,065	(309,329)
Share in profit/(loss) of joint ventures and associates	235,689	33,978	5,504	-	7,467	(71)	(6,314)	-	-	276,253
Foreign exchange gain/(loss), net	17,986	6,369	(22,570)	2,155	(1,694)	(14,973)	83,723	1,257	130	72,383
Income tax expenses	(31,548)	(23,229)	(1,030)	(11,992)	(12,585)	(52)	(1,746)	(2,212)	(983)	(85,377)
Net profit/(loss) for the period from continuing operations	10,700	86,704	(36,976)	27,980	38,244	(20,834)	278,798	4,271	(212,385)	176,502
Total net profit/(loss) for the period	10,700	86,704	(36,976)	27,980	38,244	(20,834)	278,798	4,271	(212,385)	176,502
Other segment information										
Total assets of the segment	16,271,525	2,270,111	3,733,928	1,210,496	1,547,238	644,231	7,886,277	291,031	(7,186,134)	26,668,703
Total liabilities of the segment	6,328,651	462,662	2,605,700	691,639	748,528	438,911	1,594,429	167,098	(1,099,307)	11,938,311
Investments in joint ventures and associates	3,878,455	573,428	18,118	-	77,729	7,954	45,776	-	(32,341)	4,569,119

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

35. SEGMENT REPORTING (continued)

The following table represents information about profit and loss of operating segments of the Group for the six months ended June 30, 2019 and assets and liabilities as at December 31, 2019:

<i>In millions of tenge</i>	Oil and gas	Mining	Transportation	Communi-cations	Energy	Industrial	Corporate center	Other	Elimi-nation	Total
Revenues from sales to external customers	3,554,285	369,401	658,633	201,465	201,794	3,944	19,286	5,406	-	5,014,214
Revenues from sales to other segments	28,898	7,578	2,338	2,196	32,416	1,480	200,800	3,945	(279,651)	-
Total revenue	3,583,183	376,979	660,971	203,661	234,210	5,424	220,086	9,351	(279,651)	5,014,214
Gross profit	950,948	48,120	117,684	50,808	61,852	874	175,293	5,633	(177,910)	1,233,302
General and administrative expenses	(91,358)	(19,305)	(54,994)	(19,886)	(9,248)	(2,169)	(11,846)	(1,673)	4,430	(206,049)
Transportation and selling expenses	(377,217)	(4,477)	(4,845)	(2,969)	(2,471)	(353)	-	-	2,838	(389,494)
Finance income	63,672	3,185	2,441	4,310	3,333	301	26,589	2,995	(22,852)	83,974
Finance costs	(183,035)	(6,814)	(57,929)	(16,747)	(20,483)	(2,233)	(11,760)	(2,902)	29,042	(272,861)
Share in profit/(loss) of joint ventures and associates	443,921	40,444	2,703	5,831	7,327	(30)	(3,815)	9	-	496,390
Foreign exchange gain/(loss), net	2,050	(406)	(3,160)	(773)	623	1,487	(19,809)	690	(26)	(19,324)
Income tax expenses	(155,544)	(8,830)	(11,339)	(7,214)	(9,553)	(41)	(1,319)	(966)	-	(194,806)
Net profit/(loss) for the period from continuing operations	629,028	116,129	(22,508)	35,289	32,716	(2,994)	157,828	3,452	(165,248)	783,692
Total net profit/(loss) for the period	629,028	116,129	(22,508)	35,289	32,716	(2,994)	157,828	3,452	(165,248)	783,692
Other segment information										
Total assets of the segment	16,332,443	2,304,494	3,757,170	1,192,905	1,495,213	574,620	7,579,393	300,603	(7,127,357)	26,409,484
Total liabilities of the segment	6,587,029	460,432	2,562,000	691,400	719,878	379,654	1,563,722	180,027	(1,072,179)	12,071,963
Investments in joint ventures and associates	3,532,589	582,600	33,553	-	70,559	6,428	49,473	10	(32,341)	4,242,871

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

35. SEGMENT REPORTING (continued)

The following tables represents information about profit and loss of operating segments of the Group for the three months ended June 30, 2020 and June 30, 2019:

<i>In millions of tenge</i>	Oil and gas	Mining	Transportation	Communications	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	921,098	230,381	283,899	132,541	119,654	3,496	9,657	3,674	-	1,704,400
Revenues from sales to other segments	5,584	64	772	1,081	26,150	2,377	216,305	2,602	(254,935)	-
Total revenue	926,682	230,445	284,671	133,622	145,804	5,873	225,962	6,276	(254,935)	1,704,400
Gross profit	179,167	42,471	67,498	44,551	32,211	1,054	211,798	3,444	(218,319)	363,875
General and administrative expenses	(43,319)	(5,825)	(23,872)	(10,247)	(7,525)	(1,232)	(5,311)	(921)	1,989	(96,263)
Transportation and selling expenses	(130,207)	(1,823)	(636)	(2,543)	(1,642)	(307)	-	-	2,629	(134,529)
Finance income	26,702	735	21,851	1,931	2,492	174	7,582	3,342	(12,783)	52,026
Finance costs	(74,050)	6,478	(71,857)	(13,011)	(15,252)	(1,494)	(9,259)	(4,119)	18,784	(163,780)
Share in profit/(loss) of joint ventures and associates	170,273	27,865	3,009	-	3,785	(41)	(3,394)	-	-	201,497
Foreign exchange (loss)/gain, net	(14,402)	(9,381)	68,426	(9,739)	12,366	32,550	(174,373)	(2,373)	(108)	(97,034)
Income tax (expenses)/benefit	(3,875)	(6,004)	2,692	(4,456)	(5,579)	(33)	(901)	(740)	(983)	(19,879)
Net (loss)/profit for the period from continuing operations	(59,430)	52,261	82,163	6,946	17,742	29,736	34,563	(1,712)	(210,888)	(48,619)
Total net (loss)/profit for the period	(59,430)	52,261	82,163	6,946	17,742	29,736	34,563	(1,712)	(210,888)	(48,619)

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

35. SEGMENT REPORTING (continued)

<i>In millions of tenge</i>	Oil and gas	Mining	Transportation	Communications	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	1,692,295	227,233	350,256	102,271	94,020	2,726	9,671	2,677	-	2,481,149
Revenues from sales to other segments	10,880	3,705	1,241	1,210	14,937	745	192,257	2,492	(227,467)	-
Total revenue	1,703,175	230,938	351,497	103,481	108,957	3,471	201,928	5,169	(227,467)	2,481,149
Gross profit	490,662	29,725	80,210	25,859	25,196	662	182,440	3,097	(186,205)	651,646
General and administrative expenses	(50,491)	(11,564)	(23,621)	(10,977)	(4,698)	(1,110)	(4,466)	(772)	2,934	(104,765)
Transportation and selling expenses	(177,472)	(2,848)	(2,651)	(1,854)	(1,124)	(246)	-	-	1,257	(184,938)
Finance income	33,155	1,186	1,224	2,159	1,735	131	18,196	2,149	(12,860)	47,075
Finance costs	(86,176)	(3,052)	(30,235)	(8,709)	(10,709)	(1,167)	(6,016)	(1,430)	14,851	(132,643)
Share in profit/(loss) of joint ventures and associates	230,074	23,650	1,531	2,778	1,383	(13)	(2,588)	8	-	256,823
Foreign exchange (loss)/gain, net	(1,174)	(10)	(8,336)	(274)	(1,472)	(209)	3,685	4	720	(7,066)
Income tax expenses	(83,097)	(8,164)	(12,139)	(4,596)	(4,630)	(18)	(478)	(676)	-	(113,798)
Net profit/(loss) or the period from continuing operations	314,650	38,188	(2,397)	26,121	6,207	(2,283)	198,813	2,684	(179,318)	402,665
Total net profit/(loss) for the period	314,650	38,188	(2,397)	26,121	6,207	(2,283)	198,813	2,684	(179,318)	402,665

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

36. SUBSEQUENT EVENTS

Dividends paid to the Shareholder

On August 26, 2020 the Fund paid dividends to the Shareholder in the amount of 120,000 million tenge by the results of 2019 in accordance with the Resolution of the Government of the Republic of Kazakhstan dated August 21, 2020.

Dividends received from joint ventures

In July and August, 2020 the Group received dividends from KazGerMunay LLP, Mangistau Investments B.V. and KazRosGas LLP of 4,165 million tenge, 24 million US dollars (equivalent to 10,047 million tenge) and 15,155 million tenge, respectively.

Withdrawal/placement of deposits with National Bank of the Republic of Kazakhstan

On July 30, 2020, the Group withdrew a deposit placed with the National Bank of the Republic of Kazakhstan for 400 million US dollars (equivalent to 166,596 million tenge at withdrawal date), and placed a short-term deposit for 300 million US dollars (equivalent to 124,947 million tenge at placement date) with the National Bank of the Republic of Kazakhstan.

Other subsequent events

On August 13, 2020 the State Commission of the Republic of Kazakhstan approved a plan for the phased removal of quarantine measures from August 17, 2020. Due to this the Group is re-opening its major airline routes to destinations in Europe, the Gulf region, CIS, and is increasing the frequency on existing routes, both internationally and domestically.