



SAMRUK
KAZYNA



Annual Report

2020

application

**“SOVEREIGN WEALTH FUND
“SAMRUK-KAZYNA” JSC**

Consolidated financial statements

*For the year ended December 31, 2020
with independent auditor’s report*



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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries (hereinafter - the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Impairment of non-current assets

We considered this matter to be one of most significance in the audit due to the high level of subjectivity in respect of assumptions underlying impairment analysis of non-current assets and significant judgements and estimates made by the management. In addition, increased cost of debt and uncertainty regarding future economic growth affects the Group's business prospects and triggers potential impairment of the Group's assets.

Significant assumptions included discount rates, commodities prices, tariffs forecasts, inflation and exchange rate forecasts. Significant estimates included production forecasts, future capital expenditures and commodity reserves available for development and production.

Information on non-current assets and the impairment tests performed is disclosed in *Note 4* to the consolidated financial statements.

Compliance with loan covenants

In accordance with the terms of certain financing arrangements, the Group should comply with certain loan covenants. Breaching covenants could result in significant fines and penalties along with funding shortages. In addition, cross default provisions are in place under many of the Group's financing arrangements. Compliance with covenants was one of the matters of most significance in the audit since it can have a major impact on the going concern assumption used in the preparation of the consolidated financial statements, and on classification of interest-bearing liabilities in the consolidated statement of financial position.

Information on compliance with covenants is disclosed in *Note 19* to the consolidated financial statements.

We obtained management's impairment analysis, including analysis of impairment indicators and impairment test models.

We involved business valuation specialists in the testing of the impairment analysis and calculation of recoverable amounts performed by the management. We analysed the assumptions underlying management forecast. We compared natural resource and commodity prices used in the calculation of recoverable amounts to available market forecasts. We compared the discount rate and long-term growth rates to general market indicators and other available information. We tested the mathematical accuracy of the impairment models and assessed their sensitivity to changes in assumptions.

We analysed the disclosures made in the consolidated financial statements in respect of impairment.

We examined the terms of financing arrangements on covenants including additional clauses on cross default conditions.

We compared data used in the calculations with the financial statements.

We assessed arithmetic accuracy of financial covenants calculations.

We analysed the forecast made on approved budgets as of 31 December 2020, if a breach is likely in the next 12 months, we obtained and analysed management's analysis for the potential impact on going concern.

We analysed communication with creditors in respect of compliance with covenants as at 31 December 2020.

We also analysed the information disclosed in the consolidated financial statements.

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Audit Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.


We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.


From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Paul Cohn.



Ernst & Young LLP



Paul Cohn
Audit Partner



Albert Asmatulayev
Auditor



Rustamzhan Sattarov
General Director
Ernst & Young LLP

Auditor qualification certificate
No. MΦ-0000461 dated 6 February 2017

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

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5 April 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

| <i>In millions of tenge</i> | <i>Note</i> | <i>2020</i> | <i>2019 (restated)*</i> |
|---|-------------|-------------------|-----------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 13,703,885 | 13,149,184 |
| Intangible assets | 8 | 2,022,024 | 2,001,908 |
| Exploration and evaluation assets | 9 | 367,393 | 371,894 |
| Investment property | | 40,560 | 24,888 |
| Investments in joint ventures and associates | 10 | 4,985,676 | 4,242,871 |
| Loans issued and finance lease receivables | 11 | 366,830 | 370,556 |
| Amounts due from credit institutions | 12 | 135,315 | 169,792 |
| Deferred tax assets | 35 | 79,267 | 91,282 |
| Other non-current financial assets | 13 | 614,382 | 444,104 |
| Other non-current assets | 14 | 447,907 | 660,814 |
| | | 22,763,239 | 21,527,293 |
| Current assets | | | |
| Inventories | 15 | 626,363 | 654,452 |
| VAT receivable | | 256,319 | 191,260 |
| Income tax prepaid | | 97,503 | 84,086 |
| Trade accounts receivable | 16 | 667,107 | 620,388 |
| Loans issued and finance lease receivables | 11 | 55,406 | 150,273 |
| Amounts due from credit institutions | 12 | 354,257 | 593,974 |
| Other current financial assets | 13 | 188,427 | 176,672 |
| Other current assets | 16 | 184,769 | 294,163 |
| Cash and cash equivalents | 17 | 2,227,669 | 1,993,962 |
| | | 4,657,820 | 4,759,230 |
| Assets classified as held for sale or distribution to the Shareholder | 6 | 61,787 | 130,487 |
| | | 4,719,607 | 4,889,717 |
| Total assets | | 27,482,846 | 26,417,010 |

The accounting policies and explanatory notes on pages 18 through 122 form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at December 31

| <i>In millions of tenge</i> | <i>Note</i> | <i>2020</i> | <i>2019 (restated)*</i> |
|---|-------------|-------------------|-----------------------------|
| Equity and liabilities | | | |
| Equity attributable to equity holder of the Parent | | | |
| Share capital | 18.1 | 5,258,657 | 5,229,112 |
| Additional paid-in capital | 18.3 | – | 17,303 |
| Currency translation reserve | 18.11 | 1,763,499 | 1,319,406 |
| Revaluation reserve of investments at fair value through other comprehensive income | | 31,464 | 29,354 |
| Hedging reserve | 18.12 | (60,416) | (46,726) |
| Other capital reserves | | (16,984) | (16,984) |
| Retained earnings | | 6,502,544 | 6,176,856 |
| | | 13,478,764 | 12,708,321 |
| Non-controlling interest | 18.10 | 1,672,851 | 1,634,632 |
| Total equity | | 15,151,615 | 14,342,953 |
| Non-current liabilities | | | |
| Borrowings | 19 | 6,608,990 | 6,103,443 |
| Loans from the Government of the Republic of Kazakhstan | 20 | 562,449 | 622,322 |
| Lease liabilities | 22 | 396,441 | 342,574 |
| Provisions | 23 | 386,921 | 350,863 |
| Deferred tax liabilities | 35 | 1,143,256 | 1,065,288 |
| Employee benefit liabilities | 24 | 120,943 | 111,840 |
| Prepayment on oil supply agreements | 21 | 185,680 | 357,902 |
| Other non-current liabilities | 25 | 138,085 | 113,520 |
| | | 9,542,765 | 9,067,752 |
| Current liabilities | | | |
| Borrowings | 19 | 850,210 | 737,950 |
| Loans from the Government of the Republic of Kazakhstan | 20 | 30,773 | 5,238 |
| Lease liabilities | 22 | 118,878 | 84,282 |
| Provisions | 23 | 80,980 | 119,367 |
| Employee benefit liabilities | 24 | 14,051 | 12,983 |
| Income taxes payable | | 10,567 | 15,529 |
| Trade and other payables | 26 | 828,258 | 1,045,282 |
| Prepayment on oil supply agreements | 21 | 97,882 | 158,162 |
| Other current liabilities | 26 | 752,031 | 741,726 |
| | | 2,783,630 | 2,920,519 |
| Liabilities associated with assets classified as held for sale or distribution to the Shareholder | 6 | 4,836 | 85,786 |
| | | 2,788,466 | 3,006,305 |
| Total liabilities | | 12,331,231 | 12,074,057 |
| Total equity and liabilities | | 27,482,846 | 26,417,010 |

* 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.

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

Yernar Zhanadil

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 18 through 122 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31

| <i>In millions of tenge</i> | <i>Note</i> | <i>2020</i> | <i>2019 (restated)*</i> |
|---|-------------|------------------|-----------------------------|
| Revenue | 27 | 8,556,009 | 10,648,913 |
| Government grants | | 35,408 | 54,788 |
| | | 8,591,417 | 10,703,701 |
| Cost of sales | 28 | (6,618,721) | (7,988,781) |
| Gross profit | | 1,972,696 | 2,714,920 |
| General and administrative expenses | 29 | (425,875) | (469,857) |
| Transportation and selling expenses | 30 | (670,549) | (779,034) |
| Impairment loss | 31 | (343,741) | (355,693) |
| Gain on disposal of subsidiaries | | 219 | 24,179 |
| Gain on business combination | | - | 82,609 |
| Operating profit | | 532,750 | 1,217,124 |
| Finance costs | 32 | (608,953) | (639,780) |
| Finance income | 33 | 180,188 | 280,949 |
| Other non-operating loss | | (59,795) | (66,843) |
| Other non-operating income | | 93,265 | 113,530 |
| Share in profit of joint ventures and associates, net | 34 | 641,608 | 914,757 |
| Net foreign exchange gain/(loss), net | | 50,094 | (16,822) |
| Profit before income tax | | 829,157 | 1,802,915 |
| Income tax expenses | 35 | (246,615) | (382,434) |
| Net profit for the year | | 582,542 | 1,420,481 |
| Net profit for the year attributable to: | | | |
| Equity holder of the Parent | | 558,192 | 1,247,971 |
| Non-controlling interest | | 24,350 | 172,510 |
| | | 582,542 | 1,420,481 |

The accounting policies and explanatory notes on pages 18 through 122 form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the year ended December 31

| <i>In millions of tenge</i> | <i>Note</i> | <i>2020</i> | <i>2019 (restated)*</i> |
|---|-------------|------------------|-----------------------------|
| Other comprehensive income | | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i> | | | |
| Exchange differences on translation of foreign operations | 18.11 | 516,078 | (34,256) |
| Unrealized gain from revaluation investments at fair value through other comprehensive income | | 1,962 | 102 |
| Share of the other comprehensive income of associates and joint ventures | | 5,113 | 128 |
| (Loss)/gain on transactions with hedge instruments | 18.12 | (10,425) | 23,249 |
| Net realized gain on investments at fair value through other comprehensive income | | 98 | 23 |
| Tax effect on transactions of OCI components | | (37,255) | 753 |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax | | 475,571 | (10,001) |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i> | | | |
| Share of the other comprehensive (loss)/gain of associates and joint ventures | | (285) | 188 |
| Actuarial loss on defined benefit plans | 24 | (8,295) | (7,667) |
| Other comprehensive loss not to be reclassified to profit or loss in subsequent periods | | (8,580) | (7,479) |
| Other comprehensive income/(loss) for the year, net of tax | | 466,991 | (17,480) |
| Total comprehensive income for the year, net of tax | | 1,049,533 | 1,403,001 |
| Total comprehensive income for the year, attributable to: | | | |
| Equity holder of the Parent | | 984,022 | 1,232,453 |
| Non-controlling interest | | 65,511 | 170,548 |
| | | 1,049,533 | 1,403,001 |

* 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.

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

Chief accountant

Yernar Zhanadil

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 18 through 122 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31

| In millions of tenge | Attributable to the equity holder of the Parent | | | | | | | | | |
|--|---|---------------|----------------------------|---|------------------------------|-----------------|------------------------|-------------------|-----------|--------------------------|
| | Note | 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 | Total | Non-controlling interest |
| Balance as at December 31, 2018 (as previously reported) | 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 IFRS 16 | - | - | - | - | - | - | (8,932) | (8,932) | (6,227) | (15,159) |
| Change in accounting policy and adjustments (Note 2) | - | - | - | - | - | - | (29) | (29) | 631 | 602 |
| Balance as at January 1, 2019 (restated)* | 5,133,766 | 17,303 | 28,806 | 1,349,799 | (67,163) | (16,807) | 5,091,458 | 11,537,162 | 1,401,556 | 12,938,718 |
| Net profit for the year (restated)* | - | - | - | - | - | - | 1,247,971 | 1,247,971 | 172,510 | 1,420,481 |
| Other comprehensive income/(loss) for the year | - | - | 328 | (30,736) | 20,721 | - | (5,831) | (15,518) | (1,962) | (17,480) |
| Total comprehensive income for the year (restated)* | - | - | 328 | (30,736) | 20,721 | - | 1,242,140 | 1,232,453 | 170,548 | 1,403,001 |
| Issue of shares | 95,346 | - | - | - | - | - | - | 95,346 | 2,028 | 97,374 |
| Dividends | - | - | - | - | - | - | (63,750) | (63,750) | (53,212) | (116,962) |
| Other transactions with the Shareholder | - | - | - | - | - | - | (2,501) | (2,501) | - | (2,501) |
| Other distributions to the Shareholder | - | - | - | - | - | - | (71,904) | (71,904) | - | (71,904) |
| Transfer of assets to the Shareholder | - | - | - | - | - | 167 | (39,509) | (39,342) | - | (39,342) |
| Discount on loans from the Government | - | - | - | - | - | - | 5,107 | 5,107 | - | 5,107 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | 85,804 | 85,804 |
| Change in ownership interests of subsidiaries – disposal of interest that does not result in the loss of control | - | - | (103) | 59 | - | - | 13,854 | 13,810 | 35,078 | 48,888 |
| Change in ownership interests of subsidiaries – acquisition of non-controlling interest | - | - | - | - | - | (313) | (1,800) | (2,113) | (1,012) | (3,125) |
| Other equity movements | - | - | 323 | 284 | (284) | (31) | 3,761 | 4,053 | (6,158) | (2,105) |
| Balance as at December 31, 2019 (restated)* | 5,229,112 | 17,303 | 29,354 | 1,319,406 | (46,726) | (16,984) | 6,176,856 | 12,708,321 | 1,634,632 | 14,342,953 |

The accounting policies and explanatory notes on pages 18 through 122 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended December 31

Attributable to the equity holder of the Parent

| In millions of tenge | Note | 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 | Total | Non-controlling interest | Total |
|--|------|---------------|----------------------------|---|------------------------------|-----------------|------------------------|-------------------|------------|--------------------------|------------|
| | | | | | | | | | | | |
| Balance as at December 31, 2019 (restated)* | | 5,229,112 | 17,303 | 29,354 | 1,319,406 | (46,726) | (16,984) | 6,176,856 | 12,708,321 | 1,634,632 | 14,342,953 |
| Net profit for the year | | - | - | - | - | - | - | 558,192 | 558,192 | 24,350 | 582,542 |
| Other comprehensive income/(loss) for the year | | - | - | 2,272 | 443,608 | (13,276) | - | (6,774) | 425,830 | 41,161 | 466,991 |
| Total comprehensive income for the year | | - | - | 2,272 | 443,608 | (13,276) | - | 551,418 | 984,022 | 65,511 | 1,049,533 |
| Issue of shares | 18.1 | 29,545 | - | - | - | - | - | - | 29,545 | 18 | 29,563 |
| Dividends | 18.2 | - | - | - | - | - | - | (120,000) | (120,000) | (65,695) | (185,695) |
| Other contributions of the Shareholder | 18.3 | - | (17,323) | - | - | - | - | 1,205 | (16,118) | - | (16,118) |
| Other transactions with the Shareholder | 18.4 | - | - | - | - | - | - | 40,483 | 40,483 | - | 40,483 |
| Other distributions to the Shareholder | 18.5 | - | - | - | - | - | - | (99,850) | (99,850) | - | (99,850) |
| Transfer of assets to the Shareholder | 18.6 | - | - | - | - | - | - | (24,809) | (24,809) | - | (24,809) |
| Discount on loans from the Government | 18.7 | - | - | - | - | - | - | (37,581) | (37,581) | - | (37,581) |
| Disposal of subsidiaries | 18.8 | - | - | - | - | - | - | - | - | (14,040) | (14,040) |
| Change in ownership interests of subsidiaries – disposal of interest that does not result in the loss of control | 18.9 | - | - | (170) | 74 | - | - | 25,174 | 25,078 | 59,492 | 84,570 |
| Reserve for put option of non-controlling interest holder of a subsidiary | | - | - | - | - | - | - | (9,721) | (9,721) | (3,510) | (13,231) |
| Other equity movements | | - | 20 | 8 | 411 | (414) | - | (631) | (606) | (3,557) | (4,163) |
| Balance as at December 31, 2020 | | 5,258,657 | - | 31,464 | 1,763,499 | (60,416) | (16,984) | 6,502,544 | 13,478,764 | 1,672,851 | 15,151,615 |

* 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.

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

Yernar Zhanadil

Chief accountant

Almaz Abdrakhmanova

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

| <i>In millions of tenge</i> | <i>Note</i> | <i>2020</i> | <i>2019 (restated)*</i> |
|--|-------------|------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 9,236,272 | 10,720,229 |
| Payments to suppliers | | (5,349,378) | (6,737,827) |
| Payments to employees | | (1,022,274) | (1,033,538) |
| Other taxes and payments | | (1,308,729) | (1,588,817) |
| Operations with financial instruments (the Fund and Kazpost) | | 19,360 | 23,776 |
| Short-term lease payments and variable lease payments | | (57,634) | (82,314) |
| Proceeds from subsidized interest rates on financial liabilities | | 29,183 | - |
| Return of VAT from the budget | | 110,054 | 67,180 |
| Other payments | | (157,836) | (123,787) |
| Income taxes paid | | (214,006) | (270,127) |
| Interest paid | | (520,080) | (474,112) |
| Interest received | | 146,453 | 170,486 |
| Net cash flows received from operating activities | | 911,385 | 671,149 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment, and exploration and evaluation assets | | (1,061,691) | (975,610) |
| Acquisition of intangible assets | | (23,036) | (17,024) |
| Proceeds from sale of property, plant and equipment | | 5,025 | 31,415 |
| Proceeds from sale of intangible assets | | - | 53 |
| Proceeds from sale of other non-current assets | | 52,982 | 34,931 |
| Dividends received from joint ventures and associates | 10 | 246,164 | 235,983 |
| Acquisition of subsidiaries, net of cash acquired with the subsidiary | 5 | (26,499) | (248,813) |
| Redemption of bank deposits, net | | 297,967 | 10,055 |
| Loans issued | | (14,237) | (9,167) |
| Proceeds from sale of subsidiaries, net of cash of disposed subsidiaries | | 11,657 | 63,870 |
| Proceeds of receivables from sale of shares of BTA and Forte banks | | - | 57,473 |
| Proceeds from sale/(acquisition) of joint ventures and associates | | 70,469 | (3,366) |
| Additional contributions to share capital of joint ventures and associates without change in ownership | | (22,227) | (4,765) |
| Repayment of loans issued | | 79,937 | 59,686 |
| Purchase of debt instruments | | (312,747) | (123,589) |
| Other receipts | | 101,608 | 131,674 |
| Net cash flows used in investing activities | | (594,628) | (757,194) |

The accounting policies and explanatory notes on pages 18 through 122 form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended December 31

| <i>In millions of tenge</i> | <i>Note</i> | <i>2020</i> | <i>2019 (restated)*</i> |
|--|-------------|------------------|-----------------------------|
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 1,859,611 | 1,406,455 |
| Repayment of borrowings | | (1,811,258) | (1,538,093) |
| Share buyback by subsidiary | | (212) | (2,979) |
| Repayment of lease liabilities | | (95,384) | (104,090) |
| Contributions to the share capital by the Equity holder of the Parent | 18.1 | 26,000 | 95,196 |
| Contributions by non-controlling interest | | 18 | 120 |
| Distributions to the Shareholder | 18.5 | (59,852) | (131,518) |
| Dividends paid to non-controlling interest of subsidiaries | 18.2 | (72,054) | (53,240) |
| Disposal of interest that does not result in the loss of control | 18.9 | 83,944 | 49,145 |
| Dividends paid to the Shareholder | 18.2 | (120,000) | (63,750) |
| Bonds early extinguishment premium and fees paid | 19 | (45,278) | (45,236) |
| Other payments | | (7,527) | (3,128) |
| Net cash flows used in financing activities | | (241,992) | (391,118) |
| Net increase/(decrease) in cash and cash equivalents | | 74,765 | (477,163) |
| Effects of exchange rate changes on cash and cash equivalents | | 158,524 | (23,375) |
| Changes in cash and cash equivalents disclosed as part of assets held for sale | | 87 | 7,399 |
| Change in allowance for expected credit losses | | 331 | (452) |
| Cash and cash equivalents at the beginning of the year | | 1,993,962 | 2,487,553 |
| Cash and cash equivalents at the end of the year | 17 | 2,227,669 | 1,993,962 |

* 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.

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

Yernar Zhanadil

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 18 through 122 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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 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 for them to successfully achieve their strategic objectives as set in the respective Government programs.

The Fund is a holding company combining companies listed in Note 36 (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 40):

- 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 industry enterprises and projects 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 consolidated financial statements were authorised for issue by the Co-Managing Director for Economy and Finance – Member of the Management Board and Chief accountant of the Fund on April 5, 2021 and preliminary approved by the Audit Committee of the Board of Directors of the Fund. These consolidated financial statements should be further approved by the Board of Directors and the Sole Shareholder.

Privatization plan

On April 30, 2014 the Government approved the initial Privatization Plan for 2014-2016. On December 30, 2015 the Government approved the new 2016-2020 Complex Privatization Plan (replacing previous 2014-2016 Privatization Plan) and the list of all state owned assets to be privatized, including certain Fund subsidiaries.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

Privatization plan (continued)

On December 29, 2020, by the Resolution of the Government of the Republic of Kazakhstan No. 908 On Some Issues of Privatization for 2021-2025, a new comprehensive Privatization Plan for 2021-2025 was approved (hereinafter – the “Privatization Plan”), which includes a new list of state owned organizations and assets of the Fund’s group to be privatized and transferred to a competitive environment.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements.

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

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standard Board (“IASB”).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

In course of preparation of these consolidated financial statements the Group management considered the current international economic environment including complex of uncertainties due to COVID-19 pandemic. The consolidated financial statements were prepared on a going concern basis.

Restatement affecting comparative information

Finalization of assessment of provisional fair value 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 December 31, 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.

Finalization of assessment of provisional fair value of Stantsiya Ekibastuzskaya GRES-2 JSC (“EGRES-2”)

On December 12, 2019 the Group obtained control over EGRES-2 JSC. 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 December 31, 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.

Recalculation of income tax by Kcell JSC

In 2020, Kcell JSC, a subsidiary of the Group, revised the calculation of income tax recognized in its consolidated financial statements for the years 2015-2018 with the aim of resubmitting income tax returns for the years 2015-2018. As a result, Kcell JSC has identified certain adjustments in the calculation of income tax related to the periods 2015-2018. The identified adjustments are mainly related to the delay in the receipt of fiscal documents and the lengthy reconciliation process between Kcell JSC and its counterparties. As a result of these adjustments, comparative information as at December 31, 2019 was restated.

Change in accounting policy

Certain amounts in the consolidated statements of financial position as at December 31, 2019 and January 1, 2019, consolidated financial statements of comprehensive income for the year ended December 31, 2019 and consolidated statements of cash flows for the year ended December 31, 2019 were restated to reflect the effect of changes in the accounting policy as a result of adoption of the IFRIC agenda decision, as described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

IFRS Interpretations Committee's agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements

In November 2019, the IFRS Interpretations Committee published an agenda decision on cancellable or renewable leases, and related non-removable leasehold improvements. The conclusions are summarized below:

Lease term

The IFRS Interpretations Committee noted that, in determining the enforceable period of the lease, an entity considers:

- The broader economics and not only the contractual termination payments. For example, if either party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is enforceable beyond the date on which the contract can be terminated;
- Whether each of the parties has the right to terminate the lease without permission of the other party with no more than an insignificant penalty. A lease is no longer enforceable only when both parties have such a right. Consequently, if only one party has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the contract is enforceable beyond the date on which the contract can be terminated by that party.

If an entity concludes that the contract is enforceable beyond the notice period of a cancellable lease, it should assess whether the lessee is reasonably certain not to exercise the option to terminate the lease.

Useful life of non-removable leasehold improvements

An entity applies IAS 16 in determining the useful life of non-removable leasehold improvements. If the lease term of the related lease is shorter than the economic life of those leasehold improvements, the entity considers whether it expects to use the leasehold improvements beyond that lease term. If the entity does not expect to do so, then, applying IAS 16, it concludes that the useful life of the non-removable leasehold improvements is the same as the lease term. Since the Group's current practice is in line with this clarification, it will not impact on the consolidated financial statements of the Group.

This IFRIC agenda decision should be applied retrospectively and are effective immediately from date of its publication in November 2019.

The Group re-assessed its accounting for the lease contracts of technical sites with the governmental entities which were previously recognized as short-term leases as the Group applied recognition exemptions for short-term leases as in accordance with paragraph 5 of IFRS 16.

As the Group applies the agenda decision it considers all relevant facts and circumstances that create an economic incentive for the lessee but not only contractual termination penalties, in assessing whether the Group is reasonably certain to extend (or not to terminate) a lease. The Group determined the lease term for technical sites lease contracts with the governmental entities equaled to average useful lives of cellular network stations.

The Group adopted the agenda decision and retrospectively recalculated lease contracts with governmental entities effective as at January 1, 2019, the Group's date of adoption IFRS 16. The right-of-use assets for the leases were recognised based on the carrying amount as if the agenda decision had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Since the Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 with the cumulative effect of initially applying the standard recognised at the date of initial application, adjustments related to the abovementioned agenda decision of IFRS Interpretations Committee were reflected in the line "Effect of adoption of IFRS 16".

Changes in presentation of the consolidated statement of financial position

Certain amounts in the consolidated statement of financial position for the year ended December 31, 2019 have been reclassified from other assets to other financial assets in accordance with the presentation adopted in consolidated financial statements for the year ended December 31, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

Changes in presentation of the consolidated statement of cash flows

Certain amounts in the consolidated statement of cash flows for 2019 have been presented in separate lines in accordance with the presentation adopted in consolidated financial statements for 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.

Effect of restatement and reclassifications is disclosed below.

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

| <i>In millions of tenge</i> | <i>December 31, 2019 (as previously reported)</i> | <i>Finalization of assessment of provisional fair value of Khan Tengri Holding B.V.</i> | <i>Finalization of assessment of provisional fair value of EGRES-2</i> | <i>Adjustments related to Kcell JSC</i> | <i>Change in accounting policy</i> | <i>Reclassification of other assets</i> | <i>December 31, 2019 (as restated)</i> |
|--|---|---|--|---|------------------------------------|---|--|
| Assets | | | | | | | |
| Non-current assets | | | | | | | |
| Property, plant and equipment, including: | 13,141,006 | 807 | 4,944 | - | 2,427 | - | 13,149,184 |
| <i>Right-of-use assets under lease agreements</i> | 414,960 | - | - | - | 2,427 | - | 417,387 |
| Intangible assets | 2,000,417 | 3,581 | - | (2,090) | - | - | 2,001,908 |
| Deferred tax assets | 91,229 | - | - | - | 53 | - | 91,282 |
| Other non-current financial assets | 336,245 | - | - | - | - | 107,859 | 444,104 |
| Other non-current assets | 768,673 | - | - | - | - | (107,859) | 660,814 |
| Current assets | | | | | | | |
| Income tax prepaid | 81,894 | - | - | 2,192 | - | - | 84,086 |
| Other current financial assets | 74,669 | - | - | - | - | 102,003 | 176,672 |
| Other current assets | 396,166 | - | - | - | - | (102,003) | 294,163 |
| Total assets | 26,405,096 | 4,388 | 4,944 | 102 | 2,480 | - | 26,417,010 |
| Equity | | | | | | | |
| Retained earnings | 6,171,964 | 23 | 4,944 | - | (75) | - | 6,176,856 |
| Equity attributable to equity holder of the Parent | 12,703,429 | 23 | 4,944 | - | (75) | - | 12,708,321 |
| Non-controlling interest | 1,634,047 | 22 | - | 697 | (134) | - | 1,634,632 |
| Total equity | 14,337,476 | 45 | 4,944 | 697 | (209) | - | 14,342,953 |
| Liabilities | | | | | | | |
| Non-current liabilities | | | | | | | |
| Lease liabilities | 340,029 | - | - | - | 2,545 | - | 342,574 |
| Deferred tax liabilities | 1,064,128 | 1,160 | - | - | - | - | 1,065,288 |
| Other non-current liabilities | 111,659 | 1,861 | - | - | - | - | 113,520 |
| Current liabilities | | | | | | | |
| Lease liabilities | 84,138 | - | - | - | 144 | - | 84,282 |
| Income tax payable | 16,124 | - | - | (595) | - | - | 15,529 |
| 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 | - | (595) | 2,689 | - | 12,074,057 |
| Total equity and liabilities | 26,405,096 | 4,388 | 4,944 | 102 | 2,480 | - | 26,417,010 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

Effect of restatement on the statement of financial position as at December 31, 2018:

| <i>In millions of tenge</i> | <i>December 31, 2018 (as previously reported)</i> | <i>Adjustments related to Kcell JSC</i> | <i>Change in accounting policy</i> | <i>December 31, 2018 (as restated)</i> |
|--|---|---|--|--|
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment, including: | 12,692,464 | – | 2,862 | 12,695,326 |
| <i>Right-of-use assets under lease agreements</i> | 128,436 | – | 2,862 | 131,298 |
| Intangible assets | 1,688,235 | (2,090) | – | 1,686,145 |
| Current assets | | | | |
| Income tax prepaid | 68,858 | 933 | – | 69,791 |
| Total assets | 25,744,925 | (1,157) | 2,862 | 25,746,630 |
| Equity | | | | |
| Retained earnings | 5,100,419 | – | (29) | 5,100,390 |
| Equity attributable to equity holder of the Parent | 11,546,123 | – | (29) | 11,546,094 |
| Non-controlling interest | 1,407,152 | 697 | (66) | 1,407,783 |
| Total equity | 12,953,275 | 697 | (95) | 12,953,877 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Lease liabilities | 130,640 | – | 2,044 | 132,684 |
| Deferred tax liabilities | 937,119 | – | (39) | 937,080 |
| Current liabilities | | | | |
| Lease liabilities | 25,853 | – | 952 | 26,805 |
| Income tax payable | 18,699 | (1,854) | – | 16,845 |
| Total liabilities | 12,791,650 | (1,854) | 2,957 | 12,792,753 |
| Total equity and liabilities | 25,744,925 | (1,157) | 2,862 | 25,746,630 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

Effect of restatement on statement of comprehensive income for 2019:

| <i>In millions of tenge</i> | <i>2019 (as previously reported)</i> | <i>Finalization of asses- sment of provisional fair value of Khan Tengri Holding B.V.</i> | <i>Finalization of asses- sment of provisional fair value of EGRES-2</i> | <i>Change in accounting policy</i> | <i>2019 (as restated)</i> |
|--|--|---|--|--|-------------------------------|
| Cost of sales | (7,988,684) | (374) | - | 277 | (7,988,781) |
| Gross profit | 2,715,017 | (374) | - | 277 | 2,714,920 |
| Transportation and selling expenses | (779,807) | 773 | - | - | (779,034) |
| Gain on business combination | 80,143 | - | 2,466 | - | 82,609 |
| Operating profit | 1,213,982 | 399 | 2,466 | 277 | 1,217,124 |
| Finance costs | (639,363) | - | - | (417) | (639,780) |
| Other non-operating income | 111,320 | (268) | 2,478 | - | 113,530 |
| Net foreign exchange (loss)/gain, net | (16,814) | (8) | - | - | (16,822) |
| Profit before income tax | 1,797,988 | 123 | 4,944 | (140) | 1,802,915 |
| Income tax expenses | (382,382) | (78) | - | 26 | (382,434) |
| Net profit for the period | 1,415,606 | 45 | 4,944 | (114) | 1,420,481 |
| Net profit for the period attributable to: | | | | | |
| Equity holder of the Parent | 1,243,050 | 23 | 4,944 | (46) | 1,247,971 |
| Non-controlling interest | 172,556 | 22 | - | (68) | 172,510 |
| Total comprehensive income for the period, net of tax, attributable to: | | | | | |
| Equity holder of the Parent | 1,227,532 | 23 | 4,944 | (46) | 1,232,453 |
| Non-controlling interest | 170,594 | 22 | - | (68) | 170,548 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatements affecting comparative information (continued)

Effect of restatement and reclassifications on the consolidated statement of cash flows for 2019:

| <i>In millions of tenge</i> | <i>2019 (as previously reported)</i> | <i>Change in accounting policy</i> | <i>Reclassification</i> | <i>2019 (as restated)</i> |
|--|--|--|-------------------------|-------------------------------|
| Cash flows from operating activities | | | | |
| Payments to suppliers | (6,738,690) | 863 | | (6,737,827) |
| Short-term lease payments and variable lease payments | - | - | (82,314) | (82,314) |
| Other payments | (206,101) | - | 82,314 | (123,787) |
| Interest paid | (473,695) | (417) | - | (474,112) |
| Net cash flows received from operating activities | 670,703 | 446 | - | 671,149 |
| Cash flows from investing activities | | | | |
| Proceeds from the sale of property, plant and equipment | - | - | 31,415 | 31,415 |
| Proceeds from the sale of intangible assets | - | - | 53 | 53 |
| Proceeds from the sale of other non-current assets | - | - | 34,931 | 34,931 |
| Proceeds from sale/(acquisition) of joint ventures and associates | (8,131) | - | 4,765 | (3,366) |
| Additional contributions to share capital of joint ventures and associates without change in ownership | - | - | (4,765) | (4,765) |
| Other receipts | 198,073 | - | (66,399) | 131,674 |
| Net cash flows used in investing activities | (757,194) | - | - | (757,194) |
| Cash flows from financing activities | | | | |
| Repayment of lease liabilities | (103,644) | (446) | - | (104,090) |
| Bonds early extinguishment premium and fees paid | - | - | (45,236) | (45,236) |
| Other payments | (48,364) | - | 45,236 | (3,128) |
| Net cash flows used in financing activities | (390,672) | (446) | - | (391,118) |

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

The effect of restatement and reclassifications on the carrying amount of right-of-use assets as at December 31, 2019 is disclosed below:

| <i>In millions of tenge</i> | <i>December 31, 2019 (as previously reported)</i> | <i>Change in accounting policy</i> | <i>Reclassification</i> | <i>December 31, 2019 (restated)</i> |
|---|---|--|-------------------------|---|
| Right-of-use assets under lease agreements included in property, plant and equipment | | | | |
| Buildings and premises | 30,694 | 2,427 | 40,837 | 73,958 |
| Machinery, equipment and vehicles | 294,357 | - | (18,154) | 276,203 |
| Other | 45,167 | - | (22,683) | 22,484 |
| | 414,960 | 2,427 | - | 417,387 |

All the disclosure amounts within the comparative information were changed respectively.

Since the Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019, adjustments related to the agenda decision of IFRS Interpretations Committee were reflected in the line "Effect of adoption of IFRS 16" in related disclosures.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation

Functional and presentation currency

Items included in these consolidated financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in tenge, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at 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 the presentation currency are translated into the presentation currency as follows:

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

Exchange rates

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

The following table presents currency exchange rates to tenge:

| | December 31, 2020 | December 31, 2019 | Weighted average for 2020 | Weighted average for 2019 | April 5, 2021 |
|------------------------------|-------------------|-------------------|------------------------------|------------------------------|---------------|
| United States dollar ("USD") | 420.91 | 382.59 | 413.46 | 382.87 | 427.39 |
| Euro ("EUR") | 516.79 | 429 | 472.05 | 428.61 | 501.71 |
| Russian ruble ("RUR") | 5.62 | 6.16 | 5.73 | 5.92 | 5.60 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

The accounting policies adopted in the preparation of the 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 other amendments and interpretations apply for the first time in 2020, but they do not have an impact on the consolidated financial statements of the Group:

Amendments to IFRS 3 Business Combinations

The amendments enhanced definition of a business set out by the standard and 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 clarifies that a business can exist without including all of the inputs and processes needed to create outputs. The amendments are applicable prospectively. These amendments had no impact on the consolidated financial statements of the Group since the current practice is in line with these amendments.

Amendments to IFRS 7 Financial instruments: Disclosures, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial instruments

The amendments 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 uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

These amendments introduced new definition of material. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. Since the current practice is in line with these amendments, there is no impact on the consolidated financial statements.

Revised version of Conceptual Framework for Financial Reporting

In particular, the revised version introduced new definitions of assets and liabilities, as well as amended definitions of income and expenses. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Leases in regards of COVID-19-related rent concessions

The amendments provide relief to lessees from assessment whether a COVID-19-related rent concession is a lease modification. The amendments did not have a material impact on the consolidated financial statements, as the Group has not received significant rent concessions related to pandemic.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards that have been issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

These amendments and interpretations did not have an impact on the consolidated financial statements of the Group:

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1: *Presentation of Financial Statements* named *Classification of Liabilities*;
- Amendments to IFRS 3 *Business Combinations* named *Reference to the Conceptual Framework*;
- Amendments to IAS 16 – *Property, Plant and Equipment: Proceeds before Intended Use*;
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract*;
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*;
- Amendments to IFRS 9 *Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*;
- Amendments to IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments* as well as IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* named *Interest Rate Benchmark Reform – Phase II*;
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*;
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The amendments to IAS 1 and IAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The Group does not plan for early adoption in respect of above-mentioned new standards and amendments to existing standards to which this option is available.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Change in estimates on contribution of gas pipelines under trust management agreements terms from the state bodies

In prior years the Group used a judgement when treating pipelines transferred to the Group from local executive bodies (LEB) or State Property and Privatization Committee Departments (SPPCD) under trust management agreements (TMA). The judgement was that TMA serves as a temporary mechanism, which gives control to the Group over the pipelines until the legal title is transferred to the Group. The Group assumed that the Government transfers the pipelines to the Group in the shortest period possible. Also the judgment was based on the Memorandum of Understanding signed in 2017 with local authorities, according to which all risks and rewards were transferred to the Group, including property taxation and rights for tariff filings.

During 2020, following significant changes occurred in facts and circumstances that supported the initial judgement:

- TMA has expired without prolongation and gas pipelines were returned to LEB, while it was initially assumed that the Group will receive legal ownership of these assets;
- Assets received under TMA were not transferred to the republican ownership (to SPPCD) and, further to the Group within the short period as was expected. This revealed that the transferring mechanism was not a temporary measure to provide the Group with the ownership rights until the formal transfer of the legal title;
- The above mentioned Memorandum expired.

Accordingly, the Group concluded that from 2020, the initial judgement is no longer applicable and, after TMA update, the Group no longer can exercise control over the pipelines provided by LEB. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, this change in judgement does not represent an accounting error and, was accounted prospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in estimates on contribution of gas pipelines under trust management agreements terms from the state bodies (continued)

As a result, in 2020 the Group derecognized all pipelines received under such TMA at their carrying amounts at that date and, correspondingly, reduced additional paid-in capital by 17,323 million tenge (Note 18). The change in the judgment affects current and future reporting periods, and if the change in the judgement did not occur in 2020, equity and PPE at the end of 2020 would have been higher by 15,873 million tenge, the income statement effect on the current and future reporting periods is insignificant.

Basis of consolidation

These consolidated financial statements comprise the financial statements of the Fund and its controlled subsidiaries (Note 36).

Subsidiaries

Subsidiaries are the entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income and consolidated statement of financial position from the date the Group gains control until the date the Group ceases to control the subsidiary.

Except for acquisition in transactions between entities under common control, subsidiaries are consolidated from the date when control is obtained by the Group and are de-consolidated from the date when control ceases. At the acquisition of the subsidiary, acquisition cost is distributed between assets and liabilities based on their fair value as at the date of acquisition. Financial statements of the subsidiaries are prepared for the same reporting period as those of the Fund, using consistent accounting policies.

All intra-group balances and transactions, including unrealized gains resulting from intra-group transactions are eliminated in full. Unrealized losses are eliminated in the same manner as unrealized gains, except that they are eliminated to the extent that there is no evidence of impairment.

Non-controlling interest represents a portion of equity in subsidiaries, which is not owned by the Group, and is recorded separately in equity in the consolidated statement of financial position separately from the equity attributable to the Parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in its deficit balance.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes an analysis of the need of separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, equity interest previously held by the Group in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value through profit and loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, the goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date of an entity by the Group, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operations disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured on the basis of the relative values of the operation disposed off and the portion of the cash-generating unit retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Business combinations achieved in stages

The acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

In a business combination achieved in stages the acquirer recognises goodwill as of the acquisition date measured as the excess of (a) over (b) below:

(a) The aggregate of:

- (i) The consideration transferred measured in accordance with this IFRS 3 Business Combinations, which generally requires acquisition-date fair value;
- (ii) The amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3; and
- (iii) The acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;

(b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Acquisition of subsidiaries from parties under common control

Acquisition of subsidiaries from parties under common control (entities under the Government's control) is accounted for using the pooling of interest method.

Assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the "Predecessor") at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

These consolidated financial statements are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Change in ownership interests in subsidiaries

In transactions where part of the interest in existing subsidiary is either sold or acquired, but control is retained, the differences between the carrying amounts of net assets attributable to interests in subsidiaries acquired or disposed and the consideration given or received for such increases or decreases are charged or credited to retained earnings.

Investment in joint ventures and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but which does not comprise control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. Also, the Group has interests in associates, in which it exercises significant influence over the economic activities of the entities. The Group's investment in its joint ventures and associates are accounted for using the equity method.

Under the equity method, investment in joint venture / associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture / associate. Goodwill relating to a joint venture / associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Investment in joint ventures and associates (continued)

The consolidated statement of comprehensive income reflects the share of the results of operations of the joint venture / associate. Where there has been a change in net assets recognized directly in the equity of the joint venture / associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture / associate are eliminated to the extent of the Group's interest in the joint venture / associate.

The share in profit of joint ventures / associates is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the joint venture / associate and therefore is profit after tax and non-controlling interest in the subsidiaries of the joint ventures / associates.

Financial statements of the joint venture / associate are prepared for the same reporting period as those of the Parent. Where necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures / associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture / associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of investment in the joint venture / associate and its carrying amount and recognises impairment loss in the consolidated statement of comprehensive income.

Upon loss of joint control over the joint venture and significant influence over associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the investment in the joint venture / associate upon loss of joint control / significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 (twelve) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

Assets classified as held for sale and discontinued operations

Assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through the continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 (one) year from the date of classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets classified as held for sale and discontinued operations (continued)

In the consolidated statement of comprehensive income for the reporting period, and for the prior year comparable period, incomes and expenses from discontinued operations are reported separately from normal income and expenses, even when the Group retains a non-controlling interest in the subsidiary after sale. The resulting profit or loss (net of tax) is reported separately in the consolidated statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated.

Oil and natural gas exploration, evaluation and development expenditure

Costs incurred before obtaining subsoil use rights (licenses)

Costs incurred before obtaining full subsoil use rights (licenses) are expensed in the period in which they are incurred, except when costs are incurred after signing preliminary agreements with the Government of the Republic of Kazakhstan, in such cases costs incurred after this date are capitalized.

Expenditures for acquisition of subsurface use rights

Expenditures for acquisition of subsurface use rights (exploration and production) comprise signature bonuses, historical costs, obligatory expenditures for ecological and social programs and are capitalized within intangible assets as subsurface use rights at exploration and evaluation phase.

Expenditures for acquisition of subsurface use rights are accounted for on a field-by-field basis. Each field is tested for impairment on an annual basis. If no future activity is planned, the remaining balance of the acquisition costs is written off. Starting from the commercial production on fields subsurface use rights (remaining costs) shall be transferred to the property, plant and equipment and shall be amortized using unit-of-production method on actual production based on total proved reserves.

Exploration and evaluation expenditures (construction in progress)

Exploration and evaluation expenditures include geological and geophysical costs; costs directly related to exploration drilling; stripping activities; overhead and other expenses on exploration and evaluation, which could be related to a certain field. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. Except for geological and geophysical costs, exploration and evaluation expenditures are capitalized within exploration and evaluation assets, accounted for by subsurface use contracts and are not amortized. If mineral or hydrocarbon resources are not found, this could be an indication of impairment. All capitalized costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. If mineral or hydrocarbon resources are determined and development is sanctioned, relevant costs are then transferred to oil and gas or mining assets subclasses.

Development and production expenditures (oil and gas and mining assets)

Development and production expenditures comprise previously capitalized (and reclassified in commencement of production) expenditures for acquisition of subsurface use rights and exploration and evaluation costs; drilling of producing wells regardless of the drilling results; construction of landfills; development of surface technological facilities required for production, collection and preparation of hydrocarbons and mineral resources at fields; other costs incurred in the process of organization of commercial production at fields; capitalized discounted costs for wells and mines abandonment and site restoration. Development and production expenditures are capitalized within property, plant and equipment (oil and gas and mining assets), and are accounted for on a field-by-field basis.

Oil and gas and mining assets are depreciated using a unit-of-production method based on actual production from commencement of commercial production at fields. Certain oil and gas and mining assets (surface facilities and equipment) with useful lives significantly differing from those of the fields are depreciated on a straight-line basis over their useful lives. The cost of acquisition of subsurface use rights including discounted decommissioning costs are depreciated over total proved reserves. The other field development costs are amortized over proved developed reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (other than oil and gas and mining assets)

On initial recognition, property, plant and equipment is measured at cost. Subsequently, property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Property, plant and equipment, other than oil and gas and mining assets, principally comprise the following classes of assets, which are depreciated on a straight-line basis over the expected useful lives:

| | |
|-----------------------------------|-------------|
| UPS Power transmission lines | 50 years |
| Refinery assets | 4-100 years |
| Pipelines | 2-30 years |
| Buildings and premises | 2-100 years |
| Railway tracks and infrastructure | 10-80 years |
| Machinery, equipment and vehicles | 2-50 years |
| Other | 2-20 years |

In cases when items of property, plant and equipment are subject to major inspection, the cost is recognized in the carrying amount of property, plant and equipment as a replacement of component if the recognition criteria set out in IAS 16 are satisfied.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the reporting period the asset is derecognised.

Residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with the finite useful life principally comprise the following classes of assets which are amortised on a straight-line basis over the expected useful lives:

| | |
|----------|------------|
| Licenses | 3-20 years |
| Software | 1-14 years |
| Other | 2-15 years |

Indefinite lives intangible assets are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount.

Investment properties

Investment property is initially measured at cost, including transaction costs.

Since the Group adopted cost model, after initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 Property, Plant and Equipment, that is, at cost less accumulated depreciation and less accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

The depreciation is calculated based on straight line method basis over the expected remaining useful average life of 2-100 years.

Investment property is derecognised (eliminated from the consolidated statement of financial position) on its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected in the future. The difference between the net inflows arisen from the disposal and carrying amount of the asset is recognised in the consolidated statement of comprehensive income for the period in which it was derecognized.

Impairment of non-financial assets

The Group assesses non-financial assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of its recoverable amount.

An asset's or cash generating unit's (CGU's) recoverable amount is higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and an allowance is made to reduce the asset to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset or CGU and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment provision may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment allowance was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/ amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profits and losses.

After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following process is applied in assessing impairment of goodwill:

- Goodwill is tested for impairment annually as at December 31, and when circumstances indicate that its carrying amount may be impaired;
- Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to oil and gas development tangible or intangible assets or whenever facts and circumstances indicate impairment. One or more of the following facts and circumstances indicate that the Group should test exploration and evaluation assets for impairment (the list is not exhaustive):

- The period for which the Group entity has the right to explore and appraise in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on the further exploration for and evaluation of hydrocarbon resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of hydrocarbon resources in the specific area have not led to the discovery of commercially viable quantities of hydrocarbon resources and the Group entity has decided to discontinue such activities in the specific area;
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables, loans due from third and related parties, debt securities of third and related parties and bank deposits.

Financial assets at fair value through other comprehensive income

The Group measures financial assets at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest consists of consideration for the time value of money, and for the credit risk associated with the principal amount outstanding during a particular period of time.

The Group's financial assets at FVOCI include mainly debt securities of third and related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at FVPL include certain loans due from related parties, which contain embedded derivative financial instruments, and coupon bonds included in other financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

The Group's financial assets at FVPL include mainly note receivable, loans issued, debt and equity securities of third and related parties.

Derecognition

A financial asset is primarily derecognised (removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Hedge accounting

The Group designates certain hedging instruments in respect of foreign currency risk, as either hedges of net investments in foreign operations or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values of foreign operations or cash flows of the hedged item attributable to the hedged risk.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued:

- a) When the Group revokes the hedging relationship;
- b) When the hedging instrument expires or is sold, terminated, or exercised; or
- c) When it no longer qualifies for hedge accounting.

Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Investments in foreign operations hedge

Foreign currency gain or loss arising on items that are designated as part of the hedge of the Group's net investment in foreign operations are recognized in consolidated statement of comprehensive income within currency translation reserve.

Cash flow hedges

Foreign currency gain or loss arising from financial instruments that are designated and qualify as cash flow hedges is recognized in consolidated statement of comprehensive income within hedge reserve.

Inventories

Inventories are valued at cost or net realisable value, whichever is lower. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to sell. The same cost formula is used for all inventories having a similar nature and use. Inventories of oil and gas and energy operating segments are valued on a first-in first-out ("FIFO") basis. All other inventories are valued on the weighted-average cost basis.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits, short-term and highly liquid investments with original maturity of not more than 3 (three) months readily convertible to known amounts of cash and subject to insignificant risk of change in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans borrowings and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at FVPL.

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR).

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 (twelve) months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the financial guarantee contracts after initial recognition at the higher of the amount initially recognized less, when appropriate, the cumulative amount of income/amortization in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and the amount of the estimated allowance for expected credit losses.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in *Note 38*.

Leases

Determining whether the agreement is a lease or whether it contains evidence of a lease is based on an analysis of the content of the agreement at the date of the commencement of the lease. The agreement is a lease or contains signs of a lease if the implementation of the agreement depends on the use of a particular asset (or assets), and the right to use the asset or assets as a result of this agreement is transferred from one party to the other, even if this asset (or these assets) is not indicated (not specified) in the agreement explicitly.

The Group as lessee

For the lease contracts (or separate components of the contracts), under which the Group is granted the right to control the use of an identified asset (as defined by IFRS 16 *Leases*) for a certain period of time in exchange for consideration, the Group recognizes a right-of-use asset and a corresponding lease liability at the inception of the contract. Non-lease components of the contracts are accounted for in accordance with other relevant standards.

In accordance with IFRS 16 *Leases*, the Group applies practical expedient for not recognising the lease for the lease contracts with lease term of less than 12 months at lease inception and without purchase option, for the leases with variable lease rates that do not depend on an index or rate and for the leases of low value assets. The Group recognizes short-term leases and leases of low value assets as expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease payments are discounted by using the Group incremental borrowing rate, except when the rate is implicit in the lease and can be readily determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

At the commencement date, the Group measures the right-of-use asset at cost that includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred by the lessee. The right-of-use asset is subsequently measured according to the accounting policy that is applied for own assets, including for depreciation and amortization and impairment measurement.

The recognised right-of-use asset is depreciated over the shorter period of expected useful life of the underlying asset or lease term.

The Group presents lease liabilities in the consolidated statement of financial position as a separate line (*Note 22*), while right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned, i.e. within property, plant and equipment (*Note 7*).

In accordance with the requirements of IFRS 16, the Group classifies repayment of principal in cash flows from financial activities. In accordance with the Group's accounting policy, interest paid is classified as part of the cash flows from operating activities. Payments on short-term leases, leases of low value assets and variable rental payments not included in the valuation of the lease liability are presented as part of operating activities.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its property, plant and equipment items.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Provisions

Asset retirement obligation (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding addition to the carrying amount of the related item of property, plant and equipment in the amount equivalent to the provision is also recognized. This amount is subsequently depreciated as part of the capital costs of the production and transportation facilities in accordance with respective depreciation method.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Asset retirement obligation (decommissioning) (continued)

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

- a) Changes in the provision are added to, or deducted from, the carrying amount of the related asset in the current period;
- b) The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of comprehensive income; and
- c) If the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Other provisions

Provisions are recognized in the consolidated financial statements when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Employee benefits

Contributions to pension funds

The Group withholds 10% from the salary of its employees limited to certain annual amounts as the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits payable by that pension funds and the Group has no present or future obligation to further compensate its employees upon their retirement in relation to these arrangements.

Social tax

The Group pays social tax on salaries payable to employees according to the current statutory requirements of the Republic of Kazakhstan. Social tax is expensed as incurred.

Defined benefit plan

In accordance with the Collective Agreements signed with trade unions and other benefit regulations, some subsidiaries of the Group provide certain benefits to its employees upon their retirement ("Defined Benefit Plan").

The Group recognises actuarial gains and losses arising from the reassessment of the employee benefit liability in the period they are identified in OCI and profits and losses, and recognises benefit costs and obligations based on estimates determined in accordance with IAS 19 Employee Benefits.

The obligation and cost of benefits under the defined benefit plan are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing benefits is charged to profit and loss, so as to attribute the total benefit cost over the service lives of employees in accordance with the benefit formula of the defined benefit plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit plan obligation.

The defined benefit plans of Group's subsidiaries are unfunded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity

Share capital

Common shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess or deficiency of the fair value of consideration received over the par value of shares issued is recognized as an increase or decrease in the retained earnings.

Non-controlling interests

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Parent. Losses of subsidiaries are attributed to the non-controlling interest even if this results in a deficit balance.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed in the consolidated financial statements when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Other distributions to the Shareholder

Other distributions to the Shareholder recognized as deductions from retained earnings are represented by expenses incurred or asset distribution made at the discretion of the Shareholder, including property, plant and equipment, interest in another entities, other disposal groups, cash and other assets in accordance with accounting policy of the Group.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured.

Sale of goods

Revenues are recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset, which usually occurs when the title is passed, provided that the contract price is fixed or determinable and collectability of the receivable is reasonably assured. For export sales, title generally passes at the border of the Republic of Kazakhstan. Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts, volume rebates and reimbursable taxes.

Sales of support services are recognized as services are performed provided that the service price can be determined and no significant uncertainties regarding the receipt of revenues exist.

Rendering of services

Revenue from rendering of services is recognized when the services have been performed.

In respect of services related to transportation, revenue is recognized with reference to the stage of completion of the transportation at the reporting date provided that the stage of completion of transportation and the amount of revenue can be measured reliably. Prepayments received from customers relating to transportation services that have not been started yet are recognized upon receipt as "advances received from customers". Deferred income is credited to current revenue, as the service is provided.

The Group's revenue in the energy, communications and transportation segments is primarily recognized over a period of time, while the rest of the Group's revenue is primarily recognized at a point in time.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale and lease back transactions

The Group accounts for a transfer of an asset in a sale and leaseback transaction as a sale only if the transfer meets the requirements of IFRS 15 *Revenue from Contracts with Customers*.

If, under IFRS 15, a sale is to be recognised by the seller-lessee, then the right-of-use asset leased back is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. The seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the seller-lessee continues to recognize the transferred asset and recognizes a financial liability equal to proceeds for the transfer by applying IFRS 9 *Financial Instruments*.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as investments held at FVOCI, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Trade receivables

Accounts receivable represent the Group's right to the consideration amount, which is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities from contracts with customers

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Costs to obtain a contract

The Group pays commission to sales agents for new connected subscribers in the communication segment. The commission to sales agents is capitalized within other non-current assets in the consolidated statements of financial position. Costs to obtain a contract are amortized over the period the service is provided to the customer.

Establishment of tariffs

A number of subsidiaries of the Group are subject to regulation by the Committee for regulation of natural monopolies of the Republic of Kazakhstan ("CRNM"). This Committee is responsible for approval of the methodology for tariff calculation and tariff rates, under which the subsidiaries derive a significant portion of their revenues.

Government grants

Due to the fact that the Government of the Republic of Kazakhstan is the sole shareholder of the Fund, the Group analyses all transactions with the Government to assess its role: where the Government acts primarily in its capacity of the Shareholder or where it acts as a regulator.

If it is determined that in a specific transaction the Government acts in capacity of the Shareholder any gains or losses incurred by the Group as a result of such transaction are reflected directly in equity as either a contribution or withdrawal of equity by the Shareholder.

If it is determined that in a specific transaction the Government does not act in capacity of the Shareholder such transactions are accounted for using provisions of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. In such circumstances, government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments. Grants related to income are presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated statement of comprehensive income in the period to which they relate on the accrual basis.

Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the profits and losses, except to the extent that it relates to items charged or credited to other comprehensive income or equity, in which case it is recognized in other comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Excess profit tax ("EPT") is treated as an income tax and forms part of income tax expense. In accordance with the subsurface use contracts, the Group accrues and pays EPT, at specified rates of after tax profit which has been adjusted for specific deductions in accordance with the applicable subsurface use contracts, when certain internal rates of return are exceeded.

Deferred tax is calculated with respect to both corporate income tax ("CIT") and EPT. Deferred EPT is calculated on temporary differences for assets allocated to subsurface use contracts at the expected rate of EPT to be paid under the contract.

Deferred tax is provided using the statement of financial position method, in relation to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences arising due to the following are not provided for:

- The initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Value added tax ("VAT")

Tax authorities permit the settlement of sales and purchases VAT on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

Related parties

Related parties include the Group's Shareholder, key management personnel, associates, joint ventures and entities in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's shareholders or key management personnel.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements (Note 39) unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes.

Subsequent events

Post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the reporting date and reported amounts of assets, liabilities, revenues, expenses and contingent assets and liabilities during the reporting period. Actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Considerations in respect of COVID-19 pandemic and hydrocarbon economy in 2020

The impact of COVID-19 and unfavorable trend in the global hydrocarbons market on the basis of preparation of this consolidated financial statements has been considered as part of the going concern assessment. To support this assertion liquidity forecast has been assessed under several stressed scenarios. And as a result, impairment tests for upstream and midstream segments were performed.

Recoverability of long-term assets

The Group assesses assets or cash generating unit (“CGU”) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset / CGU is considered to be impaired and is written down to its recoverable amount.

In assessing recoverable amount the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

Under IAS 36, one of the possible impairment indicators is the presence of significant changes that had negative consequences for the Group that occurred during the year or are expected in the near future in the technological, market, economic or legal environment in which the Group operates or in the market for which the asset is used.

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

As at December 31, 2020 and 2019 the Group performed its annual impairment tests of downstream, refining and other assets due to existence of impairment indicators. The Group considered forecast refining margins and production volumes, among other factors, when reviewing for indicators of impairment. As a result of the impairment analysis of the recoverable amount of downstream, refining and other assets an impairment charge was recognized in the consolidated financial statements for the year ended December 31, 2020 and 2019 (*Note 31*).

Impairment testing assumptions

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 estimates are based on proved developed and undeveloped reserves for subsidiaries, and on proved and probable reserves for significant investments in JVs and associates. Production period is either based on subsoil use contracts' expiration date or on extended license period, to which the Group has strong intention to extend its licenses. 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.

Discount rates were estimated on the weighted average cost of capital of the individual cash generating unit and ranged between 7.77%-14.50% depending on the functional currency, production period, size, equity risk premium, beta and gearing ratio of the relevant cash-generating unit (CGU).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**Recoverability of oil and gas assets, downstream, refining and other assets (continued)***Impairment testing assumptions (continued)*

The long-term price assumptions applied were derived from Bloomberg consensus; so did the near-term commodity price assumptions, a summary of which, in real 2020 terms, is provided below:

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|--------------------|------|------|------|------|------|
| Brent oil (\$/bbl) | 48 | 54.5 | 54 | 56 | 57 |

The impairment expense primarily relates to production assets and primarily arose as a result of changes to the group's oil and gas price assumptions, and include 60,440 million tenge attributable to Embamunaigas JSC, the Group subsidiary, (EMG) (Note 31) and 30,654 million tenge related to the oil and gas segment's JVs and associate (Note 31). The recoverable amounts of the CGUs within these businesses were based on value-in-use calculations.

An impairment charges of 162,455 million tenge were recognized in 2020, which represents partial impairment of refining assets of KMGJ due to the decline in refining margins following lock-downs caused by COVID-19 (Note 31). The recoverable amount of these assets for impairment testing purposes was determined based on fair value less cost to disposal.

Headroom of the majority of oil and refining assets are sensitive to changes in price or other assumptions. The changes within next financial periods may result in recoverable amount of these assets above or below the current carrying amounts and therefore there is a risk of impairment reversals or charges in those periods. Sensitivity to key assumptions for significant CGUs of the Group, at which impairment charges were recognized in 2020, were disclosed in Note 31. Impairment testing is performed by independent qualified appraisers on an annual basis.

Oil and gas reserves

Oil and gas reserves are a material factor in the computation of depreciation, depletion and amortization expenses in oil segment. The Group estimates its oil and gas reserves in accordance with the methodology of the Society of Petroleum Engineers ("SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

Please refer Note 31 for details on annual impairment test results.



4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Mining reserves

Mining reserves are a critical component of the projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortisation expense in mining segment.

Group entities usually estimate reserves based on results of detailed mine exploration, which is evaluated and approved by State Reserves Commission (SRC) of Kazakhstan Geology Committee. Normally upon stripping during production actual reserves of each area are greater or lesser than geological reserves approved by SRC.

Uranium reserves (estimate)

Uranium reserves are a critical component of the Group's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortisation expense.

In 2020 and 2019 the Group engaged an independent consultant to assess the Group's reserves and resources in accordance with the Australasian Code for reporting on geological exploration works, mineral resources and ore reserves (2012) (hereinafter JORC Code). Independent assessments of reserves and resources was carried out as of December 31, 2020 and December 31, 2019. The consultant reviewed all key information upon which the most recent reported mineral resource and ore reserve statements for the mining assets of NAC KAP are based.

The consultant's reports contain an assessment of the tonnes of uranium contained in ore which has the potential to be extracted by the existing and planned mining operations (the mineral resource), and also the tonnes of uranium contained in ore currently planned to be extracted as envisaged by the respective LoM plans (the ore reserve). The Group used reserves data according to the consultant's report for calculation of impairment of long-term assets and unit of production depreciation for each of the Group's mines.

Subsoil use contract

In November 2020 the Ministry of Energy of the Republic of Kazakhstan refused approval sought by JV KATCO LLP ("the Partnership") of an addendum to the subsoil use contract for the transition to commercial development of reserves "at the South Tortkuduk" field. In December 2020, the Partnership appealed this decision to the Supreme Court of the Republic of Kazakhstan. The result of this appeal is outstanding at the date of these financial statements. Accordingly, there is uncertainty about the ability of JV KATCO LLP to carry out commercial development of the reserves of the Southern Tortkuduk field. The Group's management believes that the probability is low of early termination of the JV KATCO LLP contract or the failure to conclude an addendum to the contract, therefore the Group has not recognised in these consolidated financial statements any impairment loss in respect of its investment in JV KATCO LLP.

Goodwill

KMGI CGU, including goodwill

As at December 31, 2020 and 2019, the Group performed its annual impairment tests for goodwill and downstream, refining and other assets due to existence of impairment indicators at the CGUs of KMGI. As the result of the impairment analysis, recoverable amount of KMGI CGUs exceeded their carrying values, except for Refining CGU (*Note 31*).

Pavlodar refinery, goodwill

As of December 31, 2020 and 2019 the Group has material goodwill related to acquisition of Pavlodar refinery of 88,553 million tenge (*Note 8*). The Group performed annual impairment test for the Pavlodar refinery goodwill using the current tolling business scheme used by Pavlodar refinery in December 2020 and 2019. The Group considers the forecast for oil tolling volumes, oil tolling tariffs, capital expenditures, among other factors, when reviewing for indicators of impairment. The recoverable amount is calculated using a discounted cash flow model. The discount rate in 2020 at 10.79% (2019: 9.7%) was calculated using the weighted average cost of capital before taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Goodwill (continued)

Pavlodar refinery, goodwill (continued)

The weighted average cost of capital takes into account both borrowed funds and equity. The cost of equity is derived from the expected return on investment. The cost of debt capital is based on long-term interest-bearing loans of Pavlodar refinery. The inherent risk was included by applying an individual beta factor. The beta factor was estimated based on the publicly available market data. Forecasted cash flows till to 2029 were based on five-years business plan of Pavlodar refinery 2021-2025, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2025 was forecasted by applying expected inflation rate of 2020: 5.53% (2019: 5.49%), excluding capital costs, which are based on the best estimate of the Group as of valuation date. As at December 31, 2020 and 2019 the recoverable amount of goodwill, which was determined based on value-in-use, exceeded its book value, as such no impairment of Pavlodar refinery goodwill was recognised.

Sensitivity to changes in assumptions

Results of the assessment of recoverable amount of Pavlodar refinery goodwill are sensitive to changes in key assumptions, in particular, assumptions related to changes in discount rate and target EBITDA in terminal period. Increase in discount rates by 1.0% to 11.89% and decrease of target EBITDA in terminal period by 1% from 34% to 35% would result in decrease of the recoverable amount of CGU Pavlodar refinery to its carrying value.

Khan Tengri Holding B.V., Kcell JSC and IP TV

As of December 31, 2020 the Group has material goodwill related to three generating units: 96,206 million tenge (2019: 96,206 million tenge) related to Khan Tengri Holding B.V., 53,490 million tenge related to Kcell JSC (2019: 53,490 million tenge) and 2,706 million tenge related to IP TV (2019: 2,706 million tenge).

The Group performed its annual impairment test in December 2020 and 2019:

- The recoverable amount of the Khan Tengri Holding B.V. and Kcell JSC CGUs has been determined based on the calculation of fair value less costs of disposal as it was deemed to produce a more reliable result. This valuation technique was based on unobservable inputs (discounted cash flows) that represent Level 3 of the fair value hierarchy.
- The pre-tax discount rate applied to projected cash flows of Khan Tengri Holding B.V. was 18.63% (2019: 16.96%), and cash flows beyond the five-year period were extrapolated taking into account a growth rate of 1.5% (2019: 1.5%). The pre-tax discount rate applied to projected cash flows of Kcell JSC was 17.88% (2019: 16.71%), and cash flows beyond the five-year period were extrapolated taking into account a growth rate of 1.5% (2019: 1.5%).
- The recoverable amount of IP TV CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 15.02% (2019: 15.14%), and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate (2019: 1.5%).

Key assumptions used in calculations include the customer base over the forecast period and average revenue per customer with direct impact on revenue growth rates, the level of capital investments included in the financial plan, EBITDA margin included in the financial plan, growth rate for cash flow extrapolation beyond the forecast period and discount rate.

As a result of this analysis, the Group has not identified an impairment of goodwill related to these CGUs as at December 31, 2020.

Sensitivity to changes in assumptions – Khan Tengri Holding B.V., Kcell JSC

Although management expects that the market share owned by the Group will not grow over the forecast period, according to the financial plan, slowing growth of customer base or a decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 6.30% (2019: 9.54%), would result in a loss from impairment in Khan Tengri Holding B.V. CGU for 721 million tenge (2019: 4,531 million tenge) and by more than 5.06% (2019: 12.48%), would result in a loss from impairment in Kcell JSC: CGU for 84 million tenge (2019: 238 million tenge).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Goodwill (continued)

Khan Tengri Holding B.V., Kcell JSC and IP TV (continued)

Sensitivity to changes in assumptions – Khan Tengri Holding B.V., Kcell JSC (continued)

Increase in capital investments by more than 85% (2019: 72.39%) would result in loss from impairment in Khan Tengri Holding B.V. CGU for 1,415 million tenge (2019: 4,514 million tenge) and more than 91.5% (2019: 53.24%) would result in loss from impairment in Kcell JSC CGU for 189 million tenge (2019: 231 million tenge).

Decrease in EBITDA margin by more than 14% (2019: 12.23%) would result in loss from impairment in Khan Tengri Holding B.V. CGU for 980 million tenge (2019: 4,467 million tenge) and more than 11.2% (2019: 7.99%) would result in loss from impairment in Kcell JSC CGU for 204 million tenge (2019: 286 million tenge).

Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. A reduction to more than 54,3% (2019: 21.39% per annum in the long-term growth rate in Khan Tengri Holding B.V CGU would result in impairment loss for 41 million tenge (2019: 4,503 million tenge) and more than 30,21% (2019: 13.57% per annum in the long-term growth rate in Kcell JSC would result in impairment loss for 261 million tenge (2019: 242 million tenge).

An increase in pre-tax discount rate to 33% (2019: 28.59%) would result in impairment loss in Khan Tengri Holding B.V. CGU for 2,399 million tenge (2019: 4,538 million tenge) and to 28.85% (2019: 25.05%) would result in impairment loss in Kcell JSC CGU for 271 million tenge (2019: 231 million tenge).

Sensitivity to changes in assumptions – IP TV

Although the management expects that the market share owned by the Group would not grow over the forecast period, according to the financial plan, slowing growth of customer base or decrease in the average revenue per customer, leading to a decrease in revenue from current business plan by more than 3.65% (2019: 16.80%), would result in a loss from impairment in IP TV: CGU for 0,03 million tenge (2019: 1 million tenge).

Increase in capital investments by more than 95% (2019: 366.50%) would result in loss from impairment in IP TV CGU for 0.2 million tenge (2019: 2 million tenge).

Management recognizes that the speed of technological change and the potential for new companies in the same industry to emerge can have a significant impact on its growth assumptions. A slower long-term growth rate for the IP TV business will not result in an impairment loss.

An increase in pre-tax discount rate to 23.56% (2019: 34.00%) would result in impairment loss in IP TV CGU for 0.03 million tenge (2019: 2.6 million tenge).

Energy generating assets

The Group's management performed the analysis of the impairment indicators of property, plant and equipment of subsidiaries Ekibastuz GRES-1 named after Bulat Nurzhanov LLP ("EGRES-1"), Alatau Zharyk Company JSC ("AZhK") and AIES JSC in accordance with IAS 36 Impairment of Assets.

The principal facts and assumptions used in the analysis of the impairment indicators are:

- Lack of negative changes in the economic efficiency of subsidiaries for the reporting period;
- Changes in interest rates on loans and long-term inflation rate are not significant;
- Lack of significant changes having adverse consequences for subsidiaries, which occurred during the period or may presumably occur in the nearest future;
- Approval by the Order of the Ministry of Energy No. 205 dated 22 May 2020 of new estimation methodology for the fixed profit accounted for in power energy tariff (the "Methodology"), effective from 2021. The fixed profit is calculated based on involved assets of energy producing entities considering the weighted average return on capital rate (WACC) that will enable the Group receiving fixed profit for current assets and for commissioned new assets (RAB-regulation).

The Methodology provides for the coverage of production costs, including amortisation expenses, and fixed profit set at the level of the base of involved assets of energy producing entities multiplied by weighted average return on capital rate (WACC). As a result, the methodology provides for the receipt of fixed profit after covering all costs, except for interest expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

In 2020, the Group engaged an independent expert to measure the fair value of assets included in the base of involved assets under new methodology. According to estimates based on the fair value of the base of involved assets, the Group's management expects significant increase in the cap electricity tariff due to inclusion of profitability level pursuant to methodology. Complete transition to RAB-regulation and tariff approval according to new methodology is expected from July 1, 2021.

Additional facts and assumptions used in the analysis of the impairment indicators on AIES JSC:

- Electricity sales volumes and tariffs, services on maintenance of electrical capacity, heat energy and chemically purified water, and amount of capital expenses comply with the AIES JSC's management budget used in the last measurement of the recoverable value of the AIES JSC's assets.

Additional facts and assumptions used in the analysis of the impairment indicators on EGRES-1:

- Overachievement of target on main operational and financial performance indicators as of December 31, 2020;
- The forecasted mid-term growth of demand for electricity in northern and southern areas of the Republic of Kazakhstan, as well as forecasted increase in electricity sales volumes due to work in seven-block mode and available capacity;
- Expectation of an individual tariff for services on maintenance of electrical capacity from 2025 due to the completion of the investment project "Restoration of Power Unit 1 with the installation of new electrostatic precipitators" using borrowing funds. In accordance with the Rules of the Ministry of Energy, on January 30, 2020 an application for the Market Council was submitted. Currently, a recommendation from the Market Council has been received on further consideration of application for an individual tariff for services on maintenance of electrical capacity by the Ministry of Energy.

Based on analysis performed with respect to internal and external impairment indicators, the Group's management concluded that there are no impairment indicators as of the analysis date. Therefore, the Group's management decided not to perform the impairment test of property, plant and equipment and intangible assets of these subsidiaries as of December 31, 2020.

Based on the analysis as at the end of 2020, management identified impairment indicators of property, plant and equipment of its subsidiaries: Tegis Munay LLP, Mangyshlak Munay ("Tegis Munay") and Station Ekibastuz GRES-2 JSC ("EGRES-2").

The Group engaged independent experts to conduct the impairment test of Tegis Munay and EGRES-2, in accordance with IAS 36 *Impairment of Assets*. The impairment test of Tegis Munay assets was performed by management similarly with the methodology used by independent experts in the impairment test of other Group companies.

The recoverable amount of property, plant and equipment and intangible assets was determined using the estimate of expected future cash inflows and outflows from use of the assets, discount rate and other factors.

The Group's management considers all property, plant and equipment and intangible assets as a single cash generating unit since it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows of other assets and it is the lowest level at which each subsidiary monitors recovery of the assets' cost. Management estimated the recoverable amount of property, plant and equipment based on value in use determined as estimated discounted future cash flows that the Group expects to obtain from their use.

EGRES-2

Management of the Group used the value in use of cash generating unit to estimate the recoverable amount. The estimated recoverable amount of property, plant and equipment exceeded their carrying amount upon the results of the impairment test as of November 30, 2020. However, any adverse change in principal assumption may lead to impairment. Principal assumptions with respect to the recoverable amount were as follows:

Electricity tariffs

For the purpose of calculating the recoverable amount of assets, the Group's management used the following electricity tariffs:

- Weighted average tariff for 2020 was 8.43 tenge per 1 kWh, which represents the actual tariff applicable to electricity sale by the Group in 2020 and does not exceed the cap tariff of 9.13 tenge per 1 kWh established and approved by the Ministry of Energy for 2019-2025.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Energy generating assets (continued)

EGRES-2 (continued)

Electricity tariffs (continued)

- Projected weighted average tariffs for subsequent periods are as follows:

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|--|------|------|------|------|------|-------|-------|-------|
| Electricity tariff (Tenge/kWh) | 9.13 | 9.13 | 9.13 | 9.13 | 9.13 | 11.40 | 14.91 | 16.17 |
| Tariff for the power capacity (thousand Tenge per 1 MW a month) | 590 | 622 | 655 | 690 | 726 | 3,711 | 3,675 | 3,641 |

| | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|--|-------|-------|-------|-------|-------|-------|-------|
| Electricity tariff (Tenge/kWh) | 16.45 | 16.73 | 17.00 | 17.25 | 17.55 | 17.96 | 18.51 |
| Tariff for the power capacity (thousand Tenge per 1 MW a month) | 3,609 | 3,579 | 3,555 | 3,534 | 3,525 | 1,136 | 1,199 |

The forecast of tariff was based on management's expectations for resumption of the project on construction of power unit No. 3 in 2023. A significant increase in the tariff for power capacity in 2026 is due to the expected commissioning of power unit No. 3 and changes in the tariff structure, which is related to introduction of power capacity market in the Republic of Kazakhstan. According to the Law of the Republic of Kazakhstan On Electric Power Industry, the Group is able to obtain an individual tariff for the power capacity. Establishing an individual tariff is possible provided the completion of power unit No. 3 with the capacity of 630 MW and conclusion of an investment agreement with the competent authority. Calculation of individual tariffs, in addition to operating expenses of the EGRES-2, takes into account the necessary amount to cover the costs which are associated with the investment component and incurred for the completion of Power Unit 3. A decrease in the tariffs for electricity and power capacity within the acceptable range by 10% will result in additional loss on impairment of investment of not more than 17,632 million tenge.

Electricity production and sales volumes

For the calculation of the recoverable amount of assets, the Group considered forecasted volumes of production/sales of electricity by power unit No. 3 and relevant investments needed to complete construction. The Group used the following estimated volumes of electricity sales for the calculation of the recoverable amount of assets:

| EGRES-2 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales of electricity (mln. kWh) | 6,427 | 5,923 | 5,921 | 5,922 | 6,039 | 5,926 | 6,066 | 6,209 |
| Sales of electrical power capacity (MW) | 625 | 641 | 650 | 671 | 701 | 1,309 | 1,334 | 1,360 |

| EGRES-2 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|-------|-------|-------|-------|-------|-------|-------|
| Sales of electricity (mln. kWh) | 6,355 | 6,505 | 6,658 | 6,815 | 6,976 | 7,141 | 7,309 |
| Sales of electrical power capacity (MW) | 1,387 | 1,415 | 1,444 | 1,475 | 1,500 | 1,500 | 1,500 |

Management believes that production and sales volumes during the forecast period prior to commissioning of the Power Unit No. 3 will be stable. After the launch of the power unit No. 3, EGRES-2 does not predict any significant increase in electricity volumes, however the electricity production volume will be distributed among the three power units of the company.

Discounting rate – the discount rate of 14.19%, was estimated taking into consideration the current market assessment of risks inherent to EGRES-2 on the basis of the weighted average cost of capital for the industry. In the future, to reflect changing risks inherent to the industry and changes in the weighted average cost of capital, further changes in the discounting rate may be required. 1% increase in the discounting rate would result in an impairment loss of investment 1,418 million tenge.

Impairment test for property, plant and equipment and intangible assets of Tegis Munay

Proved and probable gas reserves are used in the impairment test. There are many uncertainties associated with the estimation of gas reserves, in particular assumptions that are valid at the time of the assessment, may change significantly when new information is available. Changes in forecast commodity prices, exchange rates, production costs or return rates can change the economic condition of reserves and eventually lead to changes in reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**Energy generating assets (continued)***Impairment test for property, plant and equipment and intangible assets of Tegis Munay (continued)*

Management makes estimates and assumptions concerning the future. By definition, accounting estimates rarely equal the corresponding actual results. Such estimates and assumptions are constantly measured and based on historical experience and other factors, including expectations of future events that are considered reasonable in the current environment. The recoverable amount was measured using value in use.

Gas production commencement terms

It is forecasted that natural gas production will commence in 2024, and it is assumed that 65% of gas production will be exported starting from 2024.

The gas production commencement is postponed because the contract territory is included in the territory of South-Kazakhstan state conservation area, where it is prohibited to perform field facilities construction and development prior to territory separation from the protected areas. Currently, the authorized public bodies perform work on expansion of protected area borders considering the separation of the contract territory.

Therefore, Tegis Munay contacted the Ministry of Energy of RK ("ME RK") with the question of the relevance of production period commencement extension, field facilities construction for gas production, postponement of deadline for the implementation of working program and contract's validity period since the issue of contract territory separation is not settled yet. In September 2020, the subsurface use expert commission of ME RK decided to postpone the following financing liabilities: education; R&D; social and economic development of the region, and an abandonment was given in terms of working program amendment on investment liabilities under subsurface use contract.

On December 3, 2020, Tegis Munay has sent an application to the Supreme Court of RK on invalidation of the ME RK abandonment in terms of working program amendment on investment liabilities under subsurface use contract. On December 30, 2020, Tegis Munay received force-majeure certificate from the Chamber of Commerce of Kazakhstan LLP comprising Atameken NCE confirming that Tegis Munay is not able to perform subsurface use contract commitments prior to the contract territory separation from the protected areas and is not able to perform subsurface use operations. Force-majeure circumstances are in force until the contract territory separation from the protected areas.

The recoverable amount was calculated using the discounted cash flow model based on proved and probable reserves using estimated oil and gas prices and a post-tax discount rate of 14.6% (2019: 13.9%). Based on the results of impairment testing, the recoverable amount of assets at December 31, 2020 is less than the carrying amount of property, plant and equipment of 316 million tenge. The Group recorded the impairment of property, plant and equipment within impairment loss (Note 31).

An increase in the discount rate of 1% would result in an impairment of 3,499 million tenge. A 10% decrease in oil prices would result in an impairment of 5,170 million tenge. A 10% decrease in sales volumes would have resulted in an impairment of 5,256 million tenge.

According to the calculated value in use, the following forecast prices for oil sales in US dollars per barrel, which was based on the Bloomberg price forecasts dated December 31, 2020, and management also assumed that gas export prices at the Chinese border are related to the oil price due to high correlation between them, which is supported by the analysis.

| <i>In US dollars</i> | 2024 | 2025 | 2026 | 2027 |
|--|-------|-------|-------|-------|
| Oil Price per Barrel (Brent)* | 56.76 | 64.57 | 65.93 | 67.31 |
| Estimated export gas price on the Chinese border per thousand m3 | 195 | 208 | 224 | 229 |

* Source: Bloomberg.

Railway assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that they have suffered an impairment loss. In addition, the Group tests the goodwill for impairment at each reporting date.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Railway assets (continued)

The assessment of whether there is an indication of assets impairment is based on a number of factors, such as a change in growth expectations in the railway industry, future cash flow estimates, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances.

If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount. If the carrying amount exceeds the recoverable amount, impairment is recorded. The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (adjusted WACC) that management believes reflects the current market assessment of the time value of money and the risks specific to the assets. The change in the estimated recoverable amount may result in an additional impairment or a reversal of the impairment and thus an impairment reversal being recognised in future periods.

Due to existing impairment indicators, the Group performed an impairment test for property, plant and equipment, intangible assets and goodwill as at December 31, 2020.

A number of subjective factors, both operational and financial, using the best evidence available, had been used to estimate cash flows.

The Group applied the cash flows forecast period of 10 years, as the Group prepares its Development Strategy for 10-year period and makes forecasts within the framework of this strategy, projecting an increase in freight turnover based on the GDP growth rates of the Republic of Kazakhstan and neighbouring regions, since such dependence was noted in the past. Given the availability of forecasts for GDP growth rates over a 10-year horizon, the Group's management believes it can reliably forecast its cash flows over a 10-year period. The level of tariffs for access to the mainline railway network used in the forecast period is based on the tariffs approved by the CRNM for 2021-2025, while in subsequent periods the tariffs were adjusted taking into account the forecasted inflation rate. The transit rates have been adjusted based on the forecasted Swiss franc to tenge exchange rate. Long-term growth rate in terminal period is 4%.

The operational assumptions used in the test reflect expected volumes of transportation services, including transit volumes, based on projected demand and historical growth dynamic of transit freight transportations volumes.

Financial assumptions include significant estimates associated with tariff forecasts and growth rates, discounts, and projected tenge to Swiss Franc exchange rates, in which the revenue from transit freight transportation is denominated. The discount rate (WACC) used in calculating the value in use of the Group amounted to 11.44% (2019: 10.5%).

As at December 31, 2020, no impairment has been identified based on the estimated value in use of the Group's property, plant and equipment, intangible assets and goodwill. However, the value in use estimate is sensitive particularly to the following assumptions:

- Transit freight transportation volumes; and
- The discount rate (WACC).

The Group performed a sensitivity analysis and concluded that when using the following justifiably possible changes in the key assumptions on an individual basis, while keeping other parameters constant, no impairment will occur:

- Transit freight transportation volumes – A decrease of the volumes by 10% compared to budget;
- Discount rate (WACC) – An increase of the discount rate from 11.44% to 12.44%.

However, with more significant changes in each of the above key assumptions or simultaneous adverse impact of several factors, the carrying value of the Group's non-current assets may become higher than their recoverable amount, which may result in the need to recognise impairment in the future.

Assets related to uranium production

Assets related to uranium mines include property, plant and equipment, mine development assets, mineral rights, exploration and evaluation assets, investments in associates, investments in joint ventures, and other investments.

For the purpose of impairment testing assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (termed as 'cash-generating units'). The Group has identified each mine (contract territory) as a separate cash-generating unit unless several mines are technologically connected with single processing plant in which case the Group considers such mines as one cash-generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Assets related to uranium production (continued)

As at December 31, 2020, management conducted an analysis and did not find any impairment indicators of assets (generating units) associated with the production of uranium products.

Assets retirement obligations

Oil and gas production facilities

Under the terms of certain subsoil use contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsoil use contract terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each subsoil use contract period. If the asset retirement obligations were to be settled at the end of the economic life of oil and gas field, the recorded obligation would increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective subsoil use contracts and current legislation.

Where neither subsoil use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsoil use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market.

At each reporting date the Group reviews site restoration provisions, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities.

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at December 31, 2020 were in the range from 2.00% to 7.3% and from 3.68% to 11.00% (December 31, 2019: from 2.01% to 5.49% and from 4.43% to 8.95%). As at December 31, 2020 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of oil and gas facilities were 156,671 million tenge (December 31, 2019: 114,205 million tenge) (Note 23).

Major oil and gas pipelines

According to the Law of the RK On Major Pipelines which was made effective on July 4, 2012 mainly the Group's two subsidiaries, JSC KazTransOil and Intergas Central Asia JSC, the subsidiary of KazTransGas JSC, have legal obligation to decommission its major oil pipelines at the end of their operating life and to restore the land to its original condition. Asset retirement obligation is calculated based on estimate of the work to decommission and rehabilitate. As at December 31, 2020, the carrying values of the Group's asset retirement obligations relating to decommissioning of pipelines and land were 113,558 million tenge (December 31, 2019: 100,229 million tenge) (Note 23).

Assets related to uranium production

In accordance with environmental legislation and the subsurface use contracts, the Group has a legal obligation to remediate damage caused to the environment from its operations and to decommission its mining assets and waste polygons and restore landfill sites after closure of mining activities. Provision is made based upon the net present values of estimated site restoration and retirement costs as soon as the obligation arises from past mining activities.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Assets retirement obligations (continued)

Assets related to uranium production (continued)

The provision for asset retirement obligations is estimated based upon the Group's interpretation of current environmental legislation in the Republic of Kazakhstan and the Group's related programme for liquidation of subsurface use consequences on the contracted territory and other operations supported by the feasibility study and engineering research in accordance with the applicable restoration and retirement standards and techniques.

Provisions for asset retirement obligations are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation. Provisions for mining assets and waste polygons retirement obligations are recognised when there is a certainty of incurring of such liabilities and when it is possible to measure the amounts reliably. The calculation of the provision for production assets retirement as at December 31, 2020 was performed by the Group based upon assessments performed by an independent consultant. The scope of work stipulated by the legislation and included in the calculations included the dismantling of facilities and infrastructure (pumping, injection and observation wells, technological units for acidification and distribution of solutions, pipelines, access roads, technological sites, landfills, buildings and other facilities) and subsequent restoration of land.

Principal assumptions used in such estimations include the estimate of discount rate and the amount and timing of future cash flows. The discount rate is applied to the nominal costs that management expects to spend on mining site restoration in the future. Management's estimates based on current prices are inflated using the expected long-term inflation rate of 5.17% in 2020 (2019: 5.30%), and subsequently discounted using rate that reflects the current market estimates of the time value of money and those risks specific to the liability not reflected in the best estimate of the costs. The discount rate is based on a risk-free rate determined as interest rates on government bonds with the maturity as the average of Group subsoil use contracts. The discount rate used by the Group's companies for calculation of the provision as at 31 December 2020 is 9.87% (2019: 7.13%).

At December 31, 2020, the carrying value of the site restoration provision was 23,841 million tenge (2019: 36,505 million tenge) (Note 23). Decrease in the estimate in 2020 for 12,221 million tenge is attributable to a 2.74% discount rate increase, additional 5,147 million tenge liability decrease is attributable to the change in the periods' estimate of separate mines.

Decommissioning of the Ulba plant facility

Management has assessed whether the Group has an obligation for decommissioning and dismantling of the production facility of Ulba Metallurgical Plant JSC and concluded that the Group has no legal obligation to decommission this facility at the end of its useful life.

In addition, management considered the extent to which the Group's policies and statements may have created a constructive obligation to decommission this production facility and concluded that no liability should be recorded as:

- Radiation contamination of the facility is limited and the costs involved in remediation are not significant.
- In the event of discontinuance of production activities, the Group will not have an obligation to liquidate buildings and other infrastructure. In addition, the possibility exists of redeployment of the production facilities to alternative uses.
- Timely inspections, surveys, repair work to reduce physical damage and maintain the normal level of performance of structures and engineering equipment can extend the useful life of the facility for an indefinite period. These factors together with the extended periods over which the Group's uranium reserves are available to be mined mean that it is not practical to estimate a reliable closure date for the UMP production facility.

In the event of future changes in environmental legislation or its interpretation, as well as the Group's policy, obligations may arise which could require recognition as liabilities in the financial statements.

Provision for environmental remediation

The Group management also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Provision for environmental remediation (continued)

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Further uncertainties related to environmental remediation obligations are detailed in *Note 39*. Movements in the provision for environmental remediation obligations are disclosed in *Note 23*.

Provision for taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of the Group's international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable profits and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

In assessing tax risks, management considers to be probable obligations the known areas of non-compliance with tax legislation, which the Group would not appeal or does not believe it could successfully appeal, if additional taxes are charged. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsurface use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for taxes disclosed in *Note 23* relates mainly to the Group's application of Kazakhstan transfer pricing legislation. Further uncertainties related to taxation are disclosed in *Note 39*.

Provision for construction of social objects

The Government assigns various sponsorship and financing obligations to the Group. Management of the Group believes that such Government's assignments represent constructive obligations of the Group and require recognition on the basis of respective resolution of the Government of the Republic of Kazakhstan. Furthermore, as the Government is the ultimate controlling party of the Group, the expenditures on these assignments are recognized as "other distributions to the Shareholder" directly in the equity.

Useful lives of items of property, plant and equipment

The Group assesses remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Deferred tax assets

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of recognized deferred tax assets as at December 31, 2020 was equal to 79,267 million tenge (December 31, 2019: 91,282 million tenge). Further details are contained in *Note 35*.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.



4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Fair value of financial instruments (continued)

The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments reported in the consolidated financial statements. Further details are disclosed in *Note 38*.

Employee benefit liability

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit liability and related current service cost (*Note 24*). This involves use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future annual financial assistance, future annual minimum salary and future average railway ticket price). Further details on judgements are disclosed in *Note 24*.

Estimation of expected credit losses

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's credit grading model, which assigns PDs to the individual grades;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as oil price with one year lag, and the effect on PDs, EADs and LGDs.

Accounting of finance lease agreements with Industrial Development Fund JSC (former – DBK-Leasing JSC)

The Group, represented by Passengers Transportation JSC and Tulpar Wagon Construction Company LLP ("Tulpar Wagon"), entered into a number of three-side purchase-sale and finance lease arrangements with Industrial Development Fund JSC, which is under common control of Shareholder, to renew passenger wagon fleet. According to these arrangements, Industrial Development Fund JSC finances on a 100% prepayment basis the construction of passenger wagons by Tulpar Wagon for acquiring them to ownership with further leasing out to Passenger Transportation JSC under finance lease.

Management concluded that the transaction between Tulpar Wagon and Industrial Development Fund JSC does not meet the requirements of IFRS 15 *Revenue from Contracts with Customers* to account for the asset sale at the Group level, as the control over passenger wagons is not transferred to Industrial Development Fund JSC, but left with the Group.

Industrial Development Fund JSC finances the construction of the wagons, but is limited in its ability to direct the subsequent use of and obtain all of the remaining benefits from the asset. Accordingly, the Group recognises the obligation to Industrial Development Fund JSC as financial liability (borrowing) according to IFRS 9 *Financial Instruments* and recognises passenger wagons and work-in-progress as property, plant and equipment items and construction in progress in accordance with IFRS 16.103 *Leases*.

Since financing was provided at preferential interest rates and such terms were provided solely to finance the renewal of passenger car fleet of Passenger Transportation JSC based on a separate Decree of the Government of the Republic of Kazakhstan, the Group considers these transactions as transactions with ultimate Shareholder and recognises fair value adjustments of the loans received at below market rate through the equity within retained earnings as other transactions with the Shareholder (*Note 18*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Swap transactions

The Group sells part of its uranium products under swap transactions with separate agreements with the same counterparty simultaneously, being for delivery and purchase of the same volume of uranium for the same price at different delivery points. Effectively, this results in the exchange of own uranium (produced or purchased from the Group's entities) with purchased uranium. Normally, under a swap transaction, the Group delivers physical uranium to one destination point, and purchases the same volume of uranium at a third party converter for sale to end customers. Swap transactions are entered into primarily to reduce transportation costs for uranium delivery from Kazakhstan to end customers.

Despite the fact that swap agreements are not formally related to each other, management concluded that these transactions are in substance linked and would not have occurred on an isolated basis, driven by the existing market demand and supply forces. In management's view, supply of the same volume of homogeneous product (uranium) for the same price represents an exchange of products, which should be presented on a net basis in the consolidated financial statements, reflecting the economic substance of the transaction. Interpretation of terms and approach to the accounting for swap transactions requires judgement.

In 2020, the Group netted revenue from swap transactions in the amount of 71,331 million tenge and cost of sales of 65,713 million tenge. In 2019 the Group netted revenue from swap transactions in the amount of 41,741 million tenge, cost of sales in the amount of 43,091 million tenge.

5. BUSINESS COMBINATIONS

Acquisitions in 2020

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 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. The acquisition was accounted for using the purchase method.

As at December 31, 2020, the Group completed the assessment of the fair value of the acquired identifiable assets and liabilities assumed, as well as the previously held interest in the Logistic System Management B.V. The excess of the purchase price and fair value of previously held interest over the fair value of net identifiable assets at the date of acquisition amounted to 15,520 million tenge and was recognised as goodwill (*Note 8*).

The goodwill of 15,520 million tenge comprises the value of expected synergies arising from the acquisition of Kedentransservice JSC, which 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. Goodwill is allocated entirely to the transportation segment. None of the goodwill recognized is expected to be deductible for income tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. BUSINESS COMBINATIONS (continued)

Acquisitions in 2020 (continued)

Logistic System Management B.V. (continued)

The Group's 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> | <i>At acquisition date</i> |
|---|----------------------------|
| Assets | |
| Non-current assets | |
| Property, plant and equipment | 29,159 |
| Intangible assets | 4,218 |
| Investment property | 5,280 |
| Other non-current financial assets | 27 |
| Other non-current assets | 13 |
| Current assets | |
| Inventories | 1,233 |
| VAT receivable | 898 |
| Income tax prepaid | 698 |
| Amounts due from credit institutions | 9 |
| Trade accounts receivable | 3,557 |
| Other current assets | 3,035 |
| Cash and cash equivalents | 4,170 |
| Total assets | 52,297 |
| Liabilities | |
| Non-current liabilities | |
| Lease liabilities | 2,466 |
| Deferred tax liabilities | 3,560 |
| Employee benefit liabilities | 141 |
| Current liabilities | |
| Lease liabilities | 413 |
| Employee benefit liabilities | 17 |
| Trade and other payables | 3,483 |
| Other current liabilities | 3,363 |
| Total liabilities | 13,443 |
| Net assets | 38,854 |
| 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 | 9,035 |
| Less identifiable net assets | (38,854) |
| Goodwill from the acquisition | 15,520 |

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 2020 would have increased by 6,051 million tenge and 251 million tenge, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. BUSINESS COMBINATIONS (continued)

Acquisitions in 2019

Khan Tengri Holding B.V.

On February 29, 2016 the Group acquired 51% share capital and 49.48% of voting shares in Khan Tengri Holding B.V., the company rendering GSM and LTE mobile telecommunication services in the Republic of Kazakhstan. Khan Tengri Holding B.V. is a private entity and not listed on the stock exchange. Khan Tengri Holding B.V. was an equity accounted associate for the Group till June 28, 2019.

According to the agreement between the Group and Tele2, the Group had an unconditional right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. at any time, after three years after the closing date of the transaction on February 29, 2016 (call option). Tele2 had a similar unconditional right to require the Group to acquire a 49% interest in Khan Tengri Holding B.V. (put option).

In connection with the closure of the transaction on the acquisition by the Group of 75% of shares in Kcell JSC in the end of December 2018, on December 28, 2018 the Group received notice on exercising of put option from Tele2 A.B.

On March 1, 2019 the Group's call option in relation to right to require Tele2 to sell its 49% of the interest in Khan Tengri Holding B.V. became exercisable. As of March 1, 2019 neither call or put option provided the Group ability to direct relevant activities of Khan Tengri Holding B.V. as the Group is obliged to transfer shares of Khan Tengri Holding B.V. to a trust management company within 12 months after closing of transaction for acquiring 49% from Tele2 which is also subject to the approval of the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan. As at March 1, 2019 the Group did not obtain control over Khan Tengri Holding B.V.

On May 23, 2019 the Group concluded an agreement with Tele2 for the purchase of remaining 49% share of Khan Tengri Holding B.V. and 50.52% of the voting rights of all outstanding shares, and completed the acquisition on June 28, 2019. The consideration transferred for 49% interest acquired by the Group was 181,535 million tenge, including cash paid in the amount of 101,119 million tenge and loan provided to Mobile Telecom Service LLP in the amount of 80,416 million tenge for the purpose of consideration payment to the seller, Tele2.

In June 2019 the Group received approval from the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan of the terms of the trust management agreement that indicate that the Group has control over Khan Tengri Holding B.V.

On February 25, 2016 the Group provided a guarantee to associate organization Khan Tengri Holding B.V. under the credit facility from Development Bank of Kazakhstan JSC with a credit limit of up to 10,009 million tenge for the period until December 19, 2024. Guarantee issued in the amount of 937 million tenge was included into the consideration of business combination due to the acquisition of residual shares in associate of Khan Tengri Holding B.V.

The Group's interest in Khan Tengri Holding B.V. was recorded in the consolidated financial statements using the equity method till the date of control acquisition.

Net assets recognized in the consolidated financial statements for the year ended December 31, 2019 were based on a preliminary estimate of their fair value, as fair value assessment had not been completed by the time the consolidated financial statements for 2019 were approved. As at December 31, 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 (*Note 2*).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. BUSINESS COMBINATIONS (continued)

Acquisitions in 2019 (continued)

Khan Tengri Holding B.V. (continued)

Fair value of the identified assets and liabilities of Khan Tengri Holding B.V. as at the date of acquisition were:

| <i>In millions of tenge</i> | <i>At acquisition date</i> |
|--|----------------------------|
| Assets | |
| Non-current assets | |
| Property, plant and equipment | 127,017 |
| Intangible assets | 120,438 |
| Other non-current financial assets | 78 |
| Other non-current assets | 2,060 |
| Current assets | |
| Inventories | 909 |
| VAT receivable | 1,160 |
| Income tax prepaid | 614 |
| Trade accounts receivable | 15,801 |
| Other current assets | 3,312 |
| Cash and cash equivalents | 5,392 |
| Total assets | 276,781 |
| Liabilities | |
| Non-current liabilities | |
| Borrowings | 7,551 |
| Lease liabilities | 21,530 |
| Provisions | 4,527 |
| Deferred tax liabilities | 10,139 |
| Other non-current liabilities | 1,861 |
| Current liabilities | |
| Borrowings | 2,705 |
| Lease liabilities | 5,383 |
| Provisions | 299 |
| Trade and other payables | 26,747 |
| Other current liabilities | 12,704 |
| Total liabilities | 93,446 |
| Net assets | 183,335 |
| Consideration transferred for 49% interest | 181,535 |
| Acquisition-date fair value of initial 51% interest | 98,943 |
| | 280,478 |
| Acquisition-date fair values of identifiable net assets acquired | (183,335) |
| Guarantee issued to Mobile Telecom Service LLP | (937) |
| Goodwill | 96,206 |
| Analysis of cash flows on acquisition | |
| Net cash acquired with the subsidiary | 5,392 |
| Consideration transferred | (181,535) |
| Net cash outflow | (176,143) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. BUSINESS COMBINATIONS (continued)**Acquisitions in 2019 (continued)***Khan Tengri Holding B.V. (continued)*

The main components of intangible assets are licenses, trademarks, software and subscriber base.

At the date of the acquisition it is expected that the full contractual amounts of trade receivables can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

The deferred tax liability is mainly due to the tax effect of accelerated depreciation of fixed assets and intangible assets for tax purposes.

The amount of goodwill equal to 96,206 million tenge includes the cost of the expected synergetic effect from the acquisition. The entire amount of goodwill is allocated to the mobile telecommunications segment. It is expected that recognized goodwill will not be deductible for the purposes of the taxation either in full or in part.

During 2019, the Group recognized income from re-measurement of previously held interest in the equity-accounted associate in the amount of 17,042 million tenge as a result of remeasuring its existing interest in the equity-accounted associate amount of 81,901 million tenge at the date of obtaining control to its acquisition-date fair value of 98,943 million tenge.

From the date of acquisition, the contribution of Khan Tengri Holding B.V. to the Group's revenue amounted to 75,553 million tenge, and to the Group's net profit before tax in the amount of 13,212 million tenge. If the combination had taken place at the beginning of 2019, the Group's revenues would have been 468,651 million tenge, and the profit before tax would have been 80,653 million tenge.

JV Khorasan-U LLP

The Group has gained control over JV Khorasan-U LLP on February 20, 2019. The Group assessed the fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed in the acquisition of the entity under IFRS 3 Business Combinations. The valuation was performed by an independent appraiser.

The Group assessed the fair value:

| <i>In millions of tenge</i> | <i>At acquisition date</i> |
|---|----------------------------|
| Cash consideration paid | – |
| Net liabilities from pre-existing relationship | (1,948) |
| Total consideration transferred | (1,948) |
| Fair value of investment associate prior to the acquisition | 85,804 |
| Total purchase consideration and value of previously held interest in the acquiree | 83,856 |

Liabilities from pre-existing relationship represent receivables of JV Khorasan-U LLP from the Group, mainly for delivery of uranium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. BUSINESS COMBINATIONS (continued)

Acquisitions in 2019 (continued)

JV Khorasan-U LLP (continued)

The following table is the fair value of the assets acquired and liabilities as at the acquisition date:

| <i>In millions of tenge</i> | <i>At acquisition date</i> |
|---|----------------------------|
| Assets | |
| Non-current assets | |
| Property, plant and equipment | 22,808 |
| Intangible assets | 178,856 |
| Other non-current financial assets | 3,409 |
| Other non-current assets | 882 |
| Current assets | |
| Inventories | 8,873 |
| VAT receivable | 1,736 |
| Trade accounts receivable | 10,038 |
| Other current assets | 62 |
| Cash and cash equivalents | 5,563 |
| Total assets | 232,227 |
| Liabilities | |
| Non-current liabilities | |
| Provisions | 712 |
| Deferred tax liabilities | 36,873 |
| Other non-current liabilities | 528 |
| Current liabilities | |
| Borrowings | 17,441 |
| Trade and other payables | 4,526 |
| Other current liabilities | 539 |
| Total liabilities | 60,619 |
| Carrying value of of identifiable net assets (before elimination of intra-group balances) | 171,608 |
| Less: elimination of intra-group balances | (1,948) |
| Carrying value of identifiable net assets acquired | 169,660 |
| Less: | |
| Non-controlling interest | (85,804) |
| Total purchase consideration and value of previously held interest in the acquiree | 83,856 |

Net result of business combinations recognised during the year 2019 comprises bargain purchase gain of 2,150 million tenge and excess of fair value of investment in the associate over its carrying value of 52,500 million tenge at the acquisition date:

| <i>In millions of tenge</i> | |
|--|---------------|
| Fair value of the investment in associate at date of acquisition | 85,804 |
| Less: carrying value of the investments at date of acquisition | (31,154) |
| Net gain from business combination – JV Khorasan-U LLP | 54,650 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. BUSINESS COMBINATIONS (continued)**Acquisitions in 2019 (continued)****EGRES-2**

On December 13, 2019 the Group acquired 50% share in EGRES-2 JSC from Inter RAO P JSC in accordance with purchase sale agreement dated December 27, 2018. The sale price equaled 25,000 thousand US dollars (equivalent to 9,616 million tenge as at the acquisition date).

The Group's interest of 50% in EGRES-2 was recorded in the consolidated financial statements using the equity method till the date of control acquisition.

Net assets recognized in the consolidated financial statements for the year ended December 31, 2019 were based on a preliminary estimate of their fair value, as fair value assessment had not been completed by the time the consolidated financial statements for 2019 were approved. As at December 31, 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 (*Note 2*).

Fair value of the identified assets and liabilities of EGRES-2 as at the date of acquisition were:

| <i>In millions of tenge</i> | <i>At acquisition date</i> |
|---|----------------------------|
| Assets | |
| Non-current assets | |
| Property, plant and equipment | 90,576 |
| Intangible assets | 23 |
| Other non-current assets | 41,300 |
| Current assets | |
| Inventories | 2,650 |
| Income tax prepaid | 1,744 |
| Trade accounts receivable | 2,602 |
| Other current assets | 1,007 |
| Cash and cash equivalents | 1,579 |
| Total assets | 141,481 |
| Liabilities | |
| Non-current liabilities | |
| Borrowings | 93,224 |
| Employee benefit liabilities | 452 |
| Provisions | 478 |
| Deferred tax liabilities | 1,362 |
| Current liabilities | |
| Borrowings | 864 |
| Provisions | 584 |
| Trade and other payables | 1,567 |
| Other current liabilities | 2,420 |
| Total liabilities | 100,951 |
| Net assets | 40,530 |
| Less: | |
| Consideration transferred for 50% interest | (9,616) |
| Acquisition-date fair value of initial 50% interest | (20,265) |
| Gain on business combination | 10,649 |

During 2019, the Group recognized income from re-measurement of previously held interest in the equity-accounted joint venture in the amount of 2,478 million tenge within other non-operating income as a result of remeasuring its existing interest in the equity-accounted associate amount of 17,787 million tenge at the date of obtaining control to its acquisition-date fair value of 20,265 million tenge.

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER

Disposals in 2020

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 and disposal of non-controlling interest in Transtelecom JSC of 14,040 million tenge in consolidated statement of changes in equity (*Note 18*).

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

| <i>In millions of tenge</i> | <i>Net assets at the date of disposal</i> |
|--|---|
| Property, plant and equipment | 85,466 |
| Intangible assets | 4,607 |
| Other non-current financial assets | 298 |
| Other non-current assets | 376 |
| 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 financial assets | 626 |
| Other current assets | 11,545 |
| 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 15 million tenge. The resulting loss on disposal of Transtelecom JSC amounted to 173 million tenge.

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 18*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER (continued)**Disposals in 2020 (continued)***MC SEZ Khorgos-Eastern Gates JSC ("Khorgos") (continued)*

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

| <i>In millions of tenge</i> | <i>Net assets at the date of disposal</i> |
|-------------------------------|---|
| 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.

Uranium Enrichment Center JSC (TsOU)

In 2019 the Group has entered into a conditional contract to sell its 50% interest minus 1 (one) share in JSC Uranium Enrichment Center (TsOU) to its partner in this joint venture – TVEL JSC (TVEL). The Group maintained 1 share of TsOU, which will retain the Group's right to access uranium enrichment services in accordance with the conditions previously agreed with TVEL. On March 17, 2020 the Group completed this sale. The contract price was 6,253 million Russian rubles or 90 million euro fixed at an exchange rate as at December 31, 2019. Actual cash consideration received was 90 million Euro (equivalent to 43,858 million tenge).

| <i>In millions of tenge</i> | |
|---|---------------|
| Contract price at the exchange rate as at December 31, 2019 | 40,485 |
| Less: carrying value of the investment in joint venture | (18,671) |
| Transfer of foreign currency translation reserve | 249 |
| Gain from disposal of joint venture | 22,063 |

Gain from disposal of joint venture was included in other non-operating income.

As at December 31, 2019 the Group classified the investment in the joint venture TsOU as an asset held for sale.

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER (continued)

Disposals in 2019

KMG Retail LLP

On February 8, 2019 Group completed the sale of 100% interest in KMG Retail LLP, which was classified as a disposal group held for sale, for 60,512 million tenge.

At the date of loss of control net assets of KMG Retail LLP were as follows:

| <i>In millions of tenge</i> | <i>Net assets at the date of disposal</i> |
|-------------------------------|---|
| Property, plant and equipment | 34,266 |
| Intangible assets | 42 |
| Other non-current assets | 6,556 |
| Other current assets | 138 |
| Cash and cash equivalents | 2,288 |
| Total assets | 43,290 |
| Trade and other payables | 203 |
| Other current liabilities | 56 |
| Total liabilities | 259 |
| Net assets | 43,031 |

The resulting gain on disposal of KMG Retail LLP amounted to 17,481 million tenge.

Kazakhstan-British University JSC (KBTU)

In January 2019, a sale agreement on 100% shares in KBTU between the National Company "KazMunayGas" JSC ("NC KMG"), a subsidiary of the Fund, and the Public Foundation "Nursultan Nazarbayev Education Fund" came into force. According to the terms of the agreement, the transfer of shares and payment of 11,370 million tenge for them are made in three tranches within two years. On February 6, 2019 KMG lost control over KBTU.

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

| <i>In millions of tenge</i> | <i>Net assets at the date of disposal</i> |
|---|---|
| Property, plant and equipment | 6,367 |
| Intangible assets | 1,964 |
| Amounts due from credit institutions | 2,091 |
| Deferred tax assets | 98 |
| Other non-current assets | 37 |
| Inventories | 120 |
| VAT receivable | 77 |
| Income tax prepaid | 103 |
| Trade accounts receivable | 504 |
| Other current assets | 158 |
| Cash and cash equivalents | 4,732 |
| Total assets | 16,251 |
| Trade and other payables | 267 |
| Other current and non-current liabilities | 5,082 |
| Total liabilities | 5,349 |
| Net assets | 10,902 |

The resulting gain on disposal of KBTU net of loss of 143 million tenge incurred by KBTU for the period from January 1, 2019 till the date of sale amounted to 6 million tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER (continued)**Disposals in 2019 (continued)***Management Company of Special Economic Zone Taraz assets of Chemical Park ("Chemical Park")*

In April 2019 in accordance with the Resolution of the Government of Republic of Kazakhstan dated March 26, 2019 the Fund transferred 90% shares of Chemical Park with the net assets of 7,906 million tenge to the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan.

At the date of loss of control net assets of Chemical Park were as follows:

| <i>In millions of tenge</i> | <i>Net assets at the date of disposal</i> |
|-------------------------------|---|
| Property, plant and equipment | 4,283 |
| Intangible assets | 5 |
| Other non-current assets | 1,878 |
| Inventories | 25 |
| VAT receivable | 265 |
| Trade accounts receivable | 19 |
| Other current assets | 12 |
| Cash and cash equivalents | 1,980 |
| Total assets | 8,467 |
| Trade and other payables | 132 |
| Other current liabilities | 429 |
| Total liabilities | 561 |
| Net assets | 7,906 |

MAEK-Kazatomprom LLP

On December 4, 2019 in accordance with the Resolution of the Government of the Republic of Kazakhstan dated November 14, 2019 the Group transferred controlling shares of MAEK-Kazatomprom LLP to the State property and privatization committee of the Ministry of Finance of the Republic of Kazakhstan with net assets of 21,626 million tenge.

At the date of loss of control net assets of MAEK-Kazatomprom LLP were as follows:

| <i>In millions of tenge</i> | <i>Net assets at the date of disposal</i> |
|-------------------------------|---|
| Property, plant and equipment | 25,048 |
| Intangible assets | 26 |
| Other non-current assets | 543 |
| Inventories | 2,630 |
| Income tax prepaid | 386 |
| Trade accounts receivable | 8,255 |
| Other current assets | 257 |
| Cash and cash equivalents | 1,218 |
| Total assets | 38,363 |
| Borrowings | 5,209 |
| Lease liabilities | 110 |
| Deferred tax liabilities | 1,247 |
| Employee benefit liabilities | 337 |
| Provisions | 20 |
| Other non-current liabilities | 27 |
| Trade and other payables | 6,117 |
| Other current liabilities | 3,670 |
| Total liabilities | 16,737 |
| Net assets | 21,626 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER (continued)

Disposals in 2019 (continued)

International Airport Aktobe JSC, Airport Pavlodar JSC and International Airport Atyrau JSC

On September 10, 2019 in accordance with a decree of the Government of the Republic of Kazakhstan dated July 31, 2019, the Fund transferred controlling stakes of three airports, International Airport Aktobe JSC, Airport Pavlodar JSC and International Airport Atyrau JSC to the Akimat of Aktobe, Pavlodar and Atyrau regions. The net assets of the airports amounted to 9,810 million tenge.

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

| In millions of tenge | Net assets at the date of disposal | | |
|---|------------------------------------|----------------------|----------------------------------|
| | International Airport Aktobe JSC | Airport Pavlodar JSC | International Airport Atyrau JSC |
| Property, plant and equipment | 4,895 | 1,091 | 3,550 |
| Intangible assets | 18 | - | 4 |
| Inventories | 301 | 26 | 221 |
| VAT receivable | - | 3 | 4 |
| Income tax prepaid | - | 3 | 2 |
| Trade accounts receivable | 90 | 15 | 26 |
| Other non-current and current assets | 36 | 6 | 19 |
| Cash and cash equivalents | 271 | 42 | 225 |
| Total assets | 5,611 | 1,186 | 4,051 |
| Borrowings | - | - | 81 |
| Deferred tax liabilities | - | 30 | 557 |
| Trade and other payables | 18 | 22 | 30 |
| Other current and non-current liabilities | 81 | 39 | 180 |
| Total liabilities | 99 | 91 | 848 |
| Net assets | 5,512 | 1,095 | 3,203 |

Assets classified as held for sale or distribution to the Shareholder

Assets classified as held for sale or distribution to the Shareholder comprised the following:

| In millions of tenge | Segment | December 31, 2020 | December 31, 2019 |
|--|----------------|-------------------|-------------------|
| Assets classified as held for sale, including: | | | |
| Transtelecom JSC | Transportation | - | 106,247 |
| Uranium Enrichment Center (TsOU) JSC | Mining | - | 18,671 |
| Other | | 61,360 | 5,569 |
| Assets classified as held for distribution to Shareholder, including: | | | |
| KOREM JSC | Energy | 323 | - |
| Other | | 104 | - |
| | | 61,787 | 130,487 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE OR DISTRIBUTION TO THE SHAREHOLDER (continued)**Assets classified as held for sale or distribution to the Shareholder (continued)**

Liabilities associated with assets classified as held for sale or distribution to the Shareholder comprised the following:

| <i>In millions of tenge</i> | <i>Segment</i> | <i>December 31, 2020</i> | <i>December 31, 2019</i> |
|--|----------------|--------------------------|--------------------------|
| Liabilities associated with assets classified as held for sale, including: | | | |
| Transtelecom JSC | Transportation | – | 85,656 |
| Other | | 4,814 | 130 |
| Liabilities associated with assets classified as held for distribution to the Shareholder, including: | | | |
| KOREM JSC | Energy | 22 | – |
| | | 4,836 | 85,786 |

In accordance with the planned activities for transfer of 100% shares of KOREM JSC within 12 months period to the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan, as at December 31, 2020 the Fund classified net assets of KOREM JSC of 301 million tenge as held for distribution to the Shareholder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7.7. PROPERTY, PLANT AND EQUIPMENT

| <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, 2019 | 4,299,387 | 2,339,017 | 993,281 | 1,098,920 | 2,876,322 | 139,094 | 83,398 | 863,045 | 12,692,464 |
| Effect of adoption of IFRS 16 (restated) | 47,124 | 5,559 | 47,886 | - | 112,983 | - | 11,684 | - | 225,236 |
| Foreign currency translation | (16,199) | (1,306) | (433) | 85 | (595) | - | 205 | (4) | (18,247) |
| Changes in estimates | 40,047 | 12,156 | 184 | - | (643) | 2,059 | 2,079 | - | 55,882 |
| Additions | 89,852 | 7,164 | 38,947 | 172 | 108,378 | 27,343 | 11,729 | 667,310 | 950,895 |
| Additions through lease agreements | 3,468 | 90 | 4,245 | - | 114,763 | - | 2,771 | - | 125,337 |
| Acquisition through business combinations (restated) | - | - | 34,458 | - | 95,347 | 22,627 | 24,832 | 60,889 | 238,153 |
| Disposals | (24,598) | (6,261) | (23,331) | (804) | (68,729) | (1,529) | (8,857) | (40,607) | (174,716) |
| Depreciation charge | (224,885) | (150,601) | (60,178) | (35,828) | (299,592) | (30,875) | (20,138) | - | (822,097) |
| Depreciation and impairment on disposals | 14,198 | 5,833 | 13,821 | 335 | 39,757 | - | 7,940 | 25,194 | 107,078 |
| Impairment, net of reversal of impairment | (4,910) | (86,719) | (29,081) | (189) | (83,043) | (2,099) | (1,181) | 27,002 | (180,220) |
| Discontinued operations/transfer from/(to) assets classified as held for sale | 17 | (81) | (24,002) | - | (37,927) | 1,619 | (1,452) | (7,657) | (69,483) |
| Transfers from/(to) intangible assets, net | (342) | (64) | - | - | (15) | - | 89 | (9,944) | (10,276) |
| Transfers from/(to) exploration and evaluation assets, investment property, net | 1,958 | - | 14,678 | - | 144 | 2,458 | 2,356 | 985 | 22,579 |
| Transfer from/(to) inventories, net | 36 | 4,400 | 7 | (3,911) | 769 | 3,869 | (1,078) | 2,507 | 6,599 |
| Other transfers and reclassifications | 7,827 | 57,119 | 141,914 | 75,846 | 349,777 | 271 | 55,576 | (688,330) | - |
| Net book value at December 31, 2019 (restated) | 4,232,980 | 2,186,306 | 1,152,396 | 1,134,626 | 3,207,696 | 164,837 | 169,953 | 900,390 | 13,149,184 |
| Historical cost | 5,615,863 | 3,437,819 | 1,666,593 | 1,390,130 | 5,398,638 | 320,677 | 324,427 | 994,697 | 19,148,844 |
| Accumulated depreciation and impairment | (1,382,883) | (1,251,513) | (514,197) | (255,504) | (2,190,942) | (155,840) | (154,474) | (94,307) | (5,999,660) |
| Net book value at December 31, 2019 (restated) | 4,232,980 | 2,186,306 | 1,152,396 | 1,134,626 | 3,207,696 | 164,837 | 169,953 | 900,390 | 13,149,184 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

| In millions of tenge | 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, 2019 | - | - | - | - | 128,242 | - | 194 | - | 128,436 |
| Effect of adoption of IFRS 16 (restated) | 47,124 | 5,559 | 47,886 | - | 112,983 | - | 11,684 | - | 225,236 |
| Foreign currency translation | (230) | (19) | (105) | - | (547) | - | 10 | - | (891) |
| Changes in estimates | - | 524 | - | - | (819) | - | 2,060 | - | 1,765 |
| Additions through lease agreements | 3,468 | 90 | 4,245 | - | 114,763 | - | 2,771 | - | 125,337 |
| Acquisition through business combinations | - | - | 2,926 | - | - | - | 20,740 | - | 23,666 |
| Disposals | - | - | (99) | - | (29,541) | - | - | - | (29,640) |
| Depreciation charge | (6,251) | (436) | (10,270) | - | (41,971) | - | (4,038) | - | (62,966) |
| Depreciation and impairment on disposals | - | - | - | - | 6,444 | - | - | - | 6,444 |
| Other transfers and reclassifications | (297) | (4,790) | 29,375 | - | (13,351) | - | (10,937) | - | - |
| Net book value at December 31, 2019 (restated) | 43,814 | 928 | 73,958 | - | 276,203 | - | 22,484 | - | 417,387 |
| Historical cost of right-of-use assets under lease agreements | 50,061 | 1,364 | 84,243 | - | 402,208 | - | 26,701 | - | 564,577 |
| Accumulated depreciation and impairment of right-of-use assets under lease agreements | (6,247) | (436) | (10,285) | - | (126,005) | - | (4,217) | - | (147,190) |
| Net book value at December 31, 2019 (restated) | 43,814 | 928 | 73,958 | - | 276,203 | - | 22,484 | - | 417,387 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

| <i>In millions of tenge</i> | <i>Oil and gas assets</i> | <i>Pipelines and refinery assets</i> | <i>Buildings and premises</i> | <i>Railway tracks and infrastructure</i> | <i>Machinery, equipment and vehicles</i> | <i>Mining assets</i> | <i>Other</i> | <i>Construction in progress</i> | <i>Total</i> |
|--|---------------------------|--------------------------------------|-------------------------------|--|--|----------------------|----------------|---------------------------------|-------------------|
| Net book value at January 1, 2020 (restated) | 4,232,980 | 2,186,306 | 1,152,396 | 1,134,626 | 3,207,696 | 164,837 | 169,953 | 900,390 | 13,149,184 |
| Foreign currency translation | 366,276 | 43,416 | 9,164 | (70) | 28,817 | - | 9,579 | 15,345 | 472,527 |
| Changes in estimates | 27,038 | 10,923 | (195) | - | (1,032) | (13,552) | 3,358 | - | 26,540 |
| Additions | 19,930 | 4,143 | 8,156 | 3,075 | 95,187 | 26,983 | 19,687 | 1,056,336 | 1,233,497 |
| Additions through lease agreements | 1,558 | 468 | 11,294 | - | 139,493 | - | 5,365 | - | 158,178 |
| Acquisition through business combinations (Note 5) | - | - | 10,979 | - | 12,212 | - | 3,046 | 1,079 | 27,316 |
| Disposals | (18,443) | (29,041) | (17,528) | (134) | (73,516) | (3) | (4,746) | (7,304) | (150,715) |
| Depreciation charge | (271,726) | (149,339) | (72,040) | (36,788) | (330,223) | (27,308) | (20,722) | - | (908,146) |
| Depreciation and impairment on disposals | 13,876 | 12,257 | 4,148 | 100 | 40,446 | - | 4,156 | 5,294 | 80,277 |
| Impairment/write-off, net of reversal of impairment | (38,202) | (156,275) | 3,268 | 26 | (21,569) | (376) | (2,077) | (34,617) | (249,822) |
| Transfer from/(to) assets classified as held for sale or distribution to the Shareholder | - | (834) | (24,223) | - | (77,813) | (2,055) | (1,054) | (1,274) | (107,253) |
| Transfers from/(to) intangible assets (Note 8) | (609) | (96) | - | - | 31 | - | (619) | (12,096) | (13,389) |
| Transfers from/(to) exploration and evaluation assets, investment property | 67 | - | (21,045) | - | (68) | 26 | (1) | - | (21,021) |
| Transfer from/(to) inventories, net | 42 | 1,591 | 13 | (5,098) | 423 | 5,584 | 564 | 3,593 | 6,712 |
| Other transfers and reclassifications | 122,632 | 62,601 | 111,904 | 65,876 | 295,772 | 611 | 12,253 | (671,649) | - |
| Net book value at December 31, 2020 | 4,455,419 | 1,986,120 | 1,176,291 | 1,161,613 | 3,315,856 | 154,747 | 198,742 | 1,255,097 | 13,703,885 |
| Historical cost | 6,207,948 | 3,607,779 | 1,764,392 | 1,447,389 | 5,812,284 | 338,271 | 375,664 | 1,374,385 | 20,928,112 |
| Accumulated depreciation and impairment | (1,752,529) | (1,621,659) | (588,101) | (285,776) | (2,496,428) | (183,524) | (176,922) | (119,288) | (7,224,227) |
| Net book value at December 31, 2020 | 4,455,419 | 1,986,120 | 1,176,291 | 1,161,613 | 3,315,856 | 154,747 | 198,742 | 1,255,097 | 13,703,885 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

| In millions of tenge | 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 (restated) | 43,814 | 928 | 73,958 | - | 276,203 | - | 22,484 | - | 417,387 |
| Foreign currency translation | 4,180 | 144 | 1,408 | - | 21,192 | - | 2,432 | - | 29,356 |
| Changes in estimates | - | 5,009 | (294) | - | (1,225) | - | 3,358 | - | 6,848 |
| Additions through lease agreements | 1,558 | 468 | 11,294 | - | 139,493 | - | 5,365 | - | 158,178 |
| Acquisition through business combinations (Note 5) | - | - | 939 | - | 1,659 | - | - | - | 2,598 |
| Disposals | (1,305) | - | (1,040) | - | (42,499) | - | (922) | - | (45,766) |
| Depreciation charge | (7,300) | (296) | (17,086) | - | (57,998) | - | (3,225) | - | (85,905) |
| Depreciation and impairment on disposals | - | - | 322 | - | 20,566 | - | 645 | - | 21,533 |
| Impairment, net of reversal of impairment | - | - | - | - | (5,925) | - | - | - | (5,925) |
| Capitalized repair works | - | - | - | - | 3,598 | - | - | - | 3,598 |
| Net book value at December 31, 2020 | 40,947 | 6,253 | 69,501 | - | 355,064 | - | 30,137 | - | 501,902 |
| <i>Historical cost of right-of-use assets under lease agreements</i> | | | | | | | | | |
| | 53,747 | 7,014 | 102,001 | - | 530,064 | - | 35,063 | - | 727,889 |
| <i>Accumulated depreciation and impairment of right-of-use assets under lease agreements</i> | | | | | | | | | |
| | (12,800) | (761) | (32,500) | - | (175,000) | - | (4,926) | - | (225,987) |
| Net book value at December 31, 2020 | 40,947 | 6,253 | 69,501 | - | 355,064 | - | 30,137 | - | 501,902 |

As at December 31, 2020 property, plant and equipment with net book value of 959,895 million tenge was pledged as collateral for some of the Group's borrowings (December 31, 2019: 1,101,686 million tenge).

As at December 31, 2020 the cost of fully amortised property, plant and equipment of the Group was equal to 1,320,644 million tenge (December 31, 2019: 1,088,767 million tenge). In 2020 the Group capitalized borrowing costs at an average interest rate of 4.85% in the amount of 26,763 million tenge (Note 19) (2019: at an average interest rate of 7.1% in the amount of 24,913 million tenge).

During 2020, the Group reclassified to assets held for sale property and equipment of 107,253 million tenge mainly represented by compressor stations "Korkyt-ata" and "Turkestan". During 2020, the Group sold the compressor station "Turkestan" for the consideration of 43,667 million tenge. As at December 31, 2020, assets classified as held for sale is mainly represented by the compressor station "Korkyt-ata" for 42,241 million tenge, the transaction is expected to be completed during 2021. During 2019, the Group reclassified to assets held for sale property and equipment of 69,483 million tenge including tankers and gas compressor station with net book value of 35,621 million tenge, the latter was sold for the consideration of 32,696 million tenge.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INTANGIBLE ASSETS

| <i>In millions of tenge</i> | <i>Licenses</i> | <i>Subsurface use rights</i> | <i>Goodwill</i> | <i>Marketing related intangible assets</i> | <i>Software</i> | <i>Other</i> | <i>Total</i> |
|--|-----------------|------------------------------|-----------------|--|-----------------|--------------|--------------|
| Net book value at January 1, 2019 (restated) | 625,667 | 703,161 | 204,746 | 33,364 | 45,528 | 73,679 | 1,686,145 |
| Foreign currency translation | (2,107) | (833) | (1,493) | 2,237 | (60) | (491) | (2,747) |
| Additions | 6,517 | 3,845 | - | - | 12,359 | 3,244 | 25,965 |
| Acquisition through business combinations | 108,499 | 178,856 | 96,206 | - | 2,204 | 9,758 | 395,523 |
| Disposals | (2,781) | (39) | - | - | (5,746) | (1,597) | (10,163) |
| Amortization charge | (38,164) | (35,507) | - | - | (16,855) | (7,623) | (98,149) |
| Accumulated amortization on disposals | 1,966 | - | - | - | 5,485 | 248 | 7,699 |
| (Impairment)/reversal of impairment, net | (52) | (5,794) | - | (6,641) | (645) | 448 | (12,684) |
| Discontinued operations/transfer from/(to) assets classified as held for sale | (3) | 4 | - | - | (1,788) | (18) | (1,805) |
| Transfers from/(to) property, plant and equipment, net | (125) | 197 | - | - | 9,995 | 209 | 10,276 |
| Transfers from/(to) exploration and evaluation assets, investment property | - | 1,800 | - | - | - | - | 1,800 |
| Transfer from/(to) inventories, net | - | - | - | - | 43 | 5 | 48 |
| Other transfers | 947 | - | - | - | 1,380 | (2,327) | - |
| Net book value at December 31, 2019 (restated)* | 700,364 | 845,690 | 299,459 | 28,960 | 51,900 | 75,535 | 2,001,908 |
| Foreign currency translation | 48,907 | 19,429 | 1,002 | 2,776 | 363 | 835 | 73,312 |
| Additions | 5,156 | 100 | - | - | 17,702 | 3,808 | 26,766 |
| Acquisition through business combinations (Note 5) | - | - | 15,520 | - | 329 | 3,889 | 19,738 |
| Disposals | (1,354) | - | - | - | (7,117) | (2,176) | (10,647) |
| Amortization charge | (44,591) | (33,681) | - | - | (19,224) | (5,633) | (103,129) |
| Accumulated amortization on disposals | 1,343 | - | - | - | 6,334 | 130 | 7,807 |
| (Impairment)/reversal of impairment, net | (222) | - | - | (6,911) | (1,158) | 1,153 | (7,138) |
| Transfer from/(to) assets classified as held for sale or distribution to the Shareholder | - | - | - | - | (62) | - | (62) |
| Transfers from/(to) property, plant and equipment, net (Note 7) | 124 | 609 | - | - | 11,455 | 1,201 | 13,389 |
| Transfers from/(to) other non-current assets | - | - | - | - | 80 | - | 80 |
| Other transfers | 1,318 | - | - | - | 3,328 | (4,646) | - |
| Net book value at December 31, 2020 | 711,045 | 832,147 | 315,981 | 24,825 | 63,930 | 74,096 | 2,022,024 |
| Historical cost | 869,540 | 933,938 | 432,947 | 63,722 | 189,762 | 148,180 | 2,638,089 |
| Accumulated amortization and impairment | (158,495) | (101,791) | (116,966) | (38,897) | (125,832) | (74,084) | (616,065) |
| Net book value at December 31, 2020 | 711,045 | 832,147 | 315,981 | 24,825 | 63,930 | 74,096 | 2,022,024 |
| Historical cost | 806,879 | 912,221 | 416,367 | 57,921 | 161,474 | 139,728 | 2,494,590 |
| 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 (restated) | 700,364 | 845,690 | 299,459 | 28,960 | 51,900 | 75,535 | 2,001,908 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. EXPLORATION AND EVALUATION ASSETS

| <i>In millions of tenge</i> | <i>Tangible</i> | <i>Intangible</i> | <i>Total</i> |
|--|-----------------|-------------------|----------------|
| Net book value at January 1, 2019 | 398,129 | 33,719 | 431,848 |
| Foreign currency translation | (870) | - | (870) |
| Change in estimate | 9 | - | 9 |
| Additions | 56,052 | 3,144 | 59,196 |
| Disposals | (37,742) | (2,004) | (39,746) |
| Impairment/write-off, net of reversal of impairment | (99,267) | (5,522) | (104,789) |
| Impairment on disposals | 33,159 | 507 | 33,666 |
| Transfers from/(to) property, plant and equipment, net | (2,767) | (2,458) | (5,225) |
| Transfers from/(to) intangible assets, net | - | (1,800) | (1,800) |
| Transfer from/(to) inventories, net | (389) | (6) | (395) |
| Other transfers and reclassifications | (5,449) | 5,449 | - |
| Net book value at December 31, 2019 | 340,865 | 31,029 | 371,894 |
| Foreign currency translation | 16,935 | - | 16,935 |
| Change in estimate | (845) | - | (845) |
| Additions | 15,208 | 787 | 15,995 |
| Impairment/write-off, net of reversal of impairment | (32,054) | (4,164) | (36,218) |
| Transfers from/(to) property, plant and equipment, net | (93) | - | (93) |
| Transfer from/(to) inventories, net | (274) | (1) | (275) |
| Net book value at December 31, 2020 | 339,742 | 27,651 | 367,393 |
| Historical cost | 365,000 | 35,825 | 400,825 |
| Accumulated impairment | (25,258) | (8,174) | (33,432) |
| Net book value at December 31, 2020 | 339,742 | 27,651 | 367,393 |
| Historical cost | 446,630 | 49,673 | 496,303 |
| Accumulated impairment | (105,765) | (18,644) | (124,409) |
| Net book value at December 31, 2019 | 340,865 | 31,029 | 371,894 |

As at December 31, 2020 and 2019 the exploration and evaluation assets are represented by the following projects:

| <i>In millions of tenge</i> | 2020 | 2019 |
|-----------------------------|----------------|----------------|
| Kashagan | 186,062 | 169,069 |
| Zhambyl | 59,603 | 58,293 |
| Urikhtau | 38,834 | 35,265 |
| Embamunaigas | 33,458 | 41,337 |
| KazTransGas projects | 17,366 | 13,206 |
| Other | 32,070 | 54,724 |
| | 367,393 | 371,894 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

As at December 31 investments in joint ventures and associates comprised the following:

| In millions of tenge | Main activity | Place of business | 2020 | | 2019 | |
|---------------------------------|---|-----------------------|------------------|----------------------|------------------|----------------------|
| | | | Carrying amount | Percentage ownership | Carrying amount | Percentage ownership |
| Joint ventures | | | | | | |
| Tengizchevroil LLP | Oil and gas exploration and production | Kazakhstan | 2,793,887 | 20.00% | 2,377,207 | 20.00% |
| Asia Gas Pipeline LLP | Construction and operation of the gas pipeline | Kazakhstan | 291,086 | 50.00% | 168,086 | 50.00% |
| Beineu-Shymkent Pipeline LLP | Construction and operation of the gas pipeline | Kazakhstan | 156,771 | 50.00% | 101,766 | 50.00% |
| Mangistau Investments B.V. | Oil and gas exploration and production | Kazakhstan | 142,585 | 50.00% | 158,867 | 50.00% |
| KazRosGas LLP | Processing and sale of natural gas and refined gas products | Kazakhstan | 76,702 | 50.00% | 79,849 | 50.00% |
| Ural Group Limited BVI | Oil and gas exploration and production | Kazakhstan | 44,585 | 50.00% | 47,662 | 50.00% |
| Forum Muider B.V. | Gas pipeline construction | Netherlands | 42,437 | 50.00% | 33,938 | 50.00% |
| JV Kazgermunai LLP | Oil and gas exploration and production | Kazakhstan | 32,840 | 50.00% | 25,620 | 50.00% |
| Other | | | 150,741 | | 180,142 | |
| Total joint ventures | | | 3,731,634 | | 3,173,137 | |
| Associates | | | | | | |
| Kazzinc LLP | Mining and processing of metal ores, production of refined metals | Kazakhstan | 531,591 | 29.82% | 459,091 | 29.82% |
| Caspian Pipeline Consortium JSC | Transportation of crude oil | Kazakhstan/ Russia | 478,134 | 20.75% | 359,173 | 20.75% |
| PetroKazakhstan Inc. ("PKI") | Exploration, production and processing of oil and gas | Kazakhstan | 78,636 | 33.00% | 95,320 | 33.00% |
| JV KATCO LLP | Exploration, production, processing and export of uranium | Kazakhstan | 55,845 | 49.00% | 61,642 | 49.00% |
| Other | | | 109,836 | | 94,508 | |
| Total associates | | | 1,254,042 | | 1,069,734 | |
| | | | 4,985,676 | | 4,242,871 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2020, reflecting equity method accounting adjustments:

| In millions of tenge | Tengizchevroil LLP | Asia Gas Pipeline LLP | Beineu- Shymkent Pipeline LLP | Mangistau Investments B.V. | KazRosGas LLP | Ural Group Limited BVI | Forum Muider B.V. | Kazgermuna LLP | JV |
|--|-----------------------|--------------------------|-------------------------------------|----------------------------------|------------------|---------------------------|----------------------|-------------------|--------|
| Joint ventures | | | | | | | | | |
| Non-current assets | 20,221,619 | 1,333,611 | 544,058 | 468,069 | 44,681 | 246,111 | 134,249 | 101,629 | |
| Current assets, including | 908,846 | 616,479 | 147,802 | 89,172 | 118,142 | 993 | 34,903 | 24,627 | |
| Cash and cash equivalents | 50,588 | 180,065 | 18,027 | 5,267 | 44,459 | 833 | 9,091 | 19,264 | |
| Non-current liabilities, including | 6,412,967 | 886,363 | 351,719 | 160,711 | 207 | 115,216 | 57,775 | 35,090 | |
| Non-current financial liabilities | 4,061,782 | 692,254 | 335,084 | – | – | 81,291 | 52,564 | – | |
| Current liabilities, including | 748,064 | 481,556 | 76,155 | 110,186 | 9,212 | 2,718 | 26,503 | 25,486 | |
| Current financial liabilities | 69,558 | 464,699 | 63,101 | 21,306 | – | – | 1,637 | – | |
| Equity | 13,969,434 | 582,171 | 263,986 | 286,344 | 153,404 | 129,170 | 84,874 | 65,680 | |
| Share of ownership | 20.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% |
| Consolidation adjustments | – | – | 24,778 | (587) | – | (20,000) | – | – | – |
| Carrying amount of investment as at December 31, 2020 | 2,793,887 | 291,086 | 156,771 | 142,585 | 76,702 | 44,585 | 42,437 | 32,840 | |
| Revenue | 3,776,155 | 727,503 | 201,524 | 488,032 | 167,016 | – | 100,937 | 101,595 | |
| Depreciation, depletion and amortization | (700,929) | (78,212) | (18,222) | (75,609) | (289) | (14) | (7,323) | (27,084) | |
| Finance income | 3,887 | 7,352 | – | 239 | 2,293 | – | 500 | 511 | |
| Finance costs | (58,264) | (54,943) | (14,365) | (9,555) | – | (16,986) | (3,110) | (1,598) | |
| Income tax expenses | (371,799) | (90,323) | – | (19,663) | (6,628) | (1,077) | (5,968) | (6,200) | |
| Profit/(loss) for the year from continuing operations | 867,380 | 350,677 | 110,010 | 33,498 | 7,785 | (20,531) | 23,109 | 31,245 | |
| Other comprehensive income/(loss) | 1,216,017 | 2,964 | – | (1,479) | 16,232 | 11,671 | (100) | 4,337 | |
| Total comprehensive income/(loss) | 2,083,397 | 353,641 | 110,010 | 32,019 | 24,017 | (8,860) | 23,009 | 35,582 | |
| Dividends received | – | 53,821 | – | 32,291 | 15,155 | – | 3,006 | 10,372 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2019, reflecting equity method accounting adjustments:

| <i>In millions of tenge</i> | Tengizchevroil LLP | Asia Gas Pipeline LLP | Beineu- Shymkent Pipeline LLP | Mangistau Investments B.V. | KazRosGas LLP | Ural Group Limited BVI | Forum Muider B.V. | Kazgerminal LLP | JV |
|--|-----------------------|--------------------------|-------------------------------------|----------------------------------|------------------|---------------------------|----------------------|--------------------|--------|
| Joint ventures | | | | | | | | | |
| Non-current assets | 16,276,184 | 1,395,615 | 433,949 | 482,553 | 10,176 | 218,689 | 96,927 | 118,312 | |
| Current assets, including | 975,247 | 578,072 | 114,571 | 171,411 | 195,666 | 729 | 26,631 | 42,245 | |
| Cash and cash equivalents | 45,128 | 136,318 | 16,091 | 11,918 | 83,674 | 714 | 5,241 | 37,401 | |
| Non-current liabilities, including | 4,137,239 | 1,225,064 | 148,898 | 354,711 | 148 | 123,902 | 29,726 | 40,343 | |
| Non-current financial liabilities | 2,563,353 | 1,050,532 | 49,553 | 342,836 | - | 94,532 | 26,253 | - | |
| Current liabilities, including | 1,228,155 | 412,451 | 80,494 | 145,277 | 45,996 | 192 | 25,956 | 68,975 | |
| Current financial liabilities | 44,762 | 379,633 | 400 | 119,557 | - | - | 3,204 | - | |
| Equity | 11,886,037 | 336,172 | 319,128 | 153,976 | 159,698 | 95,324 | 67,876 | 51,239 | |
| Share of ownership | 20.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% |
| Consolidation adjustments | - | - | (697) | 24,778 | - | - | - | - | - |
| Carrying amount of investment as at December 31, 2019 | 2,377,207 | 168,086 | 158,867 | 101,766 | 79,849 | 47,662 | 33,938 | 25,620 | |
| Revenue | 6,231,720 | 785,250 | 836,474 | 172,894 | 306,259 | - | 105,278 | 191,297 | |
| Depreciation, depletion and amortization | (874,694) | (74,734) | (70,250) | (16,028) | (280) | (13) | (6,885) | (50,605) | |
| Finance income | 9,428 | 9,674 | 159 | - | 2,384 | - | 372 | 227 | |
| Finance costs | (39,896) | (90,669) | (8,772) | (26,563) | - | (27,471) | (404) | (1,348) | |
| Income tax expenses | (889,194) | (113,177) | (51,818) | - | (8,625) | (1,688) | (7,769) | (73,148) | |
| Profit/(loss) for the year from continuing operations | 2,074,701 | 428,204 | 165,766 | 112,387 | 30,311 | (37,790) | 24,620 | 35,121 | |
| Other comprehensive (loss)/income | (41,327) | - | 485 | - | (846) | (627) | (134) | (216) | |
| Total comprehensive income/(loss) | 2,033,374 | 428,204 | 166,251 | 112,387 | 29,465 | (38,417) | 24,486 | 34,905 | |
| Change in unrecognized share of losses | - | 46,016 | - | - | - | - | - | - | |
| Dividends received | - | - | 61,872 | - | - | - | 15,312 | 30,183 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on IFRS financial statements of these entities for 2020 and 2019, reflecting equity method accounting adjustments:

| In millions of tenge | 2020 | | | 2019 | | | | |
|---|------------------|---------------------------------|-------------------------------|----------------|------------------|---------------------------------|-------------------------------|----------------|
| | Kazzinc LLP | Caspian Pipeline Consortium JSC | Petro-Kazakhstan Inc. ("PKI") | JV KATCO LLP | Kazzinc LLP | Caspian Pipeline Consortium JSC | Petro-Kazakhstan Inc. ("PKI") | JV KATCO LLP |
| Associates | | | | | | | | |
| Non-current assets | 1,732,663 | 2,082,957 | 284,545 | 73,426 | 1,513,171 | 1,992,522 | 330,021 | 63,374 |
| Current assets | 491,115 | 193,677 | 67,047 | 73,445 | 422,595 | 99,635 | 55,086 | 96,384 |
| Non-current liabilities | 300,729 | 32,817 | 72,335 | 8,768 | 286,301 | 38,825 | 69,474 | 11,253 |
| Current liabilities | 140,509 | 134,300 | 20,426 | 8,291 | 110,028 | 499,392 | 26,785 | 7,961 |
| Equity | 1,782,540 | 2,109,517 | 258,831 | 129,812 | 1,539,437 | 1,553,940 | 288,848 | 140,544 |
| Share of ownership | 29.82% | 20.75% | 33.00% | 49.00% | 29.82% | 20.75% | 33.00% | 49.00% |
| Goodwill | – | 40,409 | – | 68 | – | 36,730 | – | 68 |
| Unrecognized gain on transactions with associates | – | – | – | (7,831) | – | – | – | (7,293) |
| Impairment of the investment | – | – | (6,778) | – | – | – | – | – |
| Carrying amount of investment | 531,591 | 478,134 | 78,636 | 55,845 | 459,091 | 359,173 | 95,320 | 61,642 |
| Revenue | 1,243,589 | 872,851 | 83,863 | 93,923 | 1,099,241 | 867,450 | 131,688 | 78,298 |
| Profit/(loss) for the year from continuing operations | 252,431 | 393,165 | (26,702) | 52,267 | 172,955 | 341,538 | (55,286) | 33,638 |
| Other comprehensive income/(loss) | – | 180,142 | 13,223 | – | – | (6,181) | (1,473) | – |
| Total comprehensive income/(loss) | 252,431 | 573,307 | (13,479) | 52,267 | 172,955 | 335,357 | (56,759) | 33,638 |
| Other | – | – | – | (538) | – | – | – | (4,545) |
| Dividends received | 53,442 | – | 2,609 | 30,870 | 73,669 | – | 15,004 | – |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate aggregate financial information of individually insignificant joint ventures (the Group's proportional interest):

| <i>In millions of tenge</i> | 2020 | 2019 |
|---|----------------|---------|
| Carrying amount of investments as at December 31 | 150,741 | 180,142 |
| Net profit for the year from continuing operations | 198 | 85,214 |
| Other comprehensive loss | (407) | (108) |
| Total comprehensive(loss)/income | (209) | 85,106 |

The following tables illustrate aggregate financial information of individually insignificant associates (the Group's proportional interest):

| <i>In millions of tenge</i> | 2020 | 2019 |
|---|----------------|---------|
| Carrying amount of investments as at December 31 | 109,836 | 94,508 |
| Net profit/(loss) for the year from continuing operations | 67,274 | (8,608) |
| Other comprehensive loss | (88) | - |
| Total comprehensive income/(loss) | 67,186 | (8,608) |

In 2020 dividends received from individually insignificant joint ventures and associates were equal to 44,598 million tenge (2019: 39,943 million tenge).

The following table summarizes the movements in equity investments in joint ventures and associates in 2020 and 2019:

| <i>In millions of tenge</i> | 2020 | 2019 |
|--|------------------|-----------|
| Balance as at January 1 | 4,242,871 | 3,701,451 |
| <i>Share in profit of joint ventures and associates, net (Note 34)</i> | 641,608 | 914,757 |
| Dividends received | (246,164) | (235,983) |
| Change in dividends receivable | 5,815 | 11,028 |
| Adjustment of unrealized income* | 2,936 | (7,043) |
| Additional contributions without change in ownership | 17,391 | 9,765 |
| Acquisitions | 213 | 4,305 |
| Disposals | (22,273) | (130,904) |
| Transfers to assets classified as held for sale or distribution to the Shareholder | 3,709 | (18,671) |
| Foreign currency translation | 349,926 | (12,905) |
| Other comprehensive income, other than foreign currency translation | 4,828 | 316 |
| Impairment, net (Note 31) | (36,790) | (413) |
| Discount on loans issued | 21,620 | (4,003) |
| Other changes in equity of joint ventures and associates | (14) | 11,171 |
| Balance as at December 31 | 4,985,676 | 4,242,871 |

* Equity method eliminations and adjustments of unrealized income from sale of inventory from a JV to a subsidiary and capitalized borrowing costs of the loans provided by the Company and subsidiaries to JVs.

As at December 31, 2020, the Group's share in unrecognized losses of joint ventures and associates was equal to 20,514 million tenge (December 31, 2019: 34,359 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. LOANS ISSUED AND FINANCE LEASE RECEIVABLES

As at December 31, loans issued and finance lease receivables comprised the following:

| <i>In millions of tenge</i> | 2020 | 2019 |
|--|----------------|----------------|
| Loans issued at amortized cost | 225,812 | 244,802 |
| Loans issued at FVPL | 138,024 | 214,396 |
| Finance lease receivables | 74,024 | 75,119 |
| Total loans and finance lease receivables | 437,860 | 534,317 |
| Less: allowance for expected credit losses | (15,624) | (13,488) |
| Loans issued and finance lease receivables, net | 422,236 | 520,829 |
| Less: current portion | (55,406) | (150,273) |
| Non-current portion | 366,830 | 370,556 |

Movements in the loan allowance for expected credit losses for the years ended December 31 were as follows:

| <i>In millions of tenge</i> | 2020 | 2019 |
|----------------------------------|---------------|---------------|
| Allowance at January 1 | 13,488 | 23,821 |
| Charged, net (Note 31) | 2,053 | (8,924) |
| Write-off, net | (16) | (1,402) |
| Foreign exchange difference, net | 99 | (7) |
| Allowance at December 31 | 15,624 | 13,488 |

As at December 31 the components of finance lease receivables are as follows:

| <i>In millions of tenge</i> | 2020 | 2019 |
|--|----------------|----------------|
| Within one year | 16,737 | 12,662 |
| Later than one year, but not later than five years | 41,466 | 47,585 |
| After five years | 58,838 | 57,567 |
| Lease payments | 117,041 | 117,814 |
| Less: unearned finance income | (43,017) | (42,695) |
| Net investment in finance leases | 74,024 | 75,119 |

| <i>In millions of tenge</i> | 2020 | 2019 |
|---|----------------|----------------|
| Loans issued and finance lease receivables in tenge | 97,215 | 294,237 |
| Loans issued in US dollars | 321,687 | 223,168 |
| Loans issued in other foreign currencies | 3,334 | 3,424 |
| | 422,236 | 520,829 |

12. AMOUNTS DUE FROM CREDIT INSTITUTIONS

As at December 31 amounts due from credit institutions comprised the following:

| <i>In millions of tenge</i> | 2020 | 2019 |
|--|----------------|----------------|
| Bank deposits | 370,845 | 643,857 |
| Loans to credit institutions | 122,217 | 127,393 |
| Less: allowance for expected credit losses | (3,490) | (7,484) |
| Amounts due from credit institutions, net | 489,572 | 763,766 |
| Less: current portion | (354,257) | (593,974) |
| Non-current portion | 135,315 | 169,792 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

| <i>In millions of tenge</i> | 2020 | 2019 |
|-------------------------------------|----------------|----------------|
| Rating from A+(A1) to A-(A3) | 124,409 | 207,078 |
| Rating from BBB+(Baa1) to BBB(Baa2) | 1,608 | - |
| Rating from BBB-(Baa3) to BB-(Ba3) | 284,997 | 420,760 |
| Rating from B+(B1) to B-(B3) | 78,558 | 135,928 |
| | 489,572 | 763,766 |

| <i>In millions of tenge</i> | 2020 | Weighted average interest rate | 2019 | Weighted average interest rate |
|---|----------------|--------------------------------|----------------|--------------------------------|
| Amounts due from credit institutions, denominated in US dollars | 308,948 | 0.47% | 546,639 | 1.06% |
| Amounts due from credit institutions, denominated in tenge | 180,623 | 3.46% | 217,117 | 5.86% |
| Amounts due from credit institutions, denominated in other currencies | 1 | 0.70% | 10 | 4% |
| | 489,572 | | 763,766 | |

As at December 31, 2020 amounts due from credit institutions included funds of 12,031 million tenge pledged as collateral for certain Group's borrowings (December 31, 2019: 15,062 million tenge).

13. OTHER FINANCIAL ASSETS

As at December 31 other financial assets comprised the following:

| <i>In millions of tenge</i> | 2020 | 2019 (restated) |
|---|----------------|--------------------|
| Financial assets at FVOCI, including: | 56,830 | 52,984 |
| <i>Bonds of Kazakhstani financial institutions</i> | <i>42,331</i> | <i>35,268</i> |
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan | 6,492 | 11,475 |
| Corporate bonds | 6,135 | 1,214 |
| Treasury notes of foreign governments | 1,810 | 4,965 |
| Equity securities | 62 | 62 |
| Financial assets at amortized cost, including: | 683,618 | 520,188 |
| <i>Bonds of Kazakhstani financial institutions</i> | <i>333,082</i> | <i>210,161</i> |
| Corporate bonds | 104,700 | 101,885 |
| Notes of the National Bank of the Republic of Kazakhstan | 62,295 | 7,460 |
| Eurobonds of the Ministry of Finance of the Republic of Kazakhstan | 1,834 | 1,676 |
| Other financial assets, including: | | |
| <i>Restricted cash</i> | <i>170,135</i> | <i>151,450</i> |
| <i>Other accounts receivable</i> | <i>114,510</i> | <i>128,440</i> |
| <i>Amounts due from employees</i> | <i>12,441</i> | <i>12,829</i> |
| <i>Dividends receivable</i> | <i>3,427</i> | <i>12,708</i> |
| <i>Other</i> | <i>10,730</i> | <i>15,028</i> |
| Less: allowance for expected credit losses | (129,536) | (121,449) |
| Financial assets at FVPL, including: | 62,361 | 47,604 |
| Equity securities | 56,955 | 27,754 |
| Corporate bonds | 3,508 | 4,006 |
| Options | 1,048 | 543 |
| Bonds of Kazakhstani financial institutions | 753 | 722 |
| Forward and futures contracts | 97 | 952 |
| Note receivable from shareholder of joint venture | - | 13,627 |
| Total financial assets | 802,809 | 620,776 |
| Less: current portion | (188,427) | (176,672) |
| Non-current portion | 614,382 | 444,104 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. OTHER FINANCIAL ASSETS (continued)

As at December 31 other financial assets by currency, except for derivatives, comprised:

| <i>In millions of tenge</i> | 2020 | 2019 (restated) |
|---|----------------|--------------------|
| Financial assets, denominated in tenge | 618,107 | 442,910 |
| Financial assets, denominated in US dollars | 149,242 | 157,132 |
| Financial assets, denominated in euro | 29,363 | 4,741 |
| Financial assets, denominated in rubles | 14 | 22 |
| Financial assets, denominated in other currency | 4,938 | 14,476 |
| | 801,664 | 619,281 |

14. OTHER NON-CURRENT ASSETS

As at December 31 other non-current assets comprised the following:

| <i>In millions of tenge</i> | 2020 | 2019 (restated) |
|--------------------------------------|----------------|--------------------|
| Advances paid for non-current assets | 217,889 | 434,486 |
| Long-term VAT receivable | 194,145 | 235,573 |
| Long-term inventories | 67,306 | 24,024 |
| Prepaid expenses | 10,521 | 14,507 |
| Other | 24,166 | 27,046 |
| Less: impairment allowance | (66,120) | (74,822) |
| | 447,907 | 660,814 |

15. INVENTORIES

As at December 31 inventories comprised the following:

| <i>In millions of tenge</i> | 2020 | 2019 |
|---|----------------|----------------|
| Uranium products (at lower of cost and net realizable value) | 183,360 | 169,367 |
| Production materials and supplies (at lower of cost and net realizable value) | 65,869 | 61,707 |
| Goods for resale (at lower of cost and net realizable value) | 60,180 | 70,604 |
| Oil refined products for sale (at lower of cost and net realizable value) | 56,712 | 53,943 |
| Work in progress (at lower of cost and net realizable value) | 45,104 | 44,913 |
| Oil and gas industry materials and supplies (at cost) | 38,196 | 35,744 |
| Crude oil (at cost) | 34,151 | 61,100 |
| Gas processed products (at cost) | 32,841 | 52,566 |
| Fuel (at lower of cost and net realizable value) | 20,489 | 17,523 |
| Railway industry materials and supplies (at cost) | 15,010 | 21,485 |
| Aircraft spare parts (at cost) | 13,308 | 11,504 |
| Electric transmission equipment spare parts (at lower of cost and net realizable value) | 4,845 | 2,803 |
| Uranium industry materials and supplies (at lower of cost and net realizable value) | 1,841 | 1,137 |
| Telecommunication equipment spare parts (at lower of cost and net realizable value) | 1,805 | 2,100 |
| Other materials and supplies (at lower of cost and net realizable value) | 52,652 | 47,956 |
| | 626,363 | 654,452 |

16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As at December 31 trade accounts receivable comprised the following:

| <i>In millions of tenge</i> | 2020 | 2019 (restated) |
|--|----------------|-----------------|
| Trade accounts receivable | 714,328 | 666,464 |
| Less: allowance for expected credit losses | (47,221) | (46,076) |
| | 667,107 | 620,388 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)

As at December 31 other current assets comprised the following:

| <i>In millions of tenge</i> | 2020 | 2019 (restated) |
|-------------------------------------|----------|--------------------|
| Advances paid and deferred expenses | 89,778 | 195,205 |
| Other prepaid taxes | 84,595 | 97,818 |
| Other non-financial current assets | 24,798 | 20,519 |
| Less: impairment allowance | (14,402) | (19,379) |
| | 184,769 | 294,163 |

At December 31, 2020 the Group's receivables of 156,111 million tenge were pledged under certain Group borrowings (December 31, 2019: 71,401 million tenge).

Movements in the allowance for expected credit losses for trade accounts receivable for the years ended December 31 were as follows:

| <i>In millions of tenge</i> | 2020 | 2019 |
|--|----------|----------|
| Allowance at January 1 | 46,076 | 56,961 |
| Charged, net | 10,213 | 11,571 |
| Foreign exchange difference, net | 3,596 | (918) |
| Change in estimate | 3 | (188) |
| Transfers to assets classified as held for sale or distribution to the Shareholder | (32) | (643) |
| Write-off, net | (12,635) | (20,707) |
| Allowance at December 31 | 47,221 | 46,076 |

Movements in the impairment allowance for other current assets for the years ended December 31 were as follows:

| <i>In millions of tenge</i> | 2020 | 2019 (restated) |
|--|---------|--------------------|
| Allowance at January 1 | 19,379 | 18,520 |
| Charged, net | (3,071) | 3,287 |
| Foreign exchange difference, net | 16 | (1) |
| Change in estimate | (137) | (1,519) |
| Transfers to assets classified as held for sale or distribution to the Shareholder | (5) | 833 |
| Write-off, net | (1,780) | (1,741) |
| Allowance at December 31 | 14,402 | 19,379 |

17. CASH AND CASH EQUIVALENTS

As at December 31 cash and cash equivalents comprised the following:

| <i>In millions of tenge</i> | 2020 | 2019 |
|---|-----------|-----------|
| Current accounts with banks – US dollars | 701,048 | 1,116,492 |
| Current accounts with banks – tenge | 248,087 | 215,008 |
| Current accounts with banks – other currency | 44,149 | 33,392 |
| Bank deposits – US dollars | 740,940 | 199,949 |
| Bank deposits – tenge | 405,360 | 379,212 |
| Bank deposits – other currency | 55,743 | 6,450 |
| Reverse repurchase agreements with contractual maturity of three months or less | 15,421 | 10,735 |
| Cash on hand | 9,057 | 9,821 |
| Cash in transit | 8,185 | 23,555 |
| Less: allowance for expected credit losses | (321) | (652) |
| | 2,227,669 | 1,993,962 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. CASH AND CASH EQUIVALENTS (continued)

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 December 31, 2020 the weighted average interest rates for short-term bank deposits were 7.7% in tenge, 0.39% in US dollars, 1.13% in other currency; and current accounts were 0.1% in tenge, 0.07% in US dollars, 0.35% in other currency, respectively (December 31, 2019: the weighted average interest rates for short-term bank deposits were 8.3% in tenge, 1.5% in US dollars, 0.07% in other currency; and current accounts were 1.3% in tenge, 0.06% in US dollars, 4.0% in other currency, respectively).

18. EQUITY**18.1 Share capital**

During 2020 and 2019 the Fund issued common shares, which were paid as follows:

| <i>Payment for shares</i> | <i>Number of shares authorized and issued</i> | <i>Par value per share, in tenge</i> | <i>Share capital in millions of tenge</i> |
|--------------------------------|---|--------------------------------------|---|
| As of December 31, 2018 | 3,481,939,318 | | 5,133,766 |
| Cash contributions | 3,500 | 10,000,000; 70,196,400 | 95,196 |
| Property contributions | 14,951 | 10,000 | 150 |
| As of December 31, 2019 | 3,481,957,769 | | 5,229,112 |
| Cash contributions | 764 | 34,075,462 | 26,000 |
| Property contributions | 1,875 | 21,848,312; 465,216 | 3,545 |
| As of December 31, 2020 | 3,481,960,408 | | 5,258,657 |

As at December 31, 2020 3,481,960,408 shares of the Fund were fully paid, including 1,750 shares, which were registered in the first quarter of 2021 (December 31, 2019: 3,481,957,769 shares).

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 with a fair value of 2,731 million tenge to the Fund's share capital. This property was transferred to the charter capital of subsidiary Samruk Energy JSC ("Samruk Energy").

On December 29, 2020 the Shareholder contributed property to the Fund's share capital in form of railway transport with a fair value of 814 million tenge.

18.2 Dividends*Dividends attributable to equity holder of the Parent*

In 2020 the Fund declared and paid dividends to the Shareholder of 120,000 million tenge based on financial results for 2019 according to the Resolution of the Government dated August 21, 2020.

Dividends attributable to non-controlling interest

During 2020 the Group declared dividends of 65,695 million tenge to the holders of non controlling interest in National Company "KazMunayGas" JSC ("NC KMG") group, Kazakhtelecom JSC ("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 2020 equaled 72,054 million tenge.

18. EQUITY (continued)

18.3 Other contributions of the Shareholder

Transfer of pipelines contributed by the Government due to termination of the trust management agreement

In 2020 the Group disposed gas pipeline assets obtained on trust management terms from the Government for 17,323 million tenge due to change in judgements (Note 3). These pipelines were recognised within APIC in prior years. As of disposal date the book value of pipelines was 16,118 million tenge. The difference between cost and book value as of disposal date mainly represents depreciation of the pipelines, and was reversed from retained earnings.

18.4 Other transactions with the Shareholder

During 2020, the Group, represented by its subsidiaries Passenger Transportation JSC and Tulpar Wagon Building Plant LLP entered into a three-side purchase and finance lease arrangements with Industrial Development Fund JSC, which is under common control of ultimate Shareholder, for renewal of passenger waggon fleet for 35,714 million tenge. Interest is repaid annually at 1.5%. The principal amount is subject to repayment in annual instalments until it is fully repaid in 2040. The grace period on repayment of principal amount is 6 years.

The borrowings were obtained at the rates below market and the fair value of the borrowings was calculated based on market interest rates from 10.2% to 10.56%. The Group recognised the adjustment to fair value of 20,858 million tenge with effect on the deferred tax effect of 4,172 million tenge as other transaction with the Shareholder in consolidated statement of changes in equity.

On December 29, 2020 the Shareholder transferred to the Fund the property in form of railway sections with a fair value of 23,797 million tenge.

18.5 Other distributions to the Shareholder

Social projects financing

During 2020 in accordance with the Shareholder's resolutions, the Fund recognized liabilities for financing of various social projects for total amount of 29,368 million tenge as other distributions to the Shareholder in the consolidated statement of changes in equity. During 2020 the Group made repayments of liabilities of 33,268 million tenge.

Financing construction of social facilities

During 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 13,059 million tenge as other distributions to the Shareholder in the consolidated statement of changes in equity. During 2020 the Group made repayments of these liabilities of 14,118 million tenge.

In 2020, in accordance with the Shareholder resolution on housing of the residents, living in Zhana-ozen town, the Group recognized liabilities of 3,098 million tenge as other distributions to the Shareholder and paid-off 2,490 million tenge as of December 31, 2020.

In 2020 in accordance with the Shareholder resolution, the Fund recognized liabilities for additional financing of the construction of the Athletics Complex in the Nur-Sultan city of 5,153 million tenge as other distributions to the Shareholder in the consolidated statement of changes in equity, and paid-off 9,976 million tenge as of December 31, 2020, including liabilities recognized in 2018.

In 2020 in accordance with the Shareholder resolution, the Fund recognized liabilities for financing of the construction of social medical facilities of 50,004 million tenge as other distributions to the Shareholder in the consolidated statement of changes in equity.

Additionally, in 2020, the Group reversed its distribution to Shareholder by 832 million tenge, which was recognised in prior years under the construction project of a kindergarden in Nur-Sultan city.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EQUITY (continued)**18.6 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.

18.7 Discount on loans from the Government

During 2020 the Group made partial early repayment of bonds in the amount of 88,804 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 37,581 million tenge in consolidated statement of changes in equity (Note 20).

18.8 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).

18.9 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 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.

18.10 Non-controlling interest

The following tables illustrate information of subsidiaries in which there is significant non-controlling interests as at December 31:

| | <i>Non-controlling interest</i> | | | |
|---------------------|---------------------------------|------------------------|------------------------|------------------------|
| | <i>2020</i> | | <i>2019 (restated)</i> | |
| | <i>Share</i> | <i>Carrying amount</i> | <i>Share</i> | <i>Carrying amount</i> |
| NC KazMunayGas JSC | 9.58% | 762,616 | 9.58% | 819,830 |
| NAC Kazatomprom JSC | 25.00% | 535,302 | 18.80% | 439,870 |
| Kazakhtelecom JSC | 47.97% | 267,297 | 47.97% | 241,097 |
| KEGOC JSC | 10.00% – 1 | 27,567 | 10.00% – 1 | 23,989 |
| Air Astana JSC | 49.00% | 3,796 | 49.00% | 19,343 |
| Other | | 76,273 | | 90,503 |
| | | 1,672,851 | | 1,634,632 |

All significant subsidiaries with non-controlling interest are registered in Kazakhstan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EQUITY (continued)**18.10 Non-controlling interest (continued)**

The following tables illustrate summarized financial information of subsidiaries, in which there are significant non-controlling interests as at December 31, 2020 and for the year then ended:

| <i>In millions of tenge</i> | NC KazMunayGas JSC | Kazakhtelecom JSC | Kazatomprom NAC JSC | KEGOC JSC | Air Astana JSC |
|---|-----------------------|----------------------|------------------------|----------------|-----------------|
| Summarized statement of financial position | | | | | |
| Non-current assets | 12,176,863 | 929,390 | 1,146,991 | 411,590 | 316,346 |
| Current assets | 2,476,425 | 186,036 | 542,289 | 116,820 | 125,253 |
| Non-current liabilities | 4,683,232 | 427,409 | 237,915 | 183,055 | 283,029 |
| Current liabilities | 1,333,375 | 169,477 | 111,572 | 69,689 | 150,823 |
| Total equity | 8,636,681 | 518,540 | 1,339,793 | 275,666 | 7,747 |
| Attributable to: | | | | | |
| Equity holder of the Parent | 7,874,065 | 251,243 | 804,491 | 248,099 | 3,951 |
| Non-controlling interest | 762,616 | 267,297 | 535,302 | 27,567 | 3,796 |
| Summarized statement of comprehensive income | | | | | |
| Profit for the year from continuing operations | 171,396 | 65,308 | 221,368 | 68,531 | (38,673) |
| Other comprehensive (loss)/income | 403,662 | 602 | 42 | - | 6,944 |
| Total comprehensive income for the year, net of tax | 575,558 | 65,910 | 221,410 | 68,531 | (31,729) |
| Attributable to: | | | | | |
| Equity holder of the Parent | 677,743 | 64,140 | 183,580 | 68,531 | (31,729) |
| Non-controlling interest | (102,185) | 1,770 | 37,830 | - | - |
| Dividends declared to non-controlling interest | | | | | |
| | (12,682) | (6,315) | (43,423) | (3,275) | - |
| Summarised cash flow information | | | | | |
| Operating activity | 311,761 | 170,971 | 161,593 | 96,702 | (11,236) |
| Investing activity | (70,841) | (119,485) | 48,759 | (65,795) | 2,363 |
| Financing activity | (245,226) | (32,109) | (201,415) | (30,690) | 20,992 |
| Net increase/(decrease) in cash and cash equivalents | (4,306) | 19,377 | 8,937 | 217 | 12,119 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EQUITY (continued)**18.10 Non-controlling interest (continued)**

The following tables illustrate summarized financial information of subsidiaries, in which there are significant non-controlling interests as at December 31, 2019 and for the year then ended:

| <i>In millions of tenge</i> | NC KazMunayGas JSC | KazakhTelecom JSC | Kazatomprom MAC JSC | KEGOC JSC | Air Astana JSC |
|---|--------------------|-------------------|---------------------|----------------|----------------|
| Summarized statement of financial position | | | | | |
| Non-current assets | 11,442,004 | 930,514 | 1,176,113 | 356,741 | 249,039 |
| Current assets | 2,639,911 | 148,536 | 498,020 | 97,812 | 130,718 |
| Non-current liabilities | 4,446,817 | 467,709 | 246,885 | 170,330 | 217,903 |
| Current liabilities | 1,438,442 | 148,475 | 185,094 | 44,341 | 122,378 |
| Total equity | 8,196,656 | 462,866 | 1,242,154 | 239,882 | 39,476 |
| Attributable to: | | | | | |
| Equity holder of the Parent | 7,376,826 | 221,769 | 802,284 | 215,893 | 20,133 |
| Non-controlling interest | 819,830 | 241,097 | 439,870 | 23,989 | 19,343 |
| Summarized statement of comprehensive income | | | | | |
| (Loss)/profit for the year from continuing operations | 1,158,451 | 60,345 | 213,749 | 56,647 | 11,495 |
| Profit for the year from discontinued operations | 6 | – | – | – | – |
| Other comprehensive (loss)/income | (37,622) | (1,145) | 1,573 | – | 3,306 |
| Total comprehensive income for the year, net of tax | 1,120,835 | 59,200 | 215,322 | 56,647 | 14,801 |
| Attributable to: | | | | | |
| Equity holder of the Parent | 1,159,447 | 55,941 | 191,580 | 56,647 | 14,801 |
| Non-controlling interest | (38,612) | 3,259 | 23,742 | – | – |
| Dividends declared to non-controlling interest | | | | | |
| | (7,681) | (5,658) | (35,935) | (3,164) | – |
| Summarised cash flow information | | | | | |
| Operating activity | 123,801 | 141,122 | 159,529 | 69,698 | 49,382 |
| Investing activity | (319,562) | (252,293) | (28,271) | (25,305) | 4,328 |
| Financing activity | (270,371) | 138,557 | (159,103) | (42,210) | (36,851) |
| Net increase/(decrease) in cash and cash equivalents | (466,132) | 27,386 | (27,845) | 2,183 | 16,859 |

18. EQUITY (continued)

18.11 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. In 2020 foreign translation difference amounted to 860,588 million tenge (2019: 51,501 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 December 31, 2020 unrealized foreign currency loss of 344,510 million tenge resulting from translation of these borrowings were transferred to currency translation reserve recognized in other comprehensive income (2019: gain of 17,245 million tenge).

18.12 Hedge reserve

National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh")

On August 7, 2015 the Group hedged cash flows to reduce the risk of changes in tenge equivalent revenues denominated in Swiss Francs. The principal of Eurobonds issued on June 20, 2014 on the Swiss stock exchange and maturing on June 20, 2019 and 2022 are used as hedging instruments, and which are separately identifiable and reliably estimated. A highly probable revenue stream forecast relating to transit traffic in Swiss Francs (in particular, first sales received in the period from January 1 to June 20, 2019 and 2022 is the hedged item in this hedging relationship).

For the year ended December 31, 2020, the effective part of 15,220 million tenge was recorded in the cash flow hedging reserve through other comprehensive income as net fair value loss on cash flow hedging instruments (2019: 26 million tenge). The ineffective part of 32 million tenge was recorded in finance costs (2019: 95 million tenge).

In 2019, the hedge accounting, where the hedging instrument was Eurobonds payable on June 20, 2019 was discontinued due to the receipt of revenue from freight transportation in international (transit) routes, which was the cash flow hedging item, and accordingly, the cumulative loss attributable to this hedging instrument has been reclassified from other comprehensive loss to freight transportation revenue in the amount of 19,005 million tenge.

Air Astana JSC

In 2015 Air Astana entered into a cash flow hedge with finance lease obligations denominated in US dollars, to reduce the risk of changes in sales revenue expressed in US dollars. In connection with the transition of the functional currency to US dollar, this hedge ceased to be economically effective from December 31, 2017.

As a result of the change, the hedge relationship has been discontinued so that starting from January 1, 2018 no further foreign currency translation gains or losses are transferred from profit or loss to hedge reserve, and the hedge reserve recognized in equity as at December 31, 2020 shall remain in equity until the forecasted revenue cash flows are received.

During 2020 amount reclassified from the hedging reserve to foreign exchange loss from inception of the hedge was 4,819 million tenge before tax of 964 million tenge (2019: 4,270 million tenge before tax of 753 million tenge). Hedge income attributable to non-controlling interest comprised 2,361 million tenge (2019: 2,092 million tenge).

National Company "KazMunayGas" JSC ("NC KMG")

The Group buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.). Throughout a given period, the volatility associated with the oil market, both in crudes and in finished products, is transmitted to the Group's refinery margin (difference between the purchase price of crude oil and the selling price of finished products). To reduce this volatility, the Group hedges the margin with a swap on a hedged basket as relevant for the period.

For the year ended December 31, 2020, the effective part of 24 million tenge was recorded in the cash flow hedging reserve through other comprehensive income as net fair value loss on cash flow hedging instruments.

18.13 Other capital reserves

Other capital reserves include mainly remuneration of employees for the services rendered in the form of share-based payments with equity instruments of a subsidiary in which they are employed. The cost of equity-settled remunerations is recognized, together with a corresponding increase in other capital reserves, over the period in which performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EQUITY (continued)**18.14 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> | 2020 | 2019 <i>(restated)</i> |
|---|----------------------|----------------------------------|
| Total assets | 27,482,846 | 26,417,010 |
| Less: intangible assets | (2,022,024) | (2,001,908) |
| Less: total liabilities | (12,331,231) | (12,074,057) |
| Net assets for common shares | 13,129,591 | 12,341,045 |
| Number of common shares as at December 31 | 3,481,960,408 | 3,481,957,769 |
| Book value per common share, tenge | 3,771 | 3,544 |
| Earnings per share | | |
| Weighted average number of common shares for basic and diluted earnings per share | 3,481,958,351 | 3,481,948,779 |
| Basic and diluted share in net profit for the period | 167.30 | 407.96 |

19. BORROWINGS

As at December 31 borrowings, including interest payable, comprised the following:

| <i>In millions of tenge</i> | 2020 | 2019 |
|---|------------------|-------------|
| Fixed interest rate borrowings | 6,026,196 | 5,519,465 |
| Floating interest rate borrowings | 1,433,004 | 1,321,928 |
| | 7,459,200 | 6,841,393 |
| Less: amounts due for settlement within 12 months | (850,210) | (737,950) |
| Amounts due for settlement after 12 months | 6,608,990 | 6,103,443 |

| <i>In millions of tenge</i> | 2020 | 2019 |
|---------------------------------------|------------------|-------------|
| US dollar-denominated borrowings | 4,908,083 | 4,694,855 |
| Tenge-denominated borrowings | 1,893,815 | 1,758,863 |
| Other currency-denominated borrowings | 657,302 | 387,675 |
| | 7,459,200 | 6,841,393 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. BORROWINGS (continued)

Changes in borrowings are as follows:

| <i>In millions of tenge</i> | 2020* | 2019* |
|--|------------------|-------------|
| Balance as at January 1 | 6,841,393 | 6,852,775 |
| Received by cash | 1,855,340 | 1,442,641 |
| Interest accrued | 439,898 | 353,805 |
| Discount | (32,060) | (42,355) |
| Interest capitalized (Note 7) | 26,763 | 24,679 |
| Interest paid | (471,638) | (380,843) |
| Repayment of principal | (1,720,862) | (1,471,115) |
| Amortization of discount | 22,551 | 33,822 |
| Write-off of borrowings | (653) | (111,476) |
| Business combination | - | 119,464 |
| <i>Finance costs for the early redemption of bonds (Note 32)</i> | 45,278 | 45,236 |
| Bonds early extinguishment premium and fees paid | (45,278) | (45,236) |
| Foreign currency translation | 493,124 | (15,408) |
| Other | 5,344 | 35,404 |
| Balance as at December 31 | 7,459,200 | 6,841,393 |

* 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. These borrowings were not included within changes in financial liabilities.

Bonds issuance and repayment

On March 19, 2020, the Group placed bonds on the organized market with a maturity date in April 2021 of 129,200 million tenge.

In June 2020, the Group, made a partial early repayment in the amount of 217 million US dollars (equivalent to 86,503 million tenge) of 2012 Eurobonds issued with a total nominal volume of 1,100 million US dollars. The total amount paid amounted to 284 million US dollars (equivalent to 113,229 million tenge), including accrued interest of 6 million US dollars (equivalent to 2,505 million tenge) and an early repayment premium of 61 million US dollars (equivalent to 24,221 million tenge). The Group recognised the early repayment premium as part of finance costs (Note 32). In addition, the Group de-recognised unamortised portion of the premium of 5,104 million tenge and transaction costs of 114 million tenge for repaid Eurobonds as part of other finance income and finance costs, respectively.

In October, 2020, the Group placed bonds for 750 million US dollars (equivalent to 321,698 million tenge) at coupon interest rate of 3.5% per annum and due 2033.

In October-November, 2020, the Group made an early full repayment of bonds due in 2022 and 2023 with nominal value of 906,564 thousand US dollars (equivalent to 392,214 million tenge). Bond repayment fee was 49 million US dollars (equivalent to 21,057 million tenge) (Note 32).

On December 3, 2020, the Group placed bonds for 3 years with a coupon interest of 10.9%, with a par value of 129,200 million tenge. The Fund used these funds for the early redemption of its bonds issued in March 19, 2020.

Other borrowings

In June 2020, the Group borrowed 19,400 million Russian roubles (equivalent to 112,296 million tenge) for the purpose of early partial repayment of Eurobonds issued in 2012 in the amount of 1,100 million US dollars and maturing on July 10, 2042, under a loan agreement with Moscow Credit Bank dated May 28, 2020. Interest on the loan is repaid in quarterly instalments at the interest rate "Key rate of the Central Bank of the Russian Federation + 2.5%". The principal debt is to be repaid in a lump sum in December 2021.

On August 5, 2020, the Group entered into a credit line agreement with Halyk Bank of Kazakhstan JSC to refinance loans from the Eurasian Development Bank and Vnesheconombank in the amount of 105,000 million tenge for a period of 8 years.

In 2020, the Group made partial repayment of the loan from Eximbank for 289 million US dollars (equivalent to 112,494 million tenge), including accrued interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. BORROWINGS (continued)

Other borrowings (continued)

During 2020, the Group received borrowed funds in the amount of 495 million US dollars (equivalent to 205,868 million tenge) under an open credit line with the State Development Bank of China with interest rate of 5.8% per annum and maturity until 2037. The principal will be repaid starting in 2022. Interest is paid in semi-annual installments.

On October 1, 2020, the Group and VTB Bank entered into a bank loan agreement, in accordance with which a loan was received for 10,400 million Russian rubles (equivalent to 56,992 million tenge at the exchange rate on the date of the transaction). The loan was issued for a period until October 1, 2023 and at an interest rate equal to the key rate of the Central Bank of the Russian Federation and a fixed interest rate spread of 1.75% per annum.

In November, 2020, the Group received a long-term loan from VTB Bank Kazakhstan and VTB Bank (PJSC) for the total amount of 15,152 million Russian rubles (equivalent to 84,621 million tenge) at the rate of Key Rate of Central Bank of Russia + 2.15% per annum and maturity of 3 years. The Group used proceeds from these loans to make a full early repayment of its syndicated loan of 205 million US dollars (equivalent to 86,971 million tenge), including accrued interest. This syndicated loan was raised to partially fund a strategic project – construction of three compressor stations at MG “Beineu-Bozoi-Shymkent”.

In December, 2020, the Group received a long-term loan from Halyk bank for the total amount of 41,089 million tenge with 11% interest rate and maturity of 4 years, and used it to fully refinance its long-term loan from Halyk bank for 144 million US dollars (equivalent to 59,007 million tenge), including accrued interest.

During 2020, the Group received and repaid a short-term loan from Bank of Tokyo-Mitsubishi UFJ, Ltd (London branch) with interest rate COF (0.18%) + 1.50% for working capital financing for 91 million US dollars (equivalent to 37.539 million tenge).

During 2020, the Group received and repaid a short-term loan from ING Bank NV with interest rate COF (0.28%) + 2.00% for working capital financing for 83 million US dollars (equivalent to 34.409 million tenge).

State subsidy of the interest rate

In May 2020, the Group, represented by the Company, entered into a contract with the Transport Committee of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan to subsidise part of the coupon rate in the amount of 307,194 million tenge, on bonds issued in 2019 at the coupon rate of 11.5% per annum and used for early repayment of Eurobonds issued in 2017 in the amount of 780 million US dollars, which in turn were attracted and utilised for infrastructure modernization, updating locomotives and freight cars. The Agreement stipulates that the amount of subsidy should be provided for under the Republican budget program No. 010 “Subsidising the coupon rate on the carrier’s Bonds issued for the development of the main railway network and rolling stock of railway transport” (further the “Program”). Since the budget Program is available to all transportation companies that have the status of a “carrier” in accordance with the Law on Railway Transport, the Group’s management accounts for the financing under this Program as a government grant recognised within finance income.

During 2020, the Group recognised income from government subsidies under the Program in the amount of 29,183 million tenge as part of financial income (Note 33).

Covenants

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.

On October 31, 2011 the Group, represented by its subsidiary SSAP LLP, obtained a credit line in Eurasian Development Bank (EDB) in the amount of 8,820 million tenge maturing in 2024 and an interest rate of 10.5%, which corresponded to the market interest rate for similar loans.

The loan was obtained as part of reconstruction of the sulphuric acid plant and is due for settlement in accordance with the established schedule starting from March 1, 2016. Interest is due for settlement starting from March 1, 2014.

As part of the credit agreement with EDB, the SSAP LLP undertakes to ensure payment on the debt-service ratio of at least 1.2 and the ratio of Debt / EBITDA not exceeding 3.5.

Based on the results of 2020, the Group calculated these ratios, where the Debt / EBITDA ratio was 4.58. Debt service ratio is calculated based on the free cash flow divided by the amount of debt payments. As at December 31, 2020 the debt service ratio was 0.72, which meant a breach of obligations under the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. BORROWINGS (continued)

Covenants (continued)

On December 3, 2020 the Group sent a letter to the EDB with a request not to apply penalties and not to demand the principal amount and accrued interest and commissions to be immediately paid to the bank in case of violation by the borrower, based on the results of 2020, of obligations to comply with the values of financial ratios provided for in subparagraphs a) and b) of clause 9.4 of the Loan Agreement No. 138 dated 2 August 2011.

Due to the fact that the Group did not receive a letter of acquittance from the bank before December 31, 2020 the long term portion of loans in the amount of 2,086 million tenge was reclassified to current liabilities.

As of December 31, 2019 the Group complied with all financial and non-financial covenants under other loan agreements.

As at December 31 the carrying amount of borrowings of the Fund and the Group subsidiaries is presented below:

| <i>In millions of tenge</i> | 2020 | 2019 |
|------------------------------------|------------------|------------------|
| NC KMG and its subsidiaries | 4,017,810 | 3,777,706 |
| NC KTZh and its subsidiaries | 1,444,085 | 1,362,486 |
| The Fund | 553,217 | 536,088 |
| UCC and its subsidiaries | 516,888 | 277,685 |
| Kazakhtelecom and its subsidiaries | 284,527 | 263,782 |
| Samruk-Energy and its subsidiaries | 196,075 | 205,063 |
| KEGOC and its subsidiaries | 161,034 | 150,326 |
| EGRES-2 | 100,611 | 94,088 |
| NAC KAP and its subsidiaries | 97,827 | 159,964 |
| Air Astana | 69,035 | 6,437 |
| Other subsidiaries of the Fund | 18,091 | 7,768 |
| Total borrowings | 7,459,200 | 6,841,393 |

20. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

As at December 31 loans from the Government of the Republic of Kazakhstan comprised the following:

| <i>In millions of tenge</i> | 2020 | 2019 |
|---|----------------|----------------|
| Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund | 541,754 | 578,001 |
| Loans from the Government of the Republic of Kazakhstan | 51,468 | 49,559 |
| | 593,222 | 627,560 |
| Less: amounts due for settlement within 12 months | (30,773) | (5,238) |
| Amounts due for settlement after 12 months | 562,449 | 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, in 2020, in accordance with the adopted corporate decisions of the Fund, a partial early repayment of bonds at par value in the amount of 88,804 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 37,581 million tenge in a consolidated statement of changes in equity (*Note 18*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. PREPAYMENT ON OIL SUPPLY AGREEMENT

In 2018, the KMG Kashagan B.V. signed the second supplementary agreement to the crude oil supply agreement entered into in 2016. Under the terms of the supplementary agreement, the term of oil supplies was extended until December 2025, accordingly the minimum volume of oil from the Kashagan field was increased, and for the period from 2018 to 2025 amounts to 16.6 million tons.

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

In accordance with the terms of the agreement, supply of oil started from January 2017. The KMG Kashagan B.V. considers this agreement as a contract, which was signed for the purpose of delivery of non-financial items in accordance with the Company's expectations and sale requirements.

During 2020, the KMG Kashagan B.V. delivered crude oil for the amount of 707 million US dollars (equivalent to 292,233 million tenge) with total volume of 2,482,193 tons according to the delivery schedule of the remaining 10,600 thousand tons as at December 31, 2020.

The total amount of accrued remuneration for 2020 was 13,735 million tenge (2019: 52,644 million tenge) (Note 32). Payment of remuneration shall be made in kind with crude oil.

As at December 31, 2020, the current portion of the advance payment under the crude oil supply agreement amounted to 97,882 million tenge (December 31, 2019: 158,162 million tenge). The non-current portion of the advance payment under the crude oil supply agreement was 185,680 million tenge (December 31, 2019: 357,902 million tenge).

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 a contract liability to customers in accordance with IFRS 15.

22. LEASE LIABILITIES

The Group has leases for various items of property, plant and equipment, mainly aircraft.

From 2012 to 2014, Air Astana JSC ("Air Astana"), a subsidiary of the Group, acquired 10 (ten) aircraft on a fixed-rate lease basis with a transfer of ownership at the end of the lease term. The lease term for each aircraft is 12 (twelve) years. Air Astana has the option of purchasing each aircraft at a nominal price at the end of the lease term. Most aircraft leases are for eight years with no option to purchase at the end of the lease term.

Loans provided by financial institutions to the lessor in respect of 5 (five) new Airbus were guaranteed by European Export Credit Agencies, 3 (three) Boeing 767 aircraft were guaranteed by US Export Import Bank.

Air Astana pledged the leased assets with carrying amount of 266,484 million tenge to secure lease liabilities (December 31, 2019: 201,396 million tenge).

The Group's leases are subject to certain covenants. These covenants impose restrictions in respect of certain transactions, including, but not limited to restrictions in respect of indebtedness. These requirements have been met during 2020 and 2019.

As at December 31, 2020 interest calculation was based on effective interest rates ranging from 4.01% to 14.5% (December 31, 2019: from 4.7% to 14.0%).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. LEASE LIABILITIES (continued)

As at December 31 future minimum lease payments under leases together with the present value of the net minimum lease payments comprised the following:

| <i>In millions of tenge</i> | <i>Minimum lease payments</i> | | <i>Present value of minimum lease payments</i> | |
|---|-------------------------------|---------------------------|--|---------------------------|
| | 2020 | 2019 <i>(restated)</i> | 2020 | 2019 <i>(restated)</i> |
| Within one year | 139,234 | 101,928 | 118,878 | 84,282 |
| Two to five years inclusive | 343,809 | 296,409 | 288,224 | 238,632 |
| After five years | 138,253 | 146,158 | 108,217 | 103,942 |
| | 621,296 | 544,495 | 515,319 | 426,856 |
| Less: amounts representing finance costs | (105,977) | (117,639) | - | - |
| Present value of minimum lease payments | 515,319 | 426,856 | 515,319 | 426,856 |
| Less: amounts due for settlement within 12 months | | | (118,878) | (84,282) |
| Amounts due for settlement after 12 months | | | 396,441 | 342,574 |

The Air Astana lease obligations are denominated in US dollars.

Changes in lease liabilities are as follows:

| <i>In millions of tenge</i> | 2020 | 2019 <i>(restated)</i> |
|--|-----------------|---------------------------|
| Balance as at January 1 | 426,856 | 156,493 |
| Effect of adoption of IFRS 16 (restated) | - | 240,119 |
| Interest paid | (27,320) | (19,348) |
| Transfer to assets classified as held for sale | - | (110) |
| Repayment of principal | (95,262) | (102,611) |
| Interest accrued | 33,835 | 28,177 |
| Business combination | 1,037 | 23,879 |
| Foreign currency translation | 35,711 | (1,655) |
| Additions of leases | 152,415 | 107,184 |
| Other | (11,953) | (5,272) |
| Balance as at December 31 | 515,319 | 426,856 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. PROVISIONS

As at December 31 provisions comprised the following:

| <i>In millions of tenge</i> | <i>Asset retirement obligations</i> | <i>Provision for environmental remediation</i> | <i>Provision for taxes</i> | <i>Provision for construction of social objects</i> | <i>Other</i> | <i>Total</i> |
|--|-------------------------------------|--|----------------------------|---|--------------|--------------|
| Provision at January 1, 2019 | 181,453 | 66,068 | 18,474 | 33,670 | 121,251 | 420,916 |
| <i>Effect of adoption of IFRS 16</i> | - | - | - | - | 348 | 348 |
| Foreign currency translation | (236) | (168) | (13) | - | (216) | (633) |
| Additions through business combinations | 5,239 | 478 | - | - | 584 | 6,301 |
| Transfer to liabilities associated with assets classified as held for sale | (42) | - | - | - | - | (42) |
| Change in estimate | 56,731 | 264 | 2,342 | - | (4,602) | 54,735 |
| Unwinding of discount | 15,091 | 3,872 | - | - | 171 | 19,134 |
| Provision for the year | 6,432 | 2,888 | 4,393 | 1,727 | 52,678 | 68,118 |
| Use of provision | (3,812) | (4,571) | (1,147) | (30,493) | (28,005) | (68,028) |
| Reversal of unused amounts | (208) | (4,490) | (5,865) | - | (20,056) | (30,619) |
| Provision at December 31, 2019 | 260,648 | 64,341 | 18,184 | 4,904 | 122,153 | 470,230 |
| Foreign currency translation | 8,705 | 3,704 | (1) | - | 12,747 | 25,155 |
| Transfer to liabilities associated with assets classified as held for sale | (24) | - | - | - | - | (24) |
| Change in estimate | 19,746 | (1,877) | - | - | 1,975 | 19,844 |
| Unwinding of discount | 17,138 | 2,526 | - | - | 154 | 19,818 |
| Provision for the year | 1,815 | 5,454 | 722 | - | 19,035 | 27,026 |
| Use of provision | (739) | (5,426) | (7,019) | - | (72,421) | (85,605) |
| Reversal of unused amounts | (1,189) | (43) | (1,451) | (1,032) | (4,828) | (8,543) |
| Provision at December 31, 2020 | 306,100 | 68,679 | 10,435 | 3,872 | 78,815 | 467,901 |

Current portion and non-current portion of provisions are presented as follows:

| <i>In millions of tenge</i> | <i>Asset retirement obligations</i> | <i>Provision for environmental remediation</i> | <i>Provision for taxes</i> | <i>Provision for construction of social objects</i> | <i>Other</i> | <i>Total</i> |
|---------------------------------------|-------------------------------------|--|----------------------------|---|--------------|--------------|
| Current portion | 1,931 | 7,825 | 18,184 | 4,904 | 86,523 | 119,367 |
| Non-current portion | 258,717 | 56,516 | - | - | 35,630 | 350,863 |
| Provision at December 31, 2019 | 260,648 | 64,341 | 18,184 | 4,904 | 122,153 | 470,230 |
| Current portion | 2,030 | 8,190 | 10,435 | 3,872 | 56,453 | 80,980 |
| Non-current portion | 304,070 | 60,489 | - | - | 22,362 | 386,921 |
| Provision at December 31, 2020 | 306,100 | 68,679 | 10,435 | 3,872 | 78,815 | 467,901 |

Other provisions as at December 31, 2020 included provisions for aircraft maintenance for the amount of 34,965 million tenge (December 31, 2019: 34,916 million tenge), gas transportation provision of 30,766 million tenge (December 31, 2019: 27,965 million tenge), provision of 563 million tenge by results of an environmental audit of Embamunaigas JSC (December 31, 2019: 4,585 million tenge) (Note 39).

As of December 31, 2019, the Group provisioned 90 million US dollars (equivalent to 34,132 million tenge) within other provisions in relation to the arbitrage dispute with the Consortium of companies (Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP) over the jack-up rig construction contract dated July 5, 2012.

As of December 31, 2020 the full settlement amount of 90.4 million US dollars (equivalent to 38,821 million tenge at transaction date) was paid-off by the Group (Note 39).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. EMPLOYEE BENEFIT LIABILITY

State contribution scheme

The Group pays social tax according to the current statutory requirements in the Republic of Kazakhstan. Social tax and payroll are expensed as incurred.

In addition to that, the Group also withholds and contributes up to 10% limit on pension contributions, from salaries of its employees as the employee contribution to their cumulative pension funds. These amounts are expensed in the period they are incurred.

Defined benefit plan

Employee benefit liabilities under various plans are payable in accordance with collective agreements concluded between certain subsidiaries of the Group (NC KMG, NC KTZh, KTC, Samruk Energy JSC, NAC KAP, EGRES-2 and Kazpost JSC) and employees of those subsidiaries represented by their labor unions.

As at December 31 total liability under the Group's defined benefit plan comprised the following:

| <i>In millions of tenge</i> | 2020 | 2019 |
|---|----------------|----------------|
| Present value of defined benefit obligation | 134,994 | 124,823 |
| Liability falling due within one year | (14,051) | (12,983) |
| Liability falling due after one year | 120,943 | 111,840 |

A reconciliation of the present value of the defined benefit plan liability with specified payments for the years ended December 31 is as follows:

| <i>In millions of tenge</i> | 2020 | 2019 |
|---|----------------|----------------|
| Total liability at the beginning of the year | 124,823 | 101,521 |
| Actuarial loss recognized during the period in other comprehensive income | 8,295 | 7,667 |
| Interest cost | 9,282 | 8,019 |
| Current service cost | 6,336 | 4,900 |
| Past service cost | 226 | 8,760 |
| Transfer to assets held for sale | (37) | (337) |
| Foreign currency translation | 940 | - |
| Benefits paid during the year | (12,172) | (8,757) |
| Unrecorded past service cost | (1000) | 3,383 |
| Acquisition through business combination | 158 | 452 |
| Actuarial (gain)/loss recognized during the period in profit and loss | (1,857) | (785) |
| Total liability at the end of the year | 134,994 | 124,823 |

Total service cost, including current service cost, interest cost, past service cost, unrecorded past service cost and actuarial loss, of 21,282 million tenge was recognized in the consolidated statement of comprehensive income within respective line items in 2020 (2019: 31,944 million tenge).

Estimates of the Group's liabilities were made on the basis of published statistical data regarding mortality and actual Group's data on number, age, gender and years of employee service. Other principal assumptions at the reporting date, calculated as weighed average for all plans, were as follows:

| | 2020 | 2019 |
|---|-------|-------|
| Discount rate | 8.22% | 7.92% |
| Expected rate of increase of future annual financial assistance | 5.40% | 4.12% |
| Expected rate of increase of future annual minimum salary | 4.86% | 5.00% |
| Expected rate of increase of future annual railway ticket price | 2.71% | 2.47% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. OTHER NON-CURRENT LIABILITIES

As at December 31 other current liabilities comprised the following:

| <i>In millions of tenge</i> | 2020 | <i>2019 (restated)</i> |
|--|----------------|----------------------------|
| Other financial liabilities | | |
| Obligations under guarantee agreements | 47,200 | 41,603 |
| Accounts payable | 21,536 | 9,309 |
| Historical costs associated with obtaining subsoil use rights | 11,922 | 11,761 |
| Obligations to the Shareholder on the financing of social projects | - | 3,046 |
| Other | 17,355 | 9,083 |
| Other non-financial liabilities | | |
| Advances received and deferred income | 27,055 | 26,825 |
| Contract liabilities to customers | 6,937 | 7,674 |
| Government grant liability | 29 | 60 |
| Other | 6,051 | 4,159 |
| | 138,085 | 113,520 |

26. TRADE AND OTHER PAYABLES, AND OTHER CURRENT LIABILITIES

As at December 31 trade accounts payable comprised the following:

| <i>In millions of tenge</i> | 2020 | <i>2019 (restated)</i> |
|--|----------------|----------------------------|
| Trade accounts payable | 731,348 | 909,461 |
| Accounts payable for the supply of property, plant and equipment | 82,722 | 112,150 |
| Other accounts payable | 14,188 | 23,671 |
| | 828,258 | 1,045,282 |

As at December 31, trade accounts payable were expressed in the following currencies:

| <i>In millions of tenge</i> | 2020 | <i>2019 (restated)</i> |
|---|----------------|----------------------------|
| Tenge-denominated trade accounts payable | 413,111 | 507,172 |
| US dollar-denominated trade accounts payable | 239,608 | 326,279 |
| Other currency-denominated trade accounts payable | 78,629 | 76,010 |
| | 731,348 | 909,461 |

As at December 31 other current liabilities comprised the following:

| <i>In millions of tenge</i> | 2020 | <i>2019 (restated)</i> |
|--|----------------|----------------------------|
| Other financial liabilities | | |
| Obligations to the Shareholder on the financing of social projects | 54,027 | 12,100 |
| Amounts due to customers | 40,364 | 34,768 |
| Due to employees | 35,181 | 29,972 |
| Obligations under guarantee agreements | 6,174 | 7,355 |
| Dividends payable | 477 | 6,727 |
| Other | 30,445 | 43,312 |
| Other non-financial liabilities | | |
| Contract liabilities to customers | 228,774 | 299,467 |
| Other taxes payable | 179,929 | 137,789 |
| Vacation and other employee benefits allowance | 87,479 | 88,685 |
| Pension and social contributions liabilities | 16,750 | 15,805 |
| Other estimated liabilities | 12,162 | 19,975 |
| Advances received and deferred income | 11,971 | 11,802 |
| Government grant liability | 197 | - |
| Other | 48,101 | 33,969 |
| | 752,031 | 741,726 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. REVENUE

Revenue comprised the following for the years ended December 31:

| <i>In millions of tenge</i> | 2020 | 2019 |
|---|------------------|-------------------|
| Sales of crude oil | 1,971,894 | 3,529,421 |
| Sales of oil refined products | 1,844,148 | 2,589,921 |
| Railway cargo transportation | 1,075,719 | 970,096 |
| Sales of gas products | 810,280 | 875,150 |
| Sales of refined gold | 637,758 | 435,835 |
| Sales of uranium products | 563,266 | 467,777 |
| Telecommunication services | 519,687 | 432,329 |
| Oil and gas transportation fee | 289,858 | 389,464 |
| Electricity transmission services | 286,804 | 222,229 |
| Electricity complex | 262,969 | 240,491 |
| Oil processing fees | 192,482 | 195,272 |
| Air transportation | 162,962 | 331,340 |
| Postal services | 41,765 | 46,303 |
| Interest income | 40,137 | 38,823 |
| Railway passenger transportation | 39,397 | 86,012 |
| Less: Crude oil Quality Bank | (2,283) | (14,956) |
| Less: indirect taxes and commercial discounts | (538,286) | (586,663) |
| Other revenue | 357,452 | 400,069 |
| | 8,556,009 | 10,648,913 |

| <i>In millions of tenge</i> | 2020 | 2019 |
|-----------------------------|------------------|-------------------|
| Geographical markets | | |
| Kazakhstan | 4,041,217 | 3,733,260 |
| Other countries | 4,514,792 | 6,915,653 |
| | 8,556,009 | 10,648,913 |

28. COST OF SALES

Cost of sales comprised the following for the years ended December 31:

| <i>In millions of tenge</i> | 2020 | 2019 (restated) |
|---|------------------|--------------------|
| Materials and supplies | 3,225,362 | 4,597,447 |
| Depreciation, depletion and amortization | 940,167 | 849,888 |
| Personnel costs, including social taxes and withdrawals | 910,830 | 895,307 |
| Fuel and energy | 362,935 | 400,468 |
| Repair and maintenance | 254,890 | 244,487 |
| Production services rendered | 241,946 | 301,679 |
| Taxes other than social taxes and withdrawals | 103,853 | 93,694 |
| Mineral extraction tax | 86,858 | 142,825 |
| Interest expense | 62,544 | 69,004 |
| Transportation expenses | 58,662 | 49,629 |
| Rent | 46,152 | 82,149 |
| Other | 324,522 | 262,204 |
| | 6,618,721 | 7,988,781 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following for the years ended December 31:

| <i>In millions of tenge</i> | 2020 | 2019 |
|--|----------------|-------------|
| Personnel costs, including social taxes and withdrawals | 204,885 | 209,941 |
| Depreciation and amortization | 36,172 | 36,317 |
| Consulting services | 34,755 | 39,100 |
| Taxes other than social taxes and withdrawals | 31,399 | 34,983 |
| Sponsorship and charitable donations | 10,596 | 7,977 |
| Repair and maintenance | 7,882 | 7,211 |
| Allowance for expected credit losses for trade receivable and other assets | 6,983 | 17,475 |
| Other services by third parties | 5,254 | 6,246 |
| Rent | 4,600 | 5,251 |
| Utilities expenses and maintenance of buildings | 3,677 | 4,641 |
| Business trips | 2,576 | 8,520 |
| Transportation services | 2,339 | 3,717 |
| Bank services | 1,733 | 2,053 |
| Professional education and advanced trainings | 1,526 | 3,196 |
| Fines and penalties | 1,229 | (22,846) |
| Provision under Consortium case (Note 39) | - | 34,132 |
| Other | 70,269 | 71,943 |
| | 425,875 | 469,857 |

30. TRANSPORTATION AND SELLING EXPENSES

Transportation and selling expenses comprised the following for the years ended December 31:

| <i>In millions of tenge</i> | 2020 2020 | 2019 <i>(restated)</i> |
|---|------------------|----------------------------------|
| Transportation | 472,576 | 426,399 |
| Custom duties | 72,959 | 132,395 |
| Rent tax | 41,120 | 133,144 |
| Rent expenses | 27,224 | 27,064 |
| Personnel costs, including social taxes and withdrawals | 17,423 | 17,902 |
| Depreciation and amortization | 17,356 | 13,877 |
| Commission fees to agents and advertising | 15,325 | 20,937 |
| Other | 6,566 | 7,316 |
| | 670,549 | 779,034 |

31. IMPAIRMENT LOSS

Impairment loss comprised the following for the years ended December 31:

| <i>In millions of tenge</i> | 2020 | 2019 |
|--|----------------|-------------|
| Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets (Notes 7, 8, 9) | 293,178 | 297,693 |
| Impairment of investments in joint ventures and associates (Note 10) | 36,790 | 413 |
| Impairment of VAT receivable | 7,553 | 19,143 |
| Expected credit losses on other financial assets | 4,901 | 13,336 |
| Impairment of assets held for sale | 3,115 | 10,208 |
| Accrual/(reversal) of expected credit losses on loans issued (Note 11) | 2,053 | (8,924) |
| (Reversal)/accrual of expected credit losses on amounts in credit institutions | (3,970) | 4,381 |
| (Reversal)/accrual of expected credit losses on cash and cash equivalents | (337) | 436 |
| Other | 458 | 19,007 |
| | 343,741 | 355,693 |

31. IMPAIRMENT LOSS (continued)

For the following non-current assets impairment losses were recognised for years ended:

| <i>In millions of tenge</i> | 2020 | 2019 |
|--|----------------|-------------|
| Impairment expense | | |
| Refining CGU of KMGI | 162,455 | 93,587 |
| EMG CGU | 60,440 | - |
| Sunkar, Barys and Berkut, self-propelled barges (Barges) | 10,297 | 11,837 |
| Satti, the drilling jackup rig (Satti rig) | - | 24,505 |
| Batumi Oil Terminal, the CGU (BNT CGU) | - | 12,583 |
| Other | 36,586 | 27,738 |
| Write-off | | |
| Brownfields of KMG EP | 19,692 | 18,888 |
| Kalamkas-sea project | - | 45,562 |
| Pearls project | - | 38,180 |
| KLPE | 3,593 | 24,813 |
| Samtyr, Zhayik, Saraishyk, Zaburunie projects | 115 | - |
| | 293,178 | 297,693 |

Refining CGU of KMGI

In 2020 and 2019, the Group performed impairment test of the Refining CGU of KMGI. The Group considered forecasted refining margins and production volumes, among other factors, when reviewing for indicators of impairment. The recoverable amount of Refining CGU of KMGI was determined based on fair value less costs of disposal (FVLCD), which was calculated using the discounted cash flow method. The key assumptions used in the FVLCD calculations for the CGU were operating profit, discount rates and growth rate used to extrapolate cash flows beyond the budgeted period. The discount rate applied to cash flow projections for Refining CGU was 10.7% (2019: 9.6%) and cash flows beyond the 5-year period were extrapolated using 2.2% (2019: 1.9%) growth rate, which is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values was 8.5% (2019: 7.7%). For the purposes of impairment test, the Group updated projected cash flows to reflect the decrease in forecasted refining margins and change in post-tax discount rate. In 2020, based on the results of the test performed, the Group recognized impairment loss of property, plant and equipment and intangible assets of 155,544 million tenge and 6,911 million tenge respectively (2019: 86,946 million tenge and 6,641 million tenge, respectively).

Sensitivity to changes in assumptions:

The additional impairment charges will occur if the weighted average cost of capital increases by more than 2.3 points to 13%, or should the operating profit decrease by more than 28.4%.

EMG CGU

In 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 14.4%. 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, particularly, 44,098 million tenge of property, plant and equipment and 16,342 million tenge of exploration and evaluation assets were impaired in the consolidated statement of comprehensive income.

Sensitivity to changes in assumptions

The additional impairment charges will occur if the weighted average cost of capital increases by more than 1 point to 15.4% or if the Brent price decreases by more than 1%.

Barges

The recoverable amount of the barges was determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the barges until the end of the existing and probable contracts at the discount rate of 11.3% (2019: 10.05%). As a result of the test, the Group recognized an impairment loss of 10,297 million tenge for the year ended December 31, 2020 in regards of Sunkar, Barys and Berkut barges (2019: 11,837 million tenge on Sunkar and Berkut).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. IMPAIRMENT LOSS (continued)**Satti rig**

The recoverable amount of Satti rig was determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the rig. The forecasted cash flows were based on financial budget approved by the Group management for the period of 2020-2024, and on estimated forecasts for the period of the useful life of the rig till 2041 extrapolated by inflation rates and discounted at 12.5%. As a result of the impairment test, the Group recognised an impairment loss of 24,505 million tenge as at December 31, 2019. As at December 31, 2020, the recoverable value of the Satti rig exceeded its carrying value.

BNT CGU

For the year ended December 31, 2019, the Group recognized an impairment loss of 12,583 million tenge using FVLCD. The impairment was caused due to decrease in oil transshipment volumes in post-prognosis period. As at December 31, 2020, the recoverable value of BNT CGU exceeded its carrying value.

Brownfields of KMG EP

For year ended December 31, 2020, the Group wrote-off exploration and evaluation assets of 19,692 million tenge related to several KMG EP subsoil use contracts that were terminated with relinquishment of contract territories to the Government (2019:18,888 million tenge).

Kalamkas-sea project

On September 27, 2019 the Group decided not to extend the development of the Kalamkas-sea field. As a result, exploration and evaluation assets of the Kalamkas-sea field in the amount of 119,000 thousand US dollars were written off (equivalent to 45,562 million tenge).

Pearls project

Exploration stage of Pearls project expired on December 14, 2019. To proceed to the next stage, the Development plan was due to be submitted by the partners of the project. However, the partners of the Pearls project decided not to proceed with the Development plan, and agreed to relinquish the contract area under the Pearls PSA to the Government voluntarily, as a result, as at December 31, 2019 the Group recognized impairment loss for 38,180 million tenge.

KLPE

Due to the change in the configuration of the project "Construction of an integrated gas chemical complex in the Atyrau region (second phase)" (capacity, location), in 2020 KLPE conducted an impairment test for capitalized costs included in construction in progress. Based on the results of the test, KLPE wrote off the capitalized costs from the balance sheet in the amount of 3,593 million tenge (2019: 24,813 million tenge). The written-off costs include the costs of developing a feasibility study, consulting, legal and other services for the project.

32. FINANCE COSTS

Finance costs comprised the following for the years ended December 31:

| <i>In millions of tenge</i> | 2020 | <i>2019 (restated)</i> |
|--|----------------|----------------------------|
| Interest on loans and debt securities issued | 440,027 | 414,554 |
| Finance costs for the early redemption of bonds (<i>Note 19</i>) | 45,278 | 45,236 |
| Interest on lease liabilities | 33,853 | 30,055 |
| Discount on provisions and other payables | 20,557 | 20,447 |
| Interest on oil supply agreement (<i>Note 21</i>) | 13,735 | 52,644 |
| Financial guarantees | 12,757 | 18,880 |
| Discount on assets at rates below market | 2,310 | 2,845 |
| Other | 40,436 | 55,119 |
| | 608,953 | 639,780 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. FINANCE COSTS (continued)

In June 2020, the Group, made a partial early repayment in the amount of 217 million US dollars (equivalent to 86,503 million tenge) of 2012 Eurobonds issued with a total nominal volume of 1,100 million US dollars. The total amount paid amounted to 284 million US dollars (equivalent to 113,229 million tenge), including accrued interest of 6 million US dollars (equivalent to 2,505 million tenge) and an early repayment premium of 61 million US dollars (equivalent to 24,221 million tenge). The Group recognised the early repayment premium as part of finance costs (*Note 19*).

In October-November, 2020, the Group made an early full repayment of bonds due 2022 and 2023 with nominal value of 906,564 thousand US dollars (equivalent to 392,214 million tenge). Bond repayment fee was 49 million US dollars (equivalent to 21,057 million tenge) (*Note 19*).

33. FINANCE INCOME

Finance income comprised the following for the years ended December 31:

| <i>In millions of tenge</i> | 2020 | 2019 |
|---|----------------|----------------|
| Interest income on amounts due from credit institutions and cash and cash equivalents | 66,117 | 76,799 |
| Interest income from loans and financial assets | 36,541 | 40,997 |
| Income from subsidized interest rates on financial liabilities | 29,558 | 273 |
| Discount on liabilities at rates below market | 11,201 | 9,049 |
| Revaluation gain on financial assets at fair value through profit/loss | 10,765 | 1,639 |
| Income from financial guarantees | 10,277 | 26,924 |
| Write-off of loan | - | 111,476 |
| Other | 15,729 | 13,792 |
| | 180,188 | 280,949 |

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 rate on 307,194 million tenge bonds issued in 2019 at 11.5% per annum and used for the early redemption of 2017 Eurobonds of 780 million US dollars. During 2020, the Group recognised income from government grants under the Programme of 29,183 million tenge in finance income (*Note 19*).

In 2019, the Group derecognized a loan from partners of the Pearls project under the carried interest arrangement for the total amount of 110,930 million tenge, including an interest of 3,543 million tenge, since the partners of the project decided to voluntarily relinquish the contract area under the Pearls PSA.

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

Share in profit/(loss) of joint ventures and associates comprised the following for the years ended December 31:

| <i>In millions of tenge</i> | 2020 | 2019 |
|--------------------------------------|----------------|----------------|
| Asia Gas Pipeline LLP | 175,339 | 168,086 |
| Tengizchevroil LLP | 173,476 | 414,940 |
| Caspian Pipeline Consortium JSC | 81,582 | 70,869 |
| Kazzinc LLP | 75,280 | 51,579 |
| Beineu Shymkent Gas Pipeline LLP | 55,005 | 56,194 |
| JV KATCO LLP | 25,073 | 11,938 |
| Mangistau Investments B.V. | 16,749 | 81,991 |
| JV Kazgermunai LLP | 15,622 | 17,561 |
| JV South Mining Chemical Company LLP | 11,533 | 7,765 |
| Forum Muider B.V. | 11,504 | 12,243 |
| Kazakhstan – China Pipeline LLP | 10,380 | 3,313 |
| Petro Kazakhstan Ink | (8,812) | (18,244) |
| Ural Group Limited BVI | (10,265) | (18,895) |
| AstanaGas KMG LLP | (15,007) | (596) |
| Other | 24,149 | 56,013 |
| | 641,608 | 914,757 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. INCOME TAX EXPENSES

Income tax expenses comprised the following for the years ended December 31:

| <i>In millions of tenge</i> | 2020 | 2019 <i>(restated)</i> |
|--|----------------|----------------------------------|
| Current income tax expenses | | |
| Corporate income tax ("CIT") | 190,640 | 228,776 |
| Withholding tax on dividends and interest income | 16,043 | 19,653 |
| Excess profit tax | (194) | 11,291 |
| Deferred income tax expense/(benefit) | | |
| Corporate income tax ("CIT") | 17,090 | 65,376 |
| Withholding tax on dividends and interest income | 26,021 | 62,242 |
| Excess profit tax | (2,985) | (4,904) |
| Income tax expenses | 246,615 | 382,434 |

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2020 and 2019) to income tax expenses was as follows for the years ended December 31:

| <i>In millions of tenge</i> | 2020 | 2019 <i>(restated)</i> |
|---|------------------|----------------------------------|
| Accounting profit before income tax from continuing operations | 829,157 | 1,802,915 |
| Income tax expenses on accounting profit | 165,831 | 360,583 |
| Tax effect of other items, which are not deductible or assessable for taxation purposes | 61,117 | 86,317 |
| Change in unrecognized deferred tax assets | 82,035 | 14,169 |
| Effect of different corporate income tax rates | 26,219 | 21,047 |
| Excess profit tax | (3,179) | 6,388 |
| Share in non-taxable profit of joint ventures and associates | (100,816) | (123,559) |
| Other differences | 15,408 | 17,489 |
| Total corporate income tax expenses | 246,615 | 382,434 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. INCOME TAX EXPENSES (continued)

Deferred tax balances, calculated by applying the statutory tax rates effective at the respective reporting dates to the temporary differences between tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, are comprised of the following at December 31:

| In millions of tenge | 2020 | | | | | 2019 (restated) | | | | |
|--|-------------------------|----------------------|--------------------|--------------------|-------------------------|----------------------|--------------------|------------------|--|--|
| | Corporate income tax | Excess profit tax | Withholding tax | Total | Corporate income tax | Excess profit tax | Withholding tax | Total | | |
| Deferred tax assets | | | | | | | | | | |
| Property, plant and equipment | 51,983 | - | - | 51,983 | 48,672 | - | - | 48,672 | | |
| Tax loss carryforward | 883,930 | - | - | 883,930 | 804,080 | - | - | 804,080 | | |
| Employee related accruals | 16,864 | - | - | 16,864 | 16,560 | 82 | - | 16,642 | | |
| Allowance for expected credit losses of financial assets | 36,876 | - | - | 36,876 | 24,007 | - | - | 24,007 | | |
| Provision for environmental remediation | 71,398 | - | - | 71,398 | 39,186 | 256 | - | 39,442 | | |
| Other accruals | 148,834 | - | - | 148,834 | 114,811 | - | - | 114,811 | | |
| Other | 34,648 | - | - | 34,648 | 68,609 | 3,893 | - | 72,502 | | |
| Less: unrecognized deferred tax assets | (652,493) | - | - | (652,493) | (570,458) | - | - | (570,458) | | |
| Less: deferred tax assets offset with deferred tax liabilities | (512,773) | - | - | (512,773) | (457,658) | (758) | - | (458,416) | | |
| Deferred tax assets | 79,267 | - | - | 79,267 | 87,809 | 3,473 | - | 91,282 | | |
| Deferred tax liabilities | | | | | | | | | | |
| Property, plant and equipment | 1,127,858 | 392 | - | 1,128,250 | 1,063,984 | 7,608 | - | 1,071,592 | | |
| Undistributed earnings of joint ventures and associates | - | - | 419,083 | 419,083 | - | - | 356,581 | 356,581 | | |
| Other | 108,696 | - | - | 108,696 | 95,531 | - | - | 95,531 | | |
| Less: deferred tax assets offset with deferred tax liabilities | (512,773) | - | - | (512,773) | (457,658) | (758) | - | (458,416) | | |
| Deferred tax liabilities | 723,781 | 392 | 419,083 | 1,143,256 | 701,857 | 6,850 | 356,581 | 1,065,288 | | |
| Net deferred tax liabilities | (644,514) | (392) | (419,083) | (1,063,989) | (614,048) | (3,377) | (356,581) | (974,006) | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. INCOME TAX EXPENSES (continued)

The movements in the net deferred tax liabilities were as follows for the years ended December 31:

| In millions of tenge | 2020 | | | 2019 (restated) | | | | |
|--|-------------------------|----------------------|--------------------|--------------------|-------------------------|----------------------|--------------------|----------------|
| | Corporate income tax | Excess profit tax | Withholding tax | Total | Corporate income tax | Excess profit tax | Withholding tax | Total |
| Balance at January 1 (restated) | 614,048 | 3,377 | 356,581 | 974,006 | 502,066 | 8,281 | 295,580 | 805,927 |
| Effect of adoption of IFRS 16 (restated) | - | - | - | - | (39) | - | - | (39) |
| Foreign currency translation | 3,776 | - | 36,481 | 40,257 | (1,861) | - | (1,241) | (3,102) |
| Charged to other comprehensive income | 7,074 | - | - | 7,074 | 2,739 | - | - | 2,739 |
| Acquisition of subsidiaries | 3,560 | - | - | 3,560 | 47,685 | - | - | 47,685 |
| Discontinued operations | (1,034) | - | - | (1,034) | (1,918) | - | - | (1,918) |
| (Credited)/charged to profit and loss | 17,090 | (2,985) | 26,021 | 40,126 | 65,376 | (4,904) | 62,242 | 122,714 |
| Balance at December 31 | 644,514 | 392 | 419,083 | 1,063,989 | 614,048 | 3,377 | 356,581 | 974,006 |

Актив по отложенному налогу признаётся только в той степени, в которой существует вероятность наличия в будущем налогооблагаемой прибыли, относительно которой актив может быть использован. Активы по отложенному налогу уменьшаются в той степени, в которой больше не существует вероятности того, что связанные с ними налоговые льготы будут реализованы. По состоянию на 31 декабря 2020 года непризнанные активы по отложенному налогу в основном относились к перенесенным налоговым убыткам в сумме 652.493 миллиона тенге (31 декабря 2019 года: 570.458 миллионов тенге).

По состоянию на 31 декабря 2020 года перенесенные налоговые убытки в Республике Казахстан истекают в течение 10 (десяти) лет с момента их возникновения для целей налогообложения.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. INCOME TAX EXPENSES (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax asset arising mainly from tax losses carry forward were equal to 652,493 million tenge as at December 31, 2020 (December 31, 2019: 570,458 million tenge).

Tax losses carryforwards as at December 31, 2020 in the Republic of Kazakhstan expire for tax purposes 10 (ten) years from the date they are incurred.

36. CONSOLIDATION

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

| | Main activity | Country of incorporation | Ownership percentage | | |
|----|--|---|----------------------|----------|---------------|
| | | | 2020 | 2019 | |
| 1 | National Company "KazMunayGas" JSC ("NC KMG") and subsidiaries | Exploration, production, processing and transportation of oil and gas | Kazakhstan | 90.42% | 90.42% |
| 2 | KMG Kashagan B.V. | Exploration and production of hydrocarbons | Netherlands | 95.00% | 95.00% |
| 3 | National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh") and subsidiaries | Passenger and cargo transportation | Kazakhstan | 100.00% | 100.00% |
| 4 | National Atomic Company "Kazatomprom" JSC ("NAC KAP") and subsidiaries | Production and mining of uranium, rare metals | Kazakhstan | 75.00% | 81.28% |
| 5 | Samruk-Energy JSC ("Samruk-Energy") and subsidiaries | Electricity and heat production | Kazakhstan | 100.00% | 100.00% |
| 6 | Kazakhstan Electricity Grid Operating Company JSC ("KEGOC") and subsidiaries | Electricity transmission services | Kazakhstan | 90.00%+1 | 90.00% + 1 |
| 7 | Kazpost JSC and subsidiaries | Postal and financial activities | Kazakhstan | 100.00% | 100.00% |
| 8 | Kazakhtelecom JSC ("KTC") and subsidiaries | Telecommunication services | Kazakhstan | 52.03% | 52.03% |
| 9 | Air Astana JSC ("Air Astana") and subsidiaries | Air transportation | Kazakhstan | 51.00% | 51.00% |
| 10 | Samruk-Kazyna Construction JSC and subsidiaries | Construction and real estate management | Kazakhstan | 100.00% | 100.00% |
| 11 | National Mining Company "Tau-Ken Samruk" and subsidiaries | Exploration, mining and processing of solid minerals | Kazakhstan | 100.00% | 100.00% |
| 12 | United Chemical Company LLP ("UCC") and subsidiaries | Development and implementation of projects in the chemical industry | Kazakhstan | 100.00% | 100.00% |
| 13 | Samruk-Kazyna Invest LLP and subsidiaries | Investments | Kazakhstan | 100.00% | 100.00% |
| 14 | Samruk-Kazyna Contract LLP | Procurement activities | Kazakhstan | 100.00% | 100.00% |
| 15 | KOREM JSC | Electricity market operator | Kazakhstan | 100.00% | 100.00% |
| 16 | SK Business Service LLP and subsidiaries | Transformation services, information and IT services | Kazakhstan | 100.00% | 100.00% |
| 17 | Qazaq Air JSC | Air transportation | Kazakhstan | 100.00% | 100.00% |
| 18 | Kazakhstan nuclear electric plants LLP | Servicing companies in the electricity sector | Kazakhstan | 100.00% | 100.00% |
| 19 | Stantsiya Ekibastuzskaya GRES-2 JSC ("EGRES-2") | Power generation | Казахстан | 100,00% | 100,00% |

37. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. RELATED PARTY DISCLOSURES (continued)

The following table provides the total amount of transactions, which have been entered into with related parties as at December 31:

| <i>In millions of tenge</i> | | <i>Associates</i> | <i>Joint ventures</i> | <i>Other state-controlled entities</i> |
|--|-------------|-------------------|-----------------------|--|
| Due from related parties | 2020 | 3,008 | 29,132 | 22,639 |
| | 2019 | 4,225 | 40,165 | 25,921 |
| Due to related parties | 2020 | 27,742 | 218,085 | 9,163 |
| | 2019 | 34,212 | 186,746 | 14,946 |
| Sale of goods and services | 2020 | 137,678 | 324,665 | 736,717 |
| | 2019 | 115,182 | 370,651 | 506,918 |
| Purchase of goods and services | 2020 | 268,838 | 1,163,124 | 23,381 |
| | 2019 | 194,076 | 1,547,959 | 20,833 |
| Other (loss)/income | 2020 | 8,870 | 26,557 | 3,756 |
| | 2019 | (2,531) | (1,748) | 2,342 |
| Cash and cash equivalents, and amounts due from credit institutions (assets) | 2020 | - | 242 | 262,012 |
| | 2019 | - | 248 | 308,250 |
| Loans issued | 2020 | 17,279 | 313,509 | 5,559 |
| | 2019 | 66,394 | 365,017 | 5,184 |
| Borrowings | 2020 | 14,004 | 4 | 1,065,166 |
| | 2019 | 17,460 | 5 | 1,114,707 |
| Other assets | 2020 | 6,833 | 16,802 | 158,936 |
| | 2019 | 13,171 | 116,244 | 120,270 |
| Other liabilities | 2020 | 65,329 | 46,634 | 39,063 |
| | 2019 | 15,132 | 61,270 | 31,483 |
| Interest accrued due from related parties | 2020 | 6,733 | 31,424 | 26,820 |
| | 2019 | 11,049 | 43,425 | 10,901 |
| Interest accrued due to related parties | 2020 | 12,462 | 4,763 | 79,974 |
| | 2019 | 1,676 | 11,362 | 88,097 |

As at December 31, 2020 some of the Group's borrowings of 48,121 million tenge were guaranteed by the Government of the Republic of Kazakhstan (December 31, 2019: 51,062 million tenge).

Total compensation to key management personnel included in general and administrative expenses in the consolidated statement of comprehensive income was equal to 6,247 million tenge for the year ended December 31, 2020 (December 31, 2019: 8,870 million tenge). Compensation to key management personnel mainly consists of contractual salary and other payments based on achievement of operating results.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of borrowings, loans from the Government of the Republic of Kazakhstan, lease liabilities, amounts due to the customers, derivatives, cash and cash equivalents, loans issued, amounts due from credit institutions, other financials assets, as well as accounts receivable and accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group also monitors the liquidity risk arising from all financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

The Group's exposure to interest risk relates primarily to the Group's long-term and short-term borrowings with variable interest rates (*Note 19*).

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity of the Group's profit before income tax (through the impact on variable rate borrowings) to a reasonably possible change in variable LIBOR interest rates, with all other variables held constant.

| <i>In millions of tenge</i> | <i>Increase/ (decrease) in basis points*</i> | <i>Effect on profit before income tax</i> |
|-----------------------------|--|---|
| 2020 | | |
| US dollar | 100/(25) | (8,942)/2,235 |
| 2019 | | |
| US dollar | 35/(35) | (2,859)/2,859 |

* 1 basis point = 0.01%.

Currency risk

As a result of significant borrowings, lease liabilities, and trade accounts payable, cash and cash equivalents, amounts due from credit institutions and accounts receivable denominated in the US dollars, the Group's consolidated financial position can be affected significantly by movement in the US dollar / tenge exchange rates.

The following table demonstrates the sensitivity of the Group's profit before income tax to a reasonably possible change in the US dollar and euro, with all the variables held constant.

| <i>In millions of tenge</i> | <i>Increase/(decrease) in exchange rate</i> | <i>Effect on profit before income tax</i> |
|-----------------------------|---|---|
| 2020 | | |
| US dollar | 14.00%/(11.00%) | (431,973)/339,984 |
| Euro | 14.00%/(11.00%) | (10,545)/8,285 |
| 2019 | | |
| US dollar | 12.00%/(9.00%) | (368,433)/276,518 |
| Euro | 12.00%/(9.00%) | (9,692)/7,196 |

Credit risk

Credit risk arising from the inability of a party to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group to that party. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by carrying amount of each financial asset.

The Group considers that its maximum exposure is reflected by the amount of loans issued (Note 11), amount due from credit institutions (Note 12), trade accounts receivable and other current assets (Note 16), other financial assets (Note 13), and cash and cash equivalents (Note 17), net of allowances for expected credit losses recognized at the reporting date.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The Group has a policy that ensures enforcement of constant control procedures for sales to only be made to buyers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimised by the fact that the Group operates on a prepayment basis with the majority of its buyers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at price close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table shown below summarizes the maturity profile of the Group's financial liabilities at December 31 based on contractual undiscounted payments.

| <i>In millions of tenge</i> | <i>On demand</i> | <i>Due later than 1 month but not later than 3 months</i> | <i>Due later than 3 months but not later than 1 year</i> | <i>Due later than 1 year but not later than 5 years</i> | <i>Due after 5 years</i> | <i>Total</i> |
|---|------------------|---|--|---|--------------------------|--------------|
| At December 31, 2020 | | | | | | |
| Loans from the Government of the Republic of Kazakhstan | 13 | 24 | 43,343 | 92,154 | 2,007,592 | 2,143,126 |
| Borrowings | 79,199 | 89,703 | 1,005,031 | 3,509,439 | 7,506,849 | 12,190,221 |
| Lease liabilities | 4,953 | 25,395 | 106,419 | 335,323 | 123,909 | 595,999 |
| Due to customers | 40,356 | – | 8 | 13 | – | 40,377 |
| Financial guarantees | 27,404 | 20,525 | 64,625 | 273,599 | 103,299 | 489,452 |
| Trade and other payables | 348,453 | 416,480 | 64,588 | 22,227 | 1,448 | 853,196 |
| | 500,378 | 552,127 | 1,284,014 | 4,232,755 | 9,743,097 | 16,312,371 |
| At December 31, 2019 | | | | | | |
| Loans from the Government of the Republic of Kazakhstan | 331 | 377 | 23,166 | 136,666 | 2,118,816 | 2,279,356 |
| Borrowings | 172,546 | 187,028 | 671,439 | 3,466,395 | 7,033,406 | 11,530,814 |
| Finance lease liabilities | 5,230 | 20,200 | 69,599 | 257,676 | 110,251 | 462,956 |
| Due to customers | 34,762 | – | 7 | 86 | – | 34,855 |
| Financial guarantees | 22,839 | 23,980 | 76,603 | 414,912 | 110,477 | 648,811 |
| Trade and other payables | 432,641 | 496,024 | 112,264 | 11,135 | – | 1,052,064 |
| | 668,349 | 727,609 | 953,078 | 4,286,870 | 9,372,950 | 16,008,856 |

Capital management

The Group manages its capital primarily through capital management of its subsidiaries while conducting its oversight function. Major objective of the capital management is to ensure that subsidiaries of the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary.

The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary. Key performance indicators ("KPI") used by the Group to manage capital of its subsidiaries are ratios of: Debt to Earnings before Interest, Taxes, Depreciation and Amortization, and Interest ("D/EBIT-DA") from continuing and discontinued operations; and Debt to Equity ("D/E"). Debt is considered to be equal to all borrowings, debt securities, guarantee and finance lease liabilities of relevant subsidiaries reduced by value of cash and cash equivalents. Equity is considered to be equal to the entire equity of the subsidiary attributable to majority shareholders.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Allowed maximum for the indicator is approved for each subsidiary based on the needs and specifics of its business and varies within following ranges (consolidated KPI's for the Group have been presented for reference purposes as the Group does not monitor KPI's on the consolidated level):

| <i>KPI</i> | 2020 | 2019 (restated) |
|------------|------|--------------------|
| D/EBITDA | 3.58 | 2.55 |
| D/E | 0.59 | 0.58 |

| <i>In billions of tenge</i> | 2020 | 2019 (restated) |
|--|---------------|--------------------|
| <i>Borrowings (Note 19)</i> | 7,459 | 6,841 |
| Loans from the Government of the Republic of Kazakhstan (Note 20) | 593 | 628 |
| Lease liabilities (Note 22) | 515 | 427 |
| Derivative instruments | 1 | 2 |
| Guaranteed principal amount of liabilities of entities outside the Group | 427 | 454 |
| Total debt | 8,995 | 8,352 |
| Less: cash and cash equivalents | (2,228) | (1,994) |
| Net debt | 6,767 | 6,358 |
| EBITDA | 2,512 | 3,279 |
| Total equity | 15,152 | 14,343 |

Fair values 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.

As at December 31, 2020 and 2019 the carrying amount of the following Group's financial instruments is a reasonable estimate of their fair value:

| <i>In millions of tenge</i> | Level 1 | Level 2 | Level 3 | December 31, 2020 |
|--|---------|---------|---------|----------------------|
| <i>Financial instruments category</i> | | | | |
| Assets | | | | |
| Loans issued at fair value through profit and loss | - | - | 138,024 | 138,024 |
| Financial assets measured at fair value through OCI | 8,988 | 47,779 | 63 | 56,830 |
| Financial assets at fair value through profit and loss | 34,643 | 3,897 | 22,676 | 61,216 |
| Derivative financial assets | - | 97 | 1,048 | 1,145 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Fair values of financial instruments (continued)**

| <i>In millions of tenge</i> | Level 1 | Level 2 | Level 3 | December 31, 2019 |
|--|---------|---------|---------|-------------------|
| <i>Financial instruments category</i> | | | | |
| 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 |

December 31, 2020

Fair value by level of assessment

| <i>In millions of tenge</i> | Carrying amount | Fair value | 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 | 284,212 | 271,526 | - | 17,441 | 254,085 |
| Amounts due from credit institutions | 489,572 | 498,082 | 335,558 | 162,524 | - |
| Financial liabilities | | | | | |
| Borrowings | 7,459,200 | 8,370,443 | 5,246,774 | 2,217,000 | 906,669 |
| Loans from the Government of the Republic of Kazakhstan | 593,222 | 416,166 | - | 416,166 | - |
| Guarantee obligations | 53,374 | 51,693 | - | 35,972 | 15,721 |

December 31, 2019

Fair value by level of assessment

| <i>In millions of tenge</i> | Carrying amount | Fair value | 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 | 48,958 | 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.

**38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Fair values of financial instruments (continued)**

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

| | Valuation technique | Significant unobservable inputs | Range as of December 31, | |
|--|-----------------------------|---------------------------------|--------------------------|-----------|
| | | | 2020 | 2019 |
| Loans issued at amortized cost and finance lease receivables | Discounted cash flow method | Interest/discount rate | 3.5-15% | 3.5-15% |
| Borrowings | | | 1.9-13% | 1.9-12.9% |
| Financial guarantee issued | | | 4.9% | 4.1% |

39. COMMITMENTS AND CONTINGENCIES**Operating environment**

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclical in industries.

Prices may also be affected by government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices.

A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the consolidated financial results and cash flows of operations. The Group does not hedge significantly its exposure to the risk of fluctuations in the price of its products.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle.

The new law on transfer pricing came into effect in Kazakhstan from January 1, 2009. The new law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest at December 31, 2020.

As at December 31, 2020 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Due to uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. COMMITMENTS AND CONTINGENCIES (continued)

Taxation (continued)

As at December 31, 2020, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

"Embamunaigas" JSC environmental audit (Embamunaigas)

Since 2018 Embamunaigas, the Group subsidiary, has been subject to three ecological audits for the periods from November 2017 to December 2018 and received a notification for damages caused by ecological violations.

As at January 1, 2019 the provision on this case was at 26,070 million tenge. In 2019, Embamunaigas filed for tax return of 10,420 million tenge and increased provisions for this amount. In the meantime, to avoid late payment penalties, Embamunaigas paid-off 6,472 million tenge. Also, in 2019, the court ruled to decrease the amount of fines, and accordingly Embamunaigas reversed 25,433 million tenge, net. As a result, the provision amounted to 4,585 million tenge as at December 31, 2019.

During 2020, Embamunaigas reversed 658 million tenge, net, and settled 3,364 million tenge, thus, as of December 31, 2020, the provision was 563 million tenge (*Note 23*).

Comprehensive tax audit at Atyrau refinery for 2015-2017

On December 15, 2020, based on 2015-2017 comprehensive tax audit, Atyrau refinery received additional tax assessment for VAT for 9,257 million tenge, including penalties, and reduction in tax carry-forward losses for 29,026 million tenge. Atyrau refinery has not agreed with tax audit results, and, on January 28, 2021, sent an appeal to the RK Ministry of finance. The Group believes that the risk of additional tax assessment is remote, as such, the Group did not recognize any provisions as of December 31, 2020.

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.

On December 18, 2020, the Supreme Court overturned the decision of the Amsterdam Court of Appeal dated July 5, 2019 to maintain the arrest.

On March 17, 2021, hearings were held on the Main Process. On April 28, 2021, a court decision is expected on the progress of further consideration of the case in the Main Process.

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

Sign-off of settlement agreement between KMG Drilling and the Consortium (the KMG Drilling – Consortium case)

As of December 31, 2019, KMG Drilling, the subsidiary of the Group, provisioned of 90 million US dollars (equivalent to 34,132 million tenge) (*Note 23*) in the annual consolidated financial statements of the Group for the year ended December 31, 2019, in relation to the arbitrage dispute with the Consortium of companies (Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP) over the jack-up rig construction contract dated July 5, 2012.

On July 15, 2020, KMG Drilling and the Consortium signed-off a final settlement agreement on the dispute with a slight increase in settlement amount by 0.4 million US dollars.



39. COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings (continued)

Sign-off of settlement agreement between KMG Drilling and the Consortium (the KMG Drilling – Consortium case) (continued)

On November 17, 2020, the full settlement amount of 90.4 million US dollars (equivalent to 38,821 million tenge at transaction date) was paid-off by KMG Drilling, accordingly, as of December 31, 2020, the case is closed.

Resolution of civil litigation at KMG I

On December 5, 2019, the Prosecutor's Office of Romania (further the POR) issued an ordinance according to which charges related to the disputes between the Romanian Government and KMG I were dismissed due to expiration of the statute of limitations.

Three following plaintiffs filed a complaint against the above POR's decision:

1. The Romanian Privatization Agency on the improper fulfillment by KMG I of the post-privatization requirements for obligations of Petromidia Refinery and Vega Refinery in 2013-2014 for 30 million US dollars;
2. Faber Invest & Trade Inc. (further Faber), the non-controlling shareholder of KMG I subsidiaries, who challenged decisions of KMG I as a shareholder of Rompetrol Rafinare S.A. for 55 million US dollars;
3. Mr. Stephenson George Philip, the former director of KMG I.

On December 27, 2019, KMG I appealed against the ordinance and required the case to be dismissed on merits, not expiration of statute of limitations.

On July 10, 2020, the Supreme Court issued a final decision according to which all the complaints against the POR's decision was rejected.

However, Faber has resumed one of the previous filings, which challenged the increase in the Rompetrol Rafinare Constanta, the KMG I subsidiary, share capital of 2003-2005. The hearing was held on November 10, 2020, however, no final decision was made. The next hearings are scheduled to be on April 19, 2021.

The Group believes that its position with regard to the new Faber filing will be sustained similar to the matters resolved in 2020 in favour of the Group, and as such, the Group did not recognize any provisions as of December 31, 2020.

Disputes regarding the calculation of the proportion of profit oil sharing with the Republic (KMG Karachaganak LLP)

According to the Karachaganak Final Production Sharing Agreement (FPSA), the Karachaganak project profit oil sharing is regulated by the Fairness Index. In the second quarter of 2014, the economics of the Karachaganak project reached a level where the trigger on the Fairness Index "worked" and the proportion in the profit oil sharing changed in favour of the Republic of Kazakhstan.

In addition, from August 20, 2014 to the present, the Ministry of Energy of the Republic of Kazakhstan (MinEnergy) quarterly notifies the Contracting Companies, participants of FPSA, (Contracting Companies) of disagreement regarding the presented calculation of the proportion of the profit oil sharing.

On December 30, 2016, a legally non-binding Memorandum of Understanding was signed between the Republic of Kazakhstan and the Contracting Companies.

On July 17, 2020, the Republic of Kazakhstan and the Contracting Companies signed-off settlement agreement regarding the calculation of the proportion of Profit oil sharing. According to this agreement, Karachaganak is exempt from obligation to pay the financial contribution and reimburse arbitration costs.

On December 11, 2020, the Republic of Kazakhstan and the Contracting Companies signed-off the dispute closure agreement, as such as of December 31, 2020, the case is closed, and the Group has no due commitments.

Cost recovery audits

In accordance with the production sharing agreements not all costs incurred by the contractors can be reimbursed, certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct cost recovery audits. In accordance with the costs recovery audits completed prior to December 31, 2020 certain costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. COMMITMENTS AND CONTINGENCIES (continued)**Cost recovery audits (continued)**

As of December 31, 2020 the Group's share in the total disputed amounts of costs is 871,407 million tenge (2019: 782,206 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

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

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

In 2020, in accordance with its obligations, the Group delivered 6,401 thousand tons of crude oil (2019: 6,224 thousand tons), including joint ventures, to the Kazakhstan market.

Oil supply commitments

As of December 31, 2020 the Group had commitments under the oil supply agreements in the total amount of 13.5 million ton (as at December 31, 2019: 19.2 million ton).

Commitments under oilfield and mining field licenses and subsurface use contracts

As at December 31, 2020 the Group had following commitments on fulfillment of minimal work programs with respect to the requirements of their oilfield and mining licenses and related subsurface use contracts with the Government (in millions of tenge):

| <i>Year</i> | <i>Capital expenditures</i> | <i>Operational expenditures</i> |
|--------------|-----------------------------|---------------------------------|
| 2021 | 532,703 | 168,222 |
| 2022 | 235,761 | 131,630 |
| 2023 | 180,483 | 94,883 |
| 2024 | 223,519 | 94,346 |
| 2025-2058 | 2,865,740 | 1,575,571 |
| Total | 4,038,206 | 2,064,652 |

Capital commitments

As at December 31, 2020 the Group, including its joint ventures and associates, had capital commitments of approximately 2,902,735 million tenge related to acquisition and construction of property, plant and equipment (as at December 31, 2019: 2,979,596 million tenge).

As at December 31, 2020, the Group had commitments in the total amount of 248,408 million tenge (as at December 31, 2019: 101,786 million tenge) under the investment programs approved by the joint order of Ministry of Energy of RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK (hereinafter – the CRNM) to facilitate production units.



39. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments (continued)

Unfulfilled contractual commitments of KazTransOil JSC (KTO) and Kazakhstan - China Pipeline LLP (KCP) under investment programs

KTO and KCP have not fulfilled their investment programs related to previous years (2015-2019) for 26,552 million tenge and 14,477 million tenge (the Group share), respectively. These amounts were not included to the commitments of the Group as of December 31, 2020, due to the following:

- With regard to KTO, unfulfilled amount in accordance with legislation on natural monopolies of RK was accounted for within tariffs for oil pumping to the domestic market for 2021-2025 by CRNM;
- With regard to KCP, the CRNM applied temporary compensating tariffs for oil pumping from October 2020 till September 2022, this was challenged by KCP at court. On December 23, 2020, KCP won the case. However, on January 26, 2021, CRNM appealed against the court decision. On March 25, 2021, the Court upheld the decision unchanged and rejected the satisfaction of the CRNM's appeal. However, the CRNM has the right to appeal the decision of the Court to a higher instance.

And the application of tariffs is postponed until the court decision is released.

Commitments on use of anti-crisis funds

As at December 31, 2020 Fund's commitments included commitments to finance the program "Affordable housing – 2020" in the amount of 3,241 million tenge and commitments to finance investment projects of 63,110 million tenge, including the following:

- Financing the implementation of the investment project "Construction of an integrated gas and chemical complex in Atyrau region. The first phase" in the amount of not greater than 61,409 million tenge.
- Financing of the project "Creation of a special economic zone "Taraz Chemical Park" in the amount of 201 million tenge.
- Financing the acquisition of three leased aircraft by QAZAQ AIR JSC in the amount of 1,500 million tenge.

40. SEGMENT REPORTING

For management purposes, the Group is organized into organizational business units based on their products and services, and has 8 (eight) reportable operating segments (*Note 1*).

Certain of operating segments have been formed by aggregation of smaller reportable segments in line with the organizational structure of the Group. Each reportable segment maintains its accounting records in line with IFRS. Financial performance of each segment prepared in line with IFRS is reported to the chief operating decision maker for the purposes of making decisions about allocating resources to the segment and assessing its performance.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. SEGMENT REPORTING (continued)

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for 2020:

| In millions of tenge | Oil and gas | Mining | Trans- portation | Com- munication | Energy | Industrial | Corporate center | Other | Elimination | Total |
|---|------------------|------------------|---------------------|--------------------|----------------|-----------------|---------------------|---------------|------------------|------------------|
| Revenues from sales to external customers | 4,838,789 | 1,227,048 | 1,309,894 | 561,602 | 555,963 | 12,151 | 30,691 | 19,871 | - | 8,556,009 |
| Revenues from sales to other segments | 28,911 | 189 | 3,969 | 4,662 | 124,398 | 8,586 | 272,124 | 12,099 | (454,938) | - |
| Total revenue | 4,867,700 | 1,227,237 | 1,313,863 | 566,264 | 680,361 | 20,737 | 302,815 | 31,970 | (454,938) | 8,556,009 |
| Geographical markets | | | | | | | | | | |
| Kazakhstan | 1,090,531 | 661,039 | 1,193,100 | 547,388 | 654,024 | 15,288 | 302,815 | 31,970 | (454,938) | 4,041,217 |
| Other countries | 3,777,169 | 566,198 | 120,763 | 18,876 | 26,337 | 5,449 | - | - | - | 4,514,792 |
| Gross profit | 1,143,283 | 278,252 | 276,454 | 186,966 | 179,342 | 691 | 182,407 | 14,830 | (289,529) | 1,972,696 |
| General and administrative expenses | (191,562) | (32,936) | (100,820) | (49,214) | (26,986) | (5,698) | (24,540) | (4,012) | 9,895 | (425,875) |
| Transportation and selling expenses | (639,237) | (14,444) | (4,870) | (12,869) | (12,647) | (1,113) | - | - | 14,631 | (670,549) |
| Finance income | 110,261 | 6,296 | 47,448 | 7,673 | 10,231 | 686 | 36,538 | 15,586 | (54,531) | 180,188 |
| Finance costs | (320,188) | (8,203) | (187,814) | (52,992) | (59,364) | (5,968) | (37,210) | (15,331) | 78,117 | (608,953) |
| Share in profits of joint ventures and associates | 518,157 | 115,387 | 11,111 | - | 11,685 | (2,083) | (12,649) | - | - | 641,608 |
| Foreign exchange gain/(loss), net | 199,385 | 4,076 | (57,823) | 7,124 | 2,694 | (31,029) | (75,732) | 1,831 | (432) | 50,094 |
| Depreciation, depletion and amortization | (552,964) | (62,880) | (180,682) | (114,241) | (78,336) | (7,088) | (2,208) | (1,744) | 1,346 | (998,797) |
| Impairment of property, plant and equipment and intangible assets | (263,358) | (7,107) | (12,864) | (5,792) | (466) | (3,591) | - | - | - | (293,178) |
| Impairment of other assets | (37,932) | (3,015) | (19,380) | (890) | (1,104) | (1,659) | 12,120 | (1,203) | 2,500 | (50,563) |
| Income tax expenses | (117,493) | (64,875) | (9,010) | (20,975) | (24,216) | (130) | (3,724) | (4,143) | (2,049) | (246,615) |
| Total net profit/(loss) for the period | 262,506 | 293,832 | (35,745) | 59,924 | 72,821 | (52,164) | 201,679 | 7,009 | (227,320) | 582,542 |
| Other segment information | | | | | | | | | | |
| Total assets of the segment | 16,854,461 | 2,411,794 | 3,861,110 | 1,220,457 | 1,574,935 | 804,995 | 7,738,822 | 337,307 | (7,321,035) | 27,482,846 |
| Total liabilities of the segment | 6,535,391 | 377,221 | 2,701,075 | 664,364 | 756,442 | 609,561 | 1,696,538 | 199,447 | (1,208,808) | 12,331,231 |
| Allowances for expected credit losses for doubtful accounts | (2,222) | 320 | (552) | (2,470) | (1,860) | (541) | - | 124 | 218 | (6,983) |
| Investments in joint ventures and associates | 4,214,205 | 650,943 | 21,218 | - | 79,035 | 5,273 | 47,330 | 13 | (32,341) | 4,985,676 |
| Capital expenditures | (490,344) | (49,446) | (340,727) | (116,242) | (93,861) | (349,854) | (601) | (3,086) | 9,725 | (1,434,436) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. SEGMENT REPORTING (continued)

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group for 2019:

| In millions of tenge | Oil and gas | Mining | Trans- portation | Com- munication | Energy | Industrial | Corporate center | Other | Elimination | Total |
|---|------------------|------------------|---------------------|--------------------|----------------|-----------------|---------------------|---------------|------------------|-------------------|
| Revenues from sales to external customers | 7,244,405 | 989,086 | 1,456,010 | 466,885 | 432,271 | 7,410 | 30,232 | 22,614 | - | 10,648,913 |
| Revenues from sales to other segments | 57,701 | 13,973 | 4,835 | 4,521 | 74,971 | 2,940 | 242,417 | 9,509 | (410,867) | - |
| Total revenue | 7,302,106 | 1,003,059 | 1,460,845 | 471,406 | 507,242 | 10,350 | 272,649 | 32,123 | (410,867) | 10,648,913 |
| Geographical markets | | | | | | | | | | |
| Kazakhstan | 1,227,593 | 497,143 | 1,171,718 | 454,753 | 481,945 | 6,203 | 272,649 | 32,123 | (410,867) | 3,733,260 |
| Other countries | 6,074,513 | 505,916 | 289,127 | 16,653 | 25,297 | 4,147 | - | - | - | 6,915,653 |
| Gross profit | 1,958,700 | 199,798 | 288,256 | 141,039 | 130,418 | 1,398 | 197,184 | 13,317 | (215,190) | 2,714,920 |
| General and administrative expenses | (217,636) | (38,709) | (119,271) | (46,992) | (21,773) | (5,435) | (24,204) | (4,663) | 8,826 | (469,857) |
| Transportation and selling expenses | (744,437) | (11,552) | (10,898) | (12,235) | (8,382) | (771) | - | - | 9,241 | (779,034) |
| Finance income | 244,423 | 6,609 | 7,608 | 6,554 | 6,557 | 621 | 45,973 | 8,537 | (45,933) | 280,949 |
| Finance costs | (360,752) | (14,780) | (195,397) | (44,072) | (41,344) | (5,858) | (33,611) | (10,164) | 66,198 | (639,780) |
| Share in profits of joint ventures and associates, net | 814,865 | 85,010 | 8,013 | 5,831 | 11,966 | (104) | (10,825) | 1 | - | 914,757 |
| Foreign exchange gain/(loss), net | (6,263) | (127) | (15,671) | (1,265) | 1,115 | 769 | 5,425 | 248 | (1,053) | (16,822) |
| Depreciation, depletion and amortization | (506,491) | (64,854) | (160,386) | (98,583) | (69,973) | (3,773) | (2,052) | (1,063) | 3,139 | (904,036) |
| Impairment of property, plant and equipment and intangible assets | (253,523) | (14,455) | (2,681) | (1,844) | 88 | (25,278) | - | - | - | (297,693) |
| Impairment of other assets | (29,866) | (464) | (18,485) | (1,035) | 1,290 | (2,012) | (12,162) | (1,255) | 5,989 | (58,000) |
| Income tax expenses | (283,726) | (34,175) | (29,020) | (10,047) | (18,224) | (88) | (3,074) | (2,332) | (1,748) | (382,434) |
| Total net profit for the period | 1,171,447 | 251,522 | (91,655) | 60,134 | 69,020 | (39,236) | 170,669 | 6,746 | (178,166) | 1,420,481 |
| Other segment information | | | | | | | | | | |
| Total assets of the segment | 16,332,443 | 2,304,494 | 3,757,170 | 1,195,489 | 1,500,157 | 574,620 | 7,574,272 | 300,602 | (7,122,237) | 26,417,010 |
| Total liabilities of the segment | 6,587,029 | 460,432 | 2,562,000 | 693,493 | 719,878 | 379,654 | 1,563,722 | 180,028 | (1,072,179) | 12,074,057 |
| Allowances for expected credit losses for doubtful accounts | (1,963) | (749) | (13,236) | (2,282) | (55) | (12) | 839 | (245) | 228 | (17,475) |
| 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 |
| Capital expenditures | (552,017) | (64,000) | (309,134) | (75,417) | (54,828) | (108,255) | (1,131) | (3,530) | 6,921 | (1,161,391) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. SUBSEQUENT EVENTS

Disposal of subsidiaries

On January 8, 2021 the Group completed the transaction on selling controlling share in its subsidiary Vostokmashzavod JSC. As a result of the sale, the Group lost control over this subsidiary.

Legal proceedings

On February 19, 2021, a Decision was issued of the arbitration proceedings on the claim of KazTransGas LSC ("KTG") against the partners of the North Caspian project on gas price calculus from the Kashagan field. The decision was issued in favour of KTG. In accordance with the Decision, the court ordered the parties to make their calculations within 30 days on the basis of the principles established by the Decision and calculate the amounts payable to KTG, including legal costs. The final amounts are not yet estimated, thus, as at the reporting date the Group did not recognise the effects of this case in its consolidated financial statements.

Other distributions to the Shareholder

On February 23, 2021, based on the Resolution of the Shareholder, the Group carried out the first tranche in the amount of 18,000 million tenge to finance the construction of social medical facilities.

Questions regarding this Annual Report can be directed to the
Corporate Governance Department at governance@sk.kz.