

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the six months ended June 30, 2020**

1. GENERAL

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

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

As at June 30, 2020, the Company has an interest in 61 operating companies (as of December 31, 2019: 54) (jointly the “Group”).

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

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

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

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

These interim condensed consolidated financial statements of the Group were approved for issue by the Deputy Chairman of the Management Board for Economy and Finance and the Chief accountant on August 25, 2020.

2. BASIS OF PREPARATION

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

Foreign currency translation*Functional and presentation currency*

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

Transactions and balances

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

Translation of foreign operations

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

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

Exchange rates

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

The currency exchange rate of KASE as at June 30, 2020 and December 31, 2019 were 403.93 and 382.59 tenge to 1 US dollar, respectively. These rates were used to translate monetary assets and liabilities denominated in United States dollars (“US dollar”) as at June 30, 2020 and December 31, 2019. The weighted average rate for six months ended June 30, 2020 was 404.71 tenge to 1 US dollar. The currency exchange rate of KASE as at August 25, 2020 was 419.48 tenge to 1 US dollar.

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

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

Impairment testing assumptions

The price assumptions used in value-in-use impairment testing were reviewed as a result of the significant changes in market prices during the six months of 2020 ended June 30. The Group’s long-term assumptions for Brent oil prices, KZT/USD exchange rate and inflation projections have been revised and are based on externally sourced forecasts and rates of the independent research organizations considering long-term market expectations. Production volumes are based on proved developed and undeveloped reserves for subsidiaries, and on proved and probable reserves for significant investments in joint ventures and associates. Production period is either based on subsoil use contracts’ expiration date or on extended license period where the Group has intention to extend the license. Estimated production volumes are based on the Group’s production plans that are mostly used for the purposes of application filing for extension of subsoil use contracts.

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

At the end of the second quarter the revision to the Group’s oil and gas price assumptions and discount rates did not result in the recognition of any impairment charges for the second quarter of 2020, except for amounts recognized at the end of the first quarter, 60,440 million tenge attributable to Embamunaigas CGU (*Note 11*) and 38,000 million tenge related to the Group’s joint venture and the associate (*Note 15*) in *Exploration and production of oil and gas* segment.

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

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

With the COVID-19 pandemic having continued during the second quarter of 2020, the Group assessed recoverability of the refining assets, including goodwill attributable to Pavlodar refinery. The Group considered forecasted refinery margins, production volumes among other factors. As a result of the impairment analysis of the recoverable amount of refining assets at KMG International (further - KMGI), impairment charges were recognized in the consolidated financial statements for the six months ended June 30, 2020 for 159,009 million tenge (*Note 11*), recoverable amounts of other refinery were higher than their carrying values.

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

A change in price or other assumptions within the next financial year may result in a recoverable amount of one or more of oil and gas assets above or below the current carrying amount. Sensitivity to key assumptions for significant components of the Group at which impairment charges were recognized in the first half of 2020 are discussed in *Note 11*.

Provisions assumptions

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

Other accounting judgments and estimates

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

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

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

Amendments to IFRS 3: Definition of a Business

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

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8: Definition of Materiality

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

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the consolidated financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

Conceptual Framework for Financial Reporting issued on March 29, 2018

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

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

Changes in accounting policies related to presentation

Since December 31, 2019 in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Group has applied voluntary changes in accounting policies related to presentation of the consolidated financial statements and elected to present its statement of comprehensive income based on nature and cash flow statement using indirect method to increase on the comparability of the Group’s consolidated financial statements to its industry peers. The Group applied those voluntary changes in accounting policies into interim consolidated financial statements for the six months ended June 30, 2019. These reclassifications do not affect net profit, equity or comprehensive income for the period.

Changes in presentation of the interim consolidated statement of financial position

The Group decided not to aggregate, but present separately other financial and non-financial other current assets, non-current and current liabilities separately as at June 30, 2020 and December 31, 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies related to presentation (continued)

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

In millions of tenge	Notes	For the six months ended June 30, 2019		
		According to the issued interim condensed consolidated financial statements	Reclassifications	Reclassified
Cost of purchased oil, gas, petroleum products and other materials	[A]	-	(1,942,076)	(1,942,076)
Production expenses	[B]	-	(336,716)	(336,716)
Taxes other than income tax	[C]	-	(225,890)	(225,890)
Depreciation, depletion and amortization	[D]	-	(167,216)	(167,216)
Cost of sales	[A], [B], [C], [D]	(2,511,579)	2,511,579	-
General and administrative expenses	[C], [D]	(110,700)	16,521	(94,179)
Transportation and selling expenses	[C], [D]	(358,123)	142,611	(215,512)
Other expenses	[D]	(7,178)	551	(6,627)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	[D]	(636)	636	-
		(2,988,216)	-	(2,988,216)

For the six months ended June 30, 2019 the following changes in presentation were made:

- [A] The Group elected to present *Cost of purchased oil, gas, petroleum products and other materials* as a separate line item.
- [B] Other line items previously presented within *Cost of sales*, except for *Cost of purchased oil, gas, petroleum products and other materials, taxes and depreciation*, were aggregated as *Production expenses* and presented as a separate line item in the interim consolidated statement of comprehensive income.
- [C] The Group excluded mineral extraction and other taxes from *Cost of sales* in the amount of 50,566 million tenge and 33,815 million tenge, respectively, other taxes from *General and administrative expenses* of 5,784 million tenge, rent tax on crude oil export, customs duty and social taxes (presented within others) from *Transportation and selling expenses* of 68,969 million tenge, 66,645 million tenge and 111 million tenge, respectively, and presented as *Taxes other than income tax* in the interim consolidated statement of comprehensive income.
- [D] The Group excluded *Depreciation, depletion and amortization charges* from *Cost of sales* of 148,406 million tenge, from *General and administrative expenses* 10,737 million tenge, from *Transportation and selling expenses* 6,886 million tenge, from *Other expenses* 1,187 million tenge and presented as a separate line item in the interim consolidated statement of comprehensive income.

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

Changes in presentation of the interim consolidated cash flow statement from direct to indirect method was applied retrospectively, additionally viewing that one of the Group's principal activities is representation of the State interests in subsoil use contracts through interest participation in those contracts via joint ventures, the Group decided to present dividends received from joint ventures and associates of 42,306 million tenge within operating cash flows in accordance with IAS 7.

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

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2020 (unaudited)	2019* (unaudited) (reclassified)	2020 (unaudited)	2019* (unaudited) (reclassified)
Type of goods and services				
Sales of crude oil and gas*	472,117	925,743	1,273,550	1,997,057
Sales of refined products*	234,449	516,649	615,729	1,024,488
Oil and gas transportation services	65,519	81,393	147,552	159,767
Refining of oil and oil products	41,560	45,348	92,469	96,298
Other revenue	64,336	68,176	124,795	124,970
	877,981	1,637,309	2,254,095	3,402,580
Geographical markets				
Kazakhstan	231,739	274,707	536,033	590,896
Other countries	646,242	1,362,602	1,718,062	2,811,684
	877,981	1,637,309	2,254,095	3,402,580

* For six months ended June 30, 2019, the Group reclassified sales of gas products of 18,824 million tenge previously presented within Sales of crude oil, gas and gas refining products into Sales of refined products.

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

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019* (unaudited) (reclassified)
Asian Gas Pipeline LLP (AGP)	80,848	36,662	76,566	67,518
Tengizchevroil LLP (TCO)	5,563	117,883	69,514	223,618
Caspian Pipeline Consortium	20,540	15,876	40,664	33,396
Beineu-Shymkent Gas Pipeline	31,906	10,584	24,139	33,840
KazGerMunay LLP	2,949	5,067	8,955	11,862
PetroKazakhstan Inc.	4,629	1,071	7,347	2,948
Mangistau Investments B.V.	(1,359)	22,973	4,755	46,242
Kazakhoil-Aktobe LLP	1,657	3,258	1,640	4,908
KazRosGas LLP (KRG)	7,909	9,606	1,468	11,243
Teniz Service LLP	12	4,917	427	8,570
Valseira Holdings B.V.	7,255	(550)	(4,020)	(3,389)
Ural Group Limited	(2,486)	(1,859)	(4,952)	(3,665)
Kashagan B.V.	(11,308)	(3,847)	(11,409)	1,328
Other joint ventures and associates	10,849	4,587	9,186	6,831
	158,964	226,228	224,280	445,250

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)**
6. COST OF PURCHASED OIL, GAS, PETROLEUM PRODUCTS AND OTHER MATERIALS

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited) (reclassified)	2020 (unaudited)	2019 (unaudited) (reclassified)
Purchased oil for resale	245,571	499,994	652,189	1,114,152
Purchased gas for resale	58,591	70,489	204,652	199,794
Cost of oil for refining	29,689	225,554	152,979	451,686
Materials and supplies	45,408	51,749	94,159	94,539
Purchased petroleum products for resale	5,247	27,477	21,911	81,905
	384,506	875,263	1,125,890	1,942,076

7. PRODUCTION EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited) (reclassified)	2020 (unaudited)	2019 (unaudited) (reclassified)
Payroll	85,556	72,508	158,383	151,107
Repair and maintenance*	31,189	31,044	50,540	52,910
Energy	19,111	20,398	40,318	42,785
Short-term lease expenses*	12,505	8,856	28,891	27,161
Transportation costs	7,115	7,033	14,865	14,344
Other	33,660	33,979	70,535	48,409
	189,136	173,818	363,532	336,716

* For the six months ended June 30, 2019, the Group reclassified expenses on outsourced repair and maintenance in amount of 23,792 million tenge from Other into repair and maintenance expenses. Additionally, Lease expenses were disaggregated from Others and presented separately within production expenses.

8. TAXES OTHER THAN INCOME TAX

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30,	
	2020 (unaudited)	2019 (reclassified) (unaudited)	2020 (unaudited)	2019 (reclassified) (unaudited)
Export customs duty	10,284	33,000	41,247	66,645
Rent tax on crude oil export	(123)	34,798	19,474	68,969
Mineral extraction tax	14,546	19,853	33,070	50,566
Other taxes	20,480	19,562	45,689	39,710
	45,187	107,213	139,480	225,890

9. TRANSPORTATION AND SELLING EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2020 (unaudited)	2019 (reclassified) (unaudited)	2020 (unaudited)	2019 (reclassified) (unaudited)
Transportation	94,264	88,578	202,496	189,524
Payroll	2,902	3,963	5,830	8,200
Other	6,670	7,416	14,159	17,788
	103,836	99,957	222,485	215,512

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)**
10. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited) (reclassified)	2020 (unaudited)	2019 (unaudited) (reclassified)
Payroll	16,513	19,961	34,107	36,736
Consulting services	5,315	4,533	11,012	8,726
VAT that could not be offset	1,075	1,073	2,061	1,974
Accrual of expected credit losses for trade receivables	1,537	1,092	2,153	2,475
Impairment of VAT receivable	(61)	11,008	490	11,008
Short-term lease expenses	604	621	1,127	1,126
Accrual of expected credit losses for other current financial assets	1,196	8,725	1,403	8,715
Social payments, out of payroll	1,890	1,056	2,934	1,965
Maintenance	1,807	1,718	3,548	3,058
Communication	1,016	786	1,778	1,504
Other	6,229	11,509	14,205	16,892
	37,121	62,082	74,818	94,179

For the six months ended June 30, 2020, the total payroll amounted to 198,320 million tenge (for the six months ended June 30, 2019: 196,043 million tenge) and included in production expenses, transportation and selling expenses and general and administrative expenses in the interim consolidated statement of comprehensive income.

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

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Property, plant and equipment (Note 14)	157,497	5,933	202,248	6,009
Exploration and evaluation assets	1	18,939	16,389	19,231
Intangible assets	6,765	-	6,765	-
	164,263	24,872	225,402	25,240

Impairment losses were recognised for the following CGUs:

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
CGUs of KMGI	159,009	-	159,009	-
Embamunaigas (EMG)	-	-	60,440	-
Write-off of brownfields of KMG EP	-	18,888	-	18,888
Others	5,254	5,984	5,953	6,352
	164,263	24,872	225,402	25,240

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

**11. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGLE ASSETS AND
EXPLORATION AND EVALUATION ASSETS (continued)***CGUs of KMGI*

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

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

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

For the purposes of impairment test, KMGI updated projected cash flows to reflect the decrease in forecasted refinery margins and change in post-tax discount rate. As at June 30, 2020 based on the results of the test performed, KMGI recognized impairment loss of property, plant and equipment and intangible assets of 152,244 million tenge and 6,765 million tenge, respectively.

Sensitivity to changes in assumptions:

Any unfavorable change in key assumptions of KMGI CGU could result in additional impairment.

EMG

As of March 31, 2020, EMG carried out an assessment of the recoverable amount of property, plant and equipment and exploration and evaluation assets due to the presence of impairment indicators such as decline in the forecasted oil prices. EMG calculated recoverable amount using a discounted cash flow model for value in use valuation method. The discount rate applied to cash flow projections was equal to 13.99%. The 5-year business plan was used as a primary source of information, which contains forecasts for crude oil production, sales volumes, revenues, costs and capital expenditure. The result of this assessment indicated that the carrying value of assets exceeded their estimated recoverable amount by 60,440 million tenge, and was recognised as impairment in the interim consolidated statement of comprehensive income. As of June 30, 2020, at EMG no additional impairment was identified.

Sensitivity to changes in assumptions:

For sensitivity purposes, a decrease in the long-term Brent price assumption by 1% with other inputs held unchanged, would result in additional pre-tax impairment of 11 billion tenge as at June 30, 2020.

Write of the brownfields of KMG EP

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)**
12. FINANCE INCOME / FINANCE COST
Finance income

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest income on bank deposits, financial assets, loans and bonds	22,734	24,750	45,666	50,356
Amortization of issued financial guarantees	1,613	5,500	3,244	6,019
Total interest income	24,347	30,250	48,910	56,375
Discount on borrowings with non-market interest rate (Note 18)	-	-	11,002	-
Derecognition of loan (Note 18)	-	21	-	546
Bond redemption gain (Note 18)	927	-	927	-
Other	1,242	1,919	2,692	4,875
	26,516	32,190	63,531	61,796

Finance costs

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest on loans and debt securities issued (Note 18)	57,608	55,167	113,263	113,083
Interest on lease liabilities	813	995	1,678	1,985
Interest under oil supply agreement	-	6,576	-	15,368
Total interest expense	58,421	62,738	114,941	130,436
Unwinding of discount on asset retirement obligations and provision for environmental obligation	3,631	3,349	6,690	6,332
Discount on employee benefits obligations	929	936	1,679	1,660
Discount on assets with non-market interest rate	74	1,195	540	1,305
Allowance of expected credit losses of bank deposits, current accounts and loans due from related parties	133	245	290	472
Changes of fair value of debt securities	44	37	44	2,836
Other	4,888	6,954	11,010	17,806
	68,120	75,454	135,194	160,847

13. INCOME TAX EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Current income tax				
Corporate income tax	11,213	43,811	33,961	71,853
Excess profit tax	(241)	7,256	(208)	7,342
Withholding tax on dividends and interest income	2,533	3,010	5,585	6,485
Deferred income tax				
Corporate income tax	(838)	8,081	(21,156)	23,408
Excess profit tax	(18)	96	3,447	103
Withholding tax on dividends	108	20,799	9,701	33,543
Income tax expenses	12,757	83,053	31,330	142,734

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

14. PROPERTY, PLANT AND EQUIPMENT

<i>In millions of tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
As at January 1, 2019 (restated)	1,081,676	787,813	1,550,680	263,204	394,602	116,561	44,124	275,986	4,514,646
Foreign currency translation	(6,277)	(399)	(5,456)	(610)	124	(525)	(97)	(196)	(13,436)
Change in estimate	3,724	1,420	—	8	—	—	—	—	5,152
Additions	14,923	239	104	284	3,802	1,002	808	128,063	149,225
Disposals	(2,717)	(450)	(2,572)	(5,404)	(3,551)	(3,162)	(3,430)	(414)	(21,700)
Depreciation charge	(44,791)	(14,586)	(57,903)	(8,654)	(19,465)	(6,072)	(4,695)	—	(156,166)
Accumulated depreciation and impairment on disposals	2,034	413	2,567	3,384	2,660	2,739	2,937	312	17,046
Impairment (Note 11)	—	(1)	—	(2,443)	(1,863)	(855)	(98)	(749)	(6,009)
Transfers from/(to) inventory, net	7	(22)	2,583	—	454	(10)	10	469	3,491
Transfers to assets classified as held for sale	—	—	(41)	(10,368)	(18,408)	(116)	(61)	—	(28,994)
Transfers (to)/from intangible assets	—	—	—	—	—	—	68	(258)	(190)
Transfers from exploration and evaluation assets	1,821	—	—	—	—	—	—	1,044	2,865
Transfers and reclassifications	81,777	(925)	9,914	30,164	121,793	3,802	4,393	(250,918)	—
Net book value as at June 30, 2019 (unaudited)	1,132,177	773,502	1,499,876	269,565	480,148	113,364	43,959	153,339	4,465,930
At cost	2,244,709	985,486	2,379,094	536,804	820,694	235,043	122,775	202,966	7,527,571
Accumulated depreciation and impairment	(1,112,532)	(211,984)	(879,218)	(267,239)	(340,546)	(121,679)	(78,816)	(49,627)	(3,061,641)
Net book value as at June 30, 2019 (unaudited)	1,132,177	773,502	1,499,876	269,565	480,148	113,364	43,959	153,339	4,465,930

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Oil and gas assets	Pipelines	Refinery and improve- ments assets	Buildings and improve- ments equipment	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
<i>In millions of tenge</i>									
Net book value as at December 31, 2019 (audited)	1,049,763	803,717	1,381,661	300,655	457,811	97,637	106,286	286,741	4,484,271
Foreign currency translation	29,098	2,243	24,203	3,821	1,920	1,705	3,980	7,054	74,024
Additions	5,004	6,003	490	3,603	2,301	1,679	871	215,153	235,104
Change in estimate	(8,171)	(1,762)	-	4	-	-	-	-	(9,929)
Disposals	(7,021)	(10,019)	(5,543)	(2,344)	(1,962)	(534)	(1,025)	(888)	(29,336)
Depreciation charge	(58,503)	(14,849)	(58,186)	(8,695)	(18,794)	(5,608)	(5,424)	-	(170,059)
Accumulated depreciation and impairment on disposals	5,824	977	5,542	2,563	1,752	413	943	829	18,843
Impairment (Note 11)	(38,612)	(273)	(152,251)	(890)	(488)	(6,185)	(311)	(3,238)	(202,248)
Transfers to assets classified as held for sale	-	-	(3)	(3)	(73)	(4)	-	-	(83)
Transfers from/(to) inventory, net	19	(36)	689	-	110	(19)	72	793	1,628
Transfers to intangible assets	-	-	-	-	-	-	(580)	(1,190)	(1,770)
Transfers to investment property	-	-	-	(15,293)	-	-	-	-	(15,293)
Transfers and reclassifications	41,436	7,772	1,901	15,526	67,475	4,089	3,963	(142,162)	-
Net book value as at June 30, 2020 (unaudited)	1,018,837	793,773	1,198,503	298,947	510,052	93,173	108,775	363,092	4,385,152
At cost	2,110,448	1,033,738	2,469,370	581,869	917,582	234,739	233,233	416,206	7,997,185
Accumulated depreciation and impairment	(1,091,611)	(239,965)	(1,270,867)	(282,922)	(407,530)	(141,566)	(124,458)	(53,114)	(3,612,033)
Net book value as at June 30, 2020 (unaudited)	1,018,837	793,773	1,198,503	298,947	510,052	93,173	108,775	363,092	4,385,152

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)**Additions**

For the six months ended June 30, 2020, additions of Group subsidiaries to capital work in progress are mainly attributable to development drilling at Ozenmunaigas, Embamunaigas and Karachaganak for total of 71,743 million tenge, construction of compressor stations at KTG for 74,908 million tenge within the framework of the projects «Beineu-Bozoy-Shymkent and Bukhara-Ural» and «reconstruction of Bozoi underground gas storage», replacement of Prorva-Kulsary pipeline for 10,740 million tenge at KTO, and improvement of plant facilities at Rompetrol Rafinare for 38,724 million tenge.

Other

For the six months ended June 30, 2020, the Group capitalized to the carrying amount of property, plant and equipment borrowing costs related to the construction of new assets of 1,941 million tenge at the average interest rate of 3.71% (for the six months ended June 30, 2019: 2,014 million tenge at the average interest rate of 3.42%) (*Note 18*).

For the six months ended June 30, 2020, the Group transferred from property, plant and equipment to investment property a building, located in Nur-Sultan, Kabanbay batyr avenue, 19, in the amount of 15,293 million tenge due to change in designation of the asset from owner-occupied property to leased out to third parties.

As at June 30, 2020, the cost of fully depreciated but still in use property, plant and equipment was 420,132 million tenge (as at December 31, 2019: 394,841 million tenge).

As at June 30, 2020, property, plant and equipment with the net book value of 914,973 million tenge (as at December 31, 2019: 1,023,146 million tenge) were pledged as collateral to secure borrowings and payables of the Group.

Capital commitments are disclosed in *Note 22*.

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

15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

<i>In millions of tenge</i>	Main activity	Place of business	June 30, 2020 (unaudited)		December 31, 2019 (audited)	
			Carrying value	Percentage ownership	Carrying value	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	2,579,183	20.00%	2,377,207	20.00%
Kashagan B.V.	Oil and gas exploration and production	Kazakhstan	2,161,187	50.00%	2,057,795	50.00%
Asia Gas Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	244,652	50.00%	168,086	50.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	163,656	50.00%	158,867	50.00%
Beineu-Snymkent Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	125,905	50.00%	101,766	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	85,906	50.00%	79,849	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	29,372	50.00%	25,620	50.00%
Ural Group Limited BVI (UGL)	Oil and gas exploration and production	Kazakhstan	26,405	50.00%	47,662	50.00%
MunayTas LLP	Oil transportation	Kazakhstan	21,870	51.00%	21,373	51.00%
KazakhOil-Aktobe LLP	Production of crude oil	Kazakhstan	21,578	50.00%	21,438	50.00%
Teniz Services LLP	Design, construction and operation of infrastructure facilities, offshore oil operations support	Kazakhstan	17,009	48.996%	19,277	48.996%
Valsera Holding BV	Oil refining	Kazakhstan	6,562	50.00%	12,776	50.00%
Other			23,102		19,641	
Associates						
Caspian Pipeline Consortium (CPC)	Transportation of liquid hydrocarbons	Kazakhstan/Russia	419,792	20.75%	359,173	20.75%
PetroKazakhstan Inc. (PKI)	Exploration, production and processing of oil and gas	Kazakhstan	86,498	33.00%	95,320	33.00%
Other			26,964		24,534	
			6,039,641		5,590,384	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

As of June 30, 2020, the Group's share in unrecognized losses of joint ventures and associates was equal to 7,468 million tenge (as of December 31, 2019: 17,812 million tenge).

The following table summarizes the movements in the investments during the six months ended June 30, 2020:

In millions of tenge

At December 31, 2019 (audited)	5,590,384
Share in profits of joint ventures and associates, net (Note 5)	224,280
Other changes in the equity of the joint venture	547
Contribution without change in ownership	789
Dividends received	(16,140)
Change in dividends receivable	(2,113)
Impairment of investments	(38,000)
Foreign currency translation	279,894
At June 30, 2020 (unaudited)	6,039,641

On October 16, 2015, the Group sold 50% of its shares in KMG Kashagan B.V. to Samruk-Kazyna with a right to buy back all or part of the shares effective from January 1, 2018 to December 31, 2020 (further "Option"). On December 20, 2017, the exercise period for the call option was changed to January 1, 2020 and December 31, 2022. As of June, 30 2020 and December 31, 2019 the fair value of the option was insignificant.

The Group impaired its investments in PKI and UGL by 18,000 million tenge and 20,000 million tenge, respectively.

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

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Trade accounts receivable	379,303	430,125
Less: allowance for expected credit losses	(31,589)	(32,368)
Trade accounts receivable	347,714	397,757
Other current financial assets		
Other receivables	89,063	91,610
Dividends receivable	9,289	7,582
Less: allowance for expected credit losses	(38,248)	(35,637)
	60,104	63,555
Other current non-financial assets		
Advances paid and prepaid expenses	64,185	138,822
Taxes receivable, other than VAT	28,575	52,642
Other current non-financial assets	9,308	10,794
Less: impairment allowance	(3,688)	(3,719)
	98,380	198,539
Total other financial and non-financial current assets	158,484	262,094

As at June 30, 2020 and December 31, 2019 the above assets were non-interest bearing.

As at June 30, 2020 trade accounts receivable of 124,299 million tenge are pledged as collateral (December 31, 2019: 71,296 million tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Trade accounts receivable is denominated in the following currencies as of June 30, 2020 and December 31, 2019:

<i>In millions of tenge</i>	June 30 2020 (unaudited)	December 31 2019 (audited)
Tenge	90,763	118,870
US dollars	197,883	206,155
Romanian Leu	52,590	60,673
Euro	4,227	4,676
Other currency	2,251	7,383
	347,714	397,757

Set out below is the information about credit risk exposure on the Group's trade receivables using a provision matrix:

<i>In millions of tenge</i>	Days past due					Total
	current	<30 days	30-60 days	61-90 days	>91 days	
June 30, 2020						
<i>Expected credit loss rate</i>	0.16%	3.33%	4.11%	4.53%	76.51%	
Trade accounts receivable	322,915	7,177	4,913	4,524	39,774	379,303
Expected credit loss	513	239	202	205	30,430	31,589

<i>In millions of tenge</i>	Days past due					Total
	current	<30 days	30-60 days	61-90 days	>91 days	
December 31, 2019						
<i>Expected credit loss rate</i>	0.12%	1.19%	5.30%	3.37%	82.30%	
Trade accounts receivable	364,869	19,869	5,418	1,871	38,098	430,125
Expected credit loss	427	236	287	63	31,355	32,368

17. CASH AND CASH EQUIVALENTS

<i>In millions of tenge</i>	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Term deposits with banks – US dollars	350,366	108,298
Term deposits with banks – tenge	231,104	210,354
Term deposits with banks – other currencies	6,839	6,450
Current accounts with banks – US dollars	275,453	633,231
Current accounts with banks – tenge	67,774	75,168
Current accounts with banks – other currencies	10,225	10,220
Cash in transit	14,041	19,991
Cash-on-hand and cheques	979	1,150
Less: allowance for expected credit losses	(39)	(410)
	956,742	1,064,452

As at June 30, 2020, the weighted average interest rate for time deposits with banks was 1.82% in US dollars, 8.08% in tenge and 1.22% in other currencies, respectively (December 31, 2019: 2.02% in US dollars, 8.84% in tenge and 0.12% in other currencies, respectively).

As at June 30, 2020 and December 31, 2019, cash and cash equivalents were not pledged as collateral.

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

<i>In millions of tenge</i>	June, 30 2020 (unaudited)	December, 31 2019 (audited)
Fixed interest rate borrowings	3,338,816	3,146,477
Weighted average interest rates	5.48%	5.48%
Floating interest rate borrowings	628,477	691,027
Weighted average interest rates	5.15%	5.73%
	3,967,293	3,837,504

<i>In millions of tenge</i>	June, 30 2020 (unaudited)	December, 31 2019 (audited)
US dollar – denominated borrowings	3,671,393	3,555,347
Tenge – denominated borrowings	291,085	271,776
Euro-denominated borrowings	2,795	2,881
Other currencies – denominated borrowings	2,020	7,500
	3,967,293	3,837,504

<i>In millions of tenge</i>	June, 30 2020 (unaudited)	December, 31 2019 (audited)
Current portion	380,671	253,428
Non-current portion	3,586,622	3,584,076
	3,967,293	3,837,504

As at June 30, 2020 and as at December 31, 2019, the bonds comprised:

<i>In millions of tenge</i>	Issuance amount	Redemption date	Interest	June, 30 2020 (unaudited)	December, 31 2019 (audited)
Bonds					
AIX 2019	56 billion KZT	2024	5.00%	49,518	52,843
Bonds LSE 2018	1.5 billion USD	2048	6.375%	606,300	574,230
Bonds LSE 2018	1.25 billion USD	2030	5.375%	509,332	482,393
Bonds LSE 2018	0.5 billion USD	2025	4.75%	203,538	192,764
Bonds LSE 2017	1.25 billion USD	2047	5.75%	495,382	468,940
Bonds LSE 2017	1 billion USD	2027	4.75%	402,051	380,413
Bonds ISE 2017	750 million USD	2027	4.375%	287,853	289,487
Bonds LSE 2017	0.5 billion USD	2022	3.88%	202,635	191,694
Bonds LSE 2013	1 billion USD	2023	4.40%	163,412	154,442
Others	-	-	-	4,557	4,518
Total				2,924,578	2,791,724

The increase in carrying value of placed bonds during the six months ended June 30, 2020, is due to the effect of the foreign currency exchange rate on bonds placed at LSE and ISE and denominated in US dollars for 157,605 million tenge.

In May 2020, KTG made an early partial settlement of bonds placed at ISE for the total amount of 41 million US dollars (equivalent to 17,816 million tenge) with bond redemption fee of 927 million tenge (*Note 12*).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. BORROWINGS (continued)

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

<i>In millions of tenge</i>	Issuance amount	Redemption date	Interest	June, 30 2020 (unaudited)	December, 31 2019 (audited)
Loans					
The Export-Import Bank of China (Eximbank)	1.13 billion USD	2026	6M Libor + 4.10%	301,615	350,042
Development bank of Kazakhstan JSC (DBK)	230 billion KZT	2022-2028	7.00%-10.20%	167,945	138,313
DBK	1.1 billion USD	2023-2025	6M Libor + 4.00%, 5.00%, 10.99%	122,290	131,022
The Syndicate of banks (Unicredit Tiriac Bank, ING Bank, BCR, Raiffeisen Bank)	360 million USD	2023	1M Libor + 2.75%, 1M Libor + 2.50%, 1M Robor + 2.00%, 1W Libor + 2.50%, ON Libor + 2.50%, 1M Euribor + 2.75%,	84,478	99,554
The Syndicate of banks (Citibank, N.A., London Branch, Mizuho Bank, Ltd., MUFG Bank Ltd., Société Générale, ING Bank, and ING Bank N.V.)	200 million USD	2021	3M Libor + 1.35%	80,586	76,442
Japan Bank for International Cooperation	297.5 million USD	2025	2.19% + CIRR	63,315	65,254
Halyk bank JSC (Halyk bank)	150 million USD	2024	5.25%	46,274	52,771
European Bank for Reconstruction and Development (EBRD)	68 billion KZT	2023	3M CPI + 50 basis points + 3.15%	37,275	42,940
Sumitomo Mitsui Banking Corporation	150 million USD	2021	COF (0.19%) + 1.50%	27,081	-
EBRD	39 billion KZT	2026	6M CPI + 100 basis points + 3.15%	26,719	24,573
Halyk bank	100 million USD ¹	2020	5.00%	19,823	38,323
Credit Agricole	75 million USD	2021	COF (0.30%)+2.00%	15,681	874
BNP Paribas	368 million USD ¹	2020	COF (1.59%) + 0.25%	13,715	-
Sberbank Russia	50 million USD	2020	COF (0.80%) + 1.50%	13,219	13,773
Other	-	-	-	22,699	11,899
Total	-	-	-	1,042,715	1,045,780

¹ Revolving credit facility.

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

18. BORROWINGS (continued)

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

<i>In millions of tenge</i>	2020				2019			
	Short-term loans	Long-term loans	Bonds	Total	Short-term loans	Long-term loans	Bonds	Total
On January 1 (audited)	70,843	974,937	2,791,724	3,837,504	81,813	1,258,009	2,813,416	4,153,238
Received in cash	72,749	52,101	-	124,850	210,937	66,510	56,223	333,670
Interest paid	(3,149)	(34,351)	(82,447)	(119,947)	(2,520)	(38,127)	(85,371)	(126,018)
Repayment of principal in cash	(28,914)	(128,796)	(23,488)	(181,198)	(215,034)	(198,423)	(31,631)	(445,088)
Interest expense (Note 12)	3,089	30,678	79,496	113,263	2,335	34,884	75,864	113,083
Interest capitalized (Note 14)	-	1,941	-	1,941	-	2,014	-	2,014
Discount (Note 12)	-	(11,002)	-	(11,002)	-	-	-	-
Derecognition of liabilities (Note 12)	-	-	-	-	-	(546)	-	(546)
Bond redemption gain (Note 12)	-	-	(927)	(927)	-	-	-	-
Foreign currency translation	1,495	5,112	138,183	144,790	(416)	(1,024)	(24,092)	(25,532)
Foreign exchange loss/(gain)	2,291	29,464	21,898	53,653	(1,561)	(10,433)	(2,308)	(14,302)
Other	-	4,227	139	4,366	109	4,417	271	4,797
On June 30 (unaudited)	118,404	924,311	2,924,578	3,967,293	75,663	1,117,281	2,802,372	3,995,316
Current portion	118,404	219,257	43,010	380,671	75,663	147,897	62,285	285,845
Non-current portion	-	705,054	2,881,568	3,586,622	-	969,384	2,740,087	3,709,471

Covenants

The Group is required to ensure execution of the financial and non-financial covenants under the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As of June 30, 2020 and December 31, 2019 the Group complied with all financial and non-financial covenants.

Hedge of net investment in the foreign operations

As at June 30, 2020, certain borrowings denominated in US dollar were designated a hedge instrument for the net investment in the foreign operations. These borrowings are used to hedge the Group's exposure to the US dollar foreign exchange risk. For the six months ended, June 30, 2020 loss of 138,183 million tenge (for the six months ended, June 30, 2019: gain of 24,092 million tenge) on the translation of these borrowings were transferred to other comprehensive income and offset translation gains or losses of the net investments in foreign operations. As of December 31, 2019 and June 30, 2020 there was no ineffective portion of the hedge.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)**
19. OTHER CURRENT FINANCIAL AND NON-FINANCIAL LIABILITIES

<i>In millions of tenge</i>	June, 30 2020 (unaudited)	December, 31 2019 (audited)
Other current financial liabilities		
Due to employees	47,977	51,613
Financial guarantees	5,602	5,866
Dividends payable	8,524	354
Other	26,914	35,306
	89,017	93,139
Other current non-financial liabilities		
Contract liabilities	119,318	184,362
Short-term lease prepayments	432	4,399
Other	11,955	21,116
	131,705	209,877
Total other financial and non-financial current liabilities	220,722	303,016
Trade accounts payable	497,787	667,861

Trade accounts payable is denominated in the following currencies as of June 30, 2020 and December 31, 2019:

<i>In millions of tenge</i>	June, 30 2020 (unaudited)	December, 31 2019 (audited)
Tenge	277,126	328,538
US dollars	160,264	280,742
Romanian Leu	51,249	42,740
Euro	5,321	3,196
Other currency	3,827	12,645
	497,787	667,861

20. RELATED PARTY DISCLOSURES
Terms and conditions of transactions with related parties

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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20. RELATED PARTY DISCLOSURES (continued)
Transactions balances

The following table provides the balances of transactions with related parties as at June 30, 2020 and December 31, 2019:

<i>In millions of tenge</i>	As at	Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	June 30, 2020 (unaudited)	361,022	1,786	-	49,518
	December 31, 2019 (audited)	327,597	6,168	-	52,843
Associates	June 30, 2020 (unaudited)	28,558	3,360	-	-
	December 31, 2019 (audited)	56,331	3,814	-	-
Other state-controlled parties	June 30, 2020 (unaudited)	4,279	8,148	163,705	290,235
	December 31, 2019 (audited)	6,381	712	192,548	269,335
Joint ventures	June 30, 2020 (unaudited)	436,243	289,567	-	-
	December 31, 2019 (audited)	519,351	217,027	-	-

Due from/to related parties
Samruk-Kazyna entities

As at June 30, 2020, the increase in due from Samruk-Kazyna entities is mainly due to additional tranches of financial aid of 26,141 million tenge provided to Samruk-Kazyna.

Associates

As at June 30, 2020, the decrease in due from associates was mainly attributable to the interest repayment on the “Kazakhstan Note” of 24,363 million tenge.

Joint ventures

As at June 30, 2020, the decrease in due from joint ventures is mainly due to settlement of advances paid to TCO for crude oil delivery. The increase in due to joint ventures is primarily attributable to the increase in accounts payable to TCO for crude oil by 49,565 million tenge and due to BeineuShymkent Pipelines for gas transportation by 17,721 million tenge.

Cash and deposits placed with related parties
Other state-controlled parties

As at June 30, 2020, the decrease in cash and deposits is due to withdrawal of deposits placed with the related party of 200 million US dollars (equivalent to 75,174 million tenge as of the withdrawal date) and additional placement of 100 million US dollars (equivalent to 42,541 million tenge as of placement date, May 5, 2020).

Borrowings payable to related parties
Other state-controlled parties

The increase in the borrowings from related parties is mainly due to that the Group received additional loan from DBK for 46,062 million tenge, which was partially offset by the effect of the repayment of the loan to DBK for total amount of 30,823 million tenge, including interest.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. RELATED PARTY DISCLOSURES (continued)

Proceeds from loans given to related parties

During the six months ended June 30, 2020, the Group received proceeds from principal and interest redemption of the loan issued to PetroKazakhstan Oil Products LLP (“PKOP”), JV, for 15,487 million tenge (during the six months ended June 30, 2019: 15,181 million tenge), and proceeds from interest redemption of the loan issued to CPC for 6,180 million tenge (during the six months ended June 30, 2019: 5,518 million tenge), BeineuShymkent Pipelines for 4,564 million tenge (during the six months ended June 30, 2019: 2,116 million tenge), and the “Kazakhstan Note” for 24,363 million tenge (during the six months ended June 30, 2019: 20,889 million tenge).

Transactions turnover

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

<i>In millions of tenge</i>	As at June 30,	Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	2020 (unaudited)	6,631	12,330	14,165	1,174
	2019 (unaudited)	22,441	9,932	11,242	1,357
Associates	2020 (unaudited)	12,045	14,329	2,205	-
	2019 (unaudited)	3,554	14,427	5,054	-
Other state-controlled parties	2020 (unaudited)	20,318	10,046	11,791	13,458
	2019 (unaudited)	5,313	1,238	-	12,838
Joint ventures	2020 (unaudited)	146,499	548,577	15,863	230
	2019 (unaudited)	152,759	778,917	15,187	464

Purchases from related parties

Joint ventures

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

Key management employee compensation

Total compensation to key management personnel (members of the Boards of directors and Management boards of the Group) included in general and administrative expenses in the accompanying interim condensed consolidated statement of the comprehensive income was equal to 3,551 million tenge and 4,029 million tenge, respectively, for the six months ended June 30, 2020 and 2019. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

Fair values of financial instruments

The carrying amount of the Group financial instruments as at June 30, 2020 and December 31, 2019 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

<i>In millions of tenge</i>	June 30, 2020 (unaudited)					December 31, 2019 (audited)				
	Carrying amount	Fair value	Fair value by level of assessment			Carrying amount	Fair value	Fair value by level of assessment		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Bonds receivable from Samruk-Kazyna	16,452	14,408	-	14,408	-	16,241	18,835	-	18,835	-
Debts issued to related parties at amortised cost and lease receivable from a joint venture	524,684	510,399	-	326,886	183,513	510,002	506,868	-	304,422	202,446
Fixed interest rate borrowings	3,338,816	3,717,195	3,269,302	447,893	-	3,146,477	3,576,082	3,172,400	403,682	-
Floating interest rate borrowings	628,477	645,627	-	645,627	-	691,027	714,271	-	714,271	-
Financial guarantee issued	17,686	25,911	-	-	25,911	20,189	20,189	-	-	20,189

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

There were no changes in the Group’s valuation processes, techniques, and types of inputs used in the fair value measurements during the six months ended June 30, 2020.

Fair values of financial instruments

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

	Valuation technique	Significant unobservable inputs	Range
Debts issued to related parties at amortised cost and lease receivable from a joint venture	DCF method	Discount rate	June 30, 2020: 4.2%-7.83% December 31, 2019: 4.5%-9.1%
Financial guarantee issued	DCF method	Discount rate	June 30, 2020: 4.1% December 31, 2019: 4.1%

22. CONTINGENT LIABILITIES AND COMMITMENTS

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

Cost recovery audits

As of June 30, 2020 Group’s share in the total disputed amounts of costs is 428,672 million tenge (as of December 31, 2019: 402,474 million tenge). The disputed amounts are denominated in US dollars and the change in the amount is due to the increase of exchange rate of tenge against US dollar.

Kazakhstan local market obligation

During the six months ended June 30, 2020 in accordance with its obligations, the Group delivered 3,048,295 tons of crude oil (for the six months ended June 30, 2019: 3,052,248 tons), including the joint ventures, to local market.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Commitments under subsoil use contracts

As at June 30, 2020, the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government:

In millions of tenge	Capital expenditures	Operational expenditures
Year		
2020	94,555	11,787
2021	89,561	5,161
2022	93,089	4,878
2023	1,879	4,586
2024-2048	6,146	36,406
Total	285,230	62,818

Oil supply commitments

As of June 30, 2020 the Group had commitments under the oil supply agreements in the total amount of 12.45 million ton (as of December 31, 2019: 12.8 million ton), including commitments of the joint venture.

Other contractual commitments

As of June 30, 2020, the Group, including the joint ventures, had other capital commitments of approximately 314,030 million tenge (as of December 31, 2019: 335,609 million tenge), related to acquisition and construction of long-lived assets.

As of June 30, 2020, the Group had commitments of 74,067 million tenge (as of December 31, 2019: 78,677 million tenge) under the investment programs approved by the joint order of the Ministry of Energy of the RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the RK to facilitate production units.

Legal claims contingencies

Potential breach of anti-monopoly regulations at Atyrau refinery

During six months ended June 30, 2020 the antimonopoly commission of the RK conducted an investigation on potential breach of anti-monopoly provisions at Atyrau Refinery. Based on the results of the investigation, the anti-monopoly commission initiated an administrative case with a claim that third-party services were added to contracts with Atyrau refinery. The case resolution will be made based on court proceedings.

As at June 30, 2020 the Group did not recognize any provision for the given matter as the Group believes it will be successful in defending its position on this matter.

Resolution of civil litigation at KMGI

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 KMGI 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 of the post-privatization requirements for the 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 KMGI subsidiaries, who challenged decisions of KMGI as a shareholder of Rompetrol Rafinare S.A. for 55 million US dollars;
- 3) Mr. Stephenson George Philip, the former director of KMGI, in criminal and civil cases.

On December 27, 2019 KMGI appealed against the ordinance and required the case to be dismissed on merits, not expiration of statute of limitations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**Legal claims contingencies (continued)***Resolution of civil litigation at KMG I (continued)*

On July 10, 2020, the Supreme Court issued a final decision according to which all the complaints against the POR's decision was rejected as inadmissible.

However, Faber has resumed one of the previous filings in accordance with which the increase in the Rompetrol Rafinare Constanta, the KMG I subsidiary, share capital in 2003-2005 is challenged. The next hearing is scheduled to September 15, 2020.

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 at June 30, 2020.

Sign-off of settlement agreement between KMG Drilling and Services LLP (KMG DS) and Consortium

As of December 31, 2019 in accordance with the legal advice and existing international practices, KMG DS, the subsidiary of the Group, accrued a provision of 90 million US dollars (equivalent to 34,132 million tenge at the exchange rate for December 31, 2019) in relation to the dispute with the Consortium of companies (Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP), which is discussed in detail in the annual consolidated financial statements of the Group for the year ended December 31, 2019

On July 15, 2020, KMG DS signed-off a settlement agreement on the dispute with the Consortium. The amount of exposure has not changed significantly and amounted to 90.4 million US dollars (equivalent to 36,515 million tenge at the exchange rate as of June 30, 2020).

23. SEGMENT REPORTING

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

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

For the six months ended June 30, 2020 disaggregated revenue type *Sales of crude oil and gas* mainly represents sales made by the following operating segments: *Gas trading and transportation* of 432,973 million tenge (for the six months ended June 30, 2019: 445,399 million tenge) and *Refining and trading of crude oil and refined products of* 840,577 million tenge (for the six months ended June 30, 2019: 1,551,658 million tenge).

For the six months ended June 30, 2020 disaggregated revenue type *Sales of refined products* mainly includes revenue of operating segments such as *Refining and trading of crude oil and refined products* of 442,576 million tenge (for the six months ended June 30, 2019: 866,656 million tenge), *Sales of crude oil and gas* of 2,190 million tenge (for the six months ended June 30, 2019: 2,011 million tenge) and *Corporate* of 165,462 million tenge (for the six months ended June 30, 2019: 150,338 million tenge).

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

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

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

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

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

23. SEGMENT REPORTING (continued)**Geographic information**

The Group's property, plant and equipment (*Note 14*) are located in the following countries:

<i>In millions of tenge</i>	June, 30 2020 (unaudited)	December, 31 2019 (audited)
Kazakhstan	3,753,535	3,751,128
Other countries	631,617	733,143
	4,385,152	4,484,271

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. SEGMENT REPORTING (continued)

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

<i>In millions of tenge</i>	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	3,946	114,456	504,439	1,412,125	165,462	53,667	-	2,254,095
Revenues from sales to other segments	413,198	57,514	566	166,851	25,353	37,236	(700,718)	-
Total revenue	417,144	171,970	505,005	1,578,976	190,815	90,903	(700,718)	2,254,095
Cost of purchased oil, gas, petroleum products and other materials	(14,417)	(6,057)	(203,893)	(1,321,346)	(99,125)	(12,872)	531,820	(1,125,890)
Production expenses	(150,271)	(61,956)	(36,380)	(112,437)	(67,324)	(66,830)	131,666	(363,532)
Taxes other than income tax	(102,505)	(6,498)	(7,804)	(6,893)	(12,342)	(3,524)	86	(139,480)
Transportation and selling expenses	(62,579)	(7,013)	(154,344)	(27,701)	(4,021)	(11)	33,184	(222,485)
General and administrative expenses	(15,073)	(5,475)	(11,414)	(19,011)	(13,609)	(12,809)	2,573	(74,818)
Share in profit of joint ventures and associates, net	76,297	45,409	102,234	(1,887)	-	2,227	-	224,280
EBITDA	148,596	130,380	193,404	89,701	(5,606)	(2,916)	(1,389)	552,170
EBITDA, %	27%	24%	35%	16%	(1%)	(1%)	0%	
Depreciation, depletion and amortization	(62,451)	(19,580)	(21,927)	(70,262)	(1,516)	(4,483)	-	(180,219)
Finance income	57,301	2,170	10,625	15,301	48,321	6,030	(76,217)	63,531
Finance costs	(8,717)	(3,126)	(16,121)	(45,948)	(126,117)	(5,120)	69,955	(135,194)
Impairment of property, plant and equipment, exploration and evaluation assets	(61,067)	(4,986)	-	(159,008)	(46)	(295)	-	(225,402)
Impairment of investments in joint venture and associate	(38,000)	-	-	-	-	-	-	(38,000)
Income tax expenses	(19,581)	(12,764)	(13,728)	21,647	(5,612)	(1,292)	-	(31,330)
Net profit for the period	28,180	95,333	150,374	(189,632)	(41,708)	(15,285)	(6,558)	20,704
Other segment information								
Investments in joint ventures and associates	5,073,061	449,474	457,555	36,600	-	22,951	-	6,039,641
Capital expenditures	79,747	12,218	86,982	50,965	5,069	8,461	-	243,442
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(3,956)	(5,401)	(9,374)	(44,789)	(23,052)	(9,675)	-	(96,249)
Assets of the segment	7,929,563	1,092,842	2,324,808	2,486,166	1,398,157	287,139	(1,450,129)	14,068,546
Liabilities of the segment	712,849	175,279	935,155	1,549,471	3,682,118	143,061	(1,447,073)	5,750,860

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. SEGMENT REPORTING (continued)

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

<i>In millions of tenge</i>	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	50,709	116,714	523,129	2,552,474	150,338	9,216	-	3,402,580
Revenues from sales to other segments	695,450	53,556	590	286,669	64,837	7,438	(1,108,540)	-
Total revenue	746,159	170,270	523,719	2,839,143	215,175	16,654	(1,108,540)	3,402,580
Cost of purchased oil, gas, petroleum products and other materials	(27,922)	(5,378)	(199,268)	(2,556,059)	(100,989)	(530)	948,070	(1,942,076)
Production expenses	(198,766)	(68,328)	(31,863)	(91,088)	(67,826)	1,952	119,203	(336,716)
Taxes other than income tax	(195,005)	(6,052)	(7,444)	(5,835)	(10,725)	(829)	-	(225,890)
Transportation and selling expenses	(61,829)	(680)	(141,008)	(36,260)	(3,732)	(9,659)	37,656	(215,512)
General and administrative expenses	(20,992)	(6,248)	(19,116)	(21,585)	(16,963)	(12,065)	2,790	(94,179)
Share in profit of joint ventures and associates, net	296,806	34,353	112,592	(2,250)	-	3,749	-	445,250
EBITDA	538,451	117,937	237,612	126,066	14,940	(728)	(821)	1,033,457
EBITDA, %	52%	12%	23%	12%	1%	0%	0%	
Depreciation, depletion and amortization	(50,296)	(20,438)	(20,612)	(70,952)	(1,115)	(3,803)	-	(167,216)
Finance income	47,405	3,608	10,103	24,432	153,364	191	(177,307)	61,796
Finance costs	(11,375)	(3,595)	(20,630)	(69,866)	(129,644)	(4,106)	78,369	(160,847)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(19,310)	(5,509)	(110)	35	(343)	(3)	-	(25,240)
Impairment of investments in joint venture and associate	-	-	-	-	-	-	-	-
Income tax expenses	(89,590)	(13,617)	(22,098)	(11,735)	(4,822)	(243)	(629)	(142,734)
Net profit for the period	474,324	79,050	181,976	29,694	(42,822)	(6,929)	(92,895)	622,398
Other segment information								
Investments in joint ventures and associates	4,788,314	384,173	350,732	40,304	-	26,861	-	5,590,384
Capital expenditures	87,104	14,348	40,306	20,325	4,161	492	-	166,736
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(3,146)	(5,173)	(9,991)	(46,020)	(22,297)	(9,903)	-	(96,530)
Assets of the segment	7,504,518	1,080,046	2,195,386	2,854,018	1,480,009	454,084	(1,486,146)	14,081,915
Liabilities of the segment	748,226	204,540	956,917	1,771,290	3,453,634	117,899	(1,367,247)	5,885,259

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

24. SUBSEQUENT EVENTS*Proceeds from new loans and scheduled settlement of borrowings:*

On July 27, 2020, KMGI concluded a new credit agreement with Transilvania Bank for 9 million EUR with maturity of April 26, 2021. Additionally, on July 27, 2020, KMGI prolonged its existing agreements with Transilvania Bank for 58 million US dollars for an additional year with maturity of July 30, 2021.

On July 13, 2020, ANPZ, the Group subsidiary, received a loan from Halyk bank of 21,040 million tenge (equivalent to 51 million US dollars) with interest rate of 5% to refinance its current borrowings from Eximbank and DBK, and made a partial repayment of the loan from Halyk bank for 7,017 million tenge, including interest accrued.

On July 16, 2020, ANPZ redeemed the loan from Eximbank for 35,418 million tenge, including interest accrued.

On July 21, 2020, ANPZ redeemed the loan obtained from DBK for 18,096 million tenge, including interest accrued.

On August 7, KMGI concluded a new trade finance loan with Banque de Commerce et de Placements SA for 100 million US dollars. During August 7-16, 2020, KMGI received 26 million US dollars from the credit facility.

Withdrawal/placement of deposits with National Bank of RK

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

Dividends paid to National Bank of RK

On August 20, 2020 the Company paid dividends to National Bank of RK of 7,827 million tenge.

Dividends received from joint ventures

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