ANNUAL REPORT
2019

QazMunaiGaz
AMOZ
ATYRAY MUNAI ÖNDEY ZAYYTY

CONTENT

QazMunaiGaz

AMOZ

ATYRAÝ MUNAI ÓNDEÝ ZAÝYTY

SAFETY

QUALITY

STABILITY

ABOUT THE REFINERY

"Atyrau Refinery" LLP is the oldest specialized enterprise in Kazakhstan.

The decision about building the oil refinery in the city of Guryev, as Atyrau was then called, was made by authorities of the former Soviet Union during the difficult times of the Great Patriotic War and was considered exceptional strategic nature. Two years after the first peg had been plugged up, on September 8, 1945, the first workshops of the enterprise were put into operation, whose initial refinery capacity was 800 thousand tons of oil per year.

Already at the very beginning of its existence, the plant acquired great importance for the country's economy. Later, in the 60s years of the last century, a course was set for a further increase in the volume of oil refining through the construction of new installations.

For a long time, the "Atyrau Refinery" LLP remained the only enterprise in Kazakhstan for the production of transport fuel. But even with the opening of two more refineries, in Shymkent and Pavlodar, the refinery located in the oil-rich Western region of the country, has not lost its strategic importance.

After Kazakhstan gained independence, the "Atyrau Refinery" LLP made a significant contribution to the formation of a young state. Like the country as a whole, it went through its difficult path of development, transition to the rails of a market economy, increasing profitability, exploration of world trends in oil refining.

Today the "Atyrau Refinery" LLP is a acknowledged leader in its industry in Kazakhstan. In 2019, the actual capacity of the enterprise had reached record levels, approachedclosely to the design capacity for processing crude oil.

The production volumes achieved in 2019 are the result of not only astute management, but also technological modernization, which made it possible to bring the plant to a new stage of development, making it one of the most modern and technically advanced enterprises in Kazakhstan

Over the past several years, within the framework of the state industrialization program at the "Atyrau Refinery" LLP, an extensive work has been done to modernize existing technological installations, build modern oil refining complexes, and form a petrochemical cluster. Billions of dollars have been invested for these purposes from various non-governmental sources.

Reconstruction and modernization allowed the "Atyrau Refinery" LLP to increase the release of socially significant petroleum products: high-octane gasoline, environmentally compatible diesel fuel, aviation fuel by obtaining additional volumes of mixed kerosene-type jet fuel. At the same time, the quality of produced gasoline at the plant was brought to Euro 4, 5 standards with a benzol content of less than 1%.

With the purpose of further development of the petrochemical processing at the refinery, a key task was solved: the first production of benzol and paraxylol in Kazakhstan had been created.

The final stage of the reconstruction – construction of an advanced oil refining complex – was carried out by the efforts of an international consortium, which included "Sinopec Engineering (Group), Co. Ltd"(China), Marubeni Corporation" (Japan) and JSC "Oil and gas construction company "KazStroyService (Kazakhstan)". 104 domestic companies participated in the construction, which was deployed at 55 sites. Totally, 12 technological units and more than 40 off-plot facilities were built under the project.

The extensive renovation helped to keep the "Atyrau refinery" LLP competitive in the modern fuel market and to minimize the plant's harmful impact on the environment. The strategic goal of the reconstruction – the organization of a modern technical base at the operating enterprise – had been achieved. This allows the plant's products to steadily conquer world markets, as evidence to which readers shall see from the pages of this Annual Report.

The foundation of all the company's achievements is the ultimate attention to the quality of the products. From the first days of its existence, the central plant laboratory has been functioning at the "Atyrau Refinery" LLP, at its disposal today there are more than 680 measuring instruments and over a hundred units of test equipment, which makes it possible to conduct about 300 thousand tests for certification of products every day.

A quality management system has been introduced in the research center of the Central Laboratory of the Eenterprise, which is provided by highly professional personnel who have passed through the training at enterprises of the countries of near and far abroad. In addition, the staff of the plant includes 7 expert auditors for certification of petroleum products and internal auditors for an integrated management system.

In general, the personnel is the main resource and the main value of "Atyrau Refinery" LLP. Dedicated to their profession, committed to continuous development, self-sacrificing and deeply involved in the business of the plant, employees are the key to success in all initiatives and projects.

And today the staff of the enterprise is not slowing down, demonstrating full readiness to follow the latest trends in the down-stream segment.

MESSAGE

from the General Director

Dear colleagues and partners!

The annual report on the activities of our company is published for the first time based on the results of 2019. This report presents the scope of work carried out at the plant and shows our commitment to the best corporate governance practices of the group of companies of JSC NC KazMunayGas.

"Atyrau Refinery" LLP is a refinery with the highest Nelson complexity index in Kazakhstan – **13.6**, reflecting the technological armament of the enterprise.

"Atyrau Refinery" LLP is the only paraxylol producer in the republic territory. This oil product is a feedstock for petrochemical products and has an export-oriented direction, which increases the level of economic diversification

One of our main achievements is the release of high quality products. Oil products of "Atyrau Refinery" LLP meet the high requirements of EURO-5 and K5. Achieving these specifications allows us to export our products to the countries of the European Union.

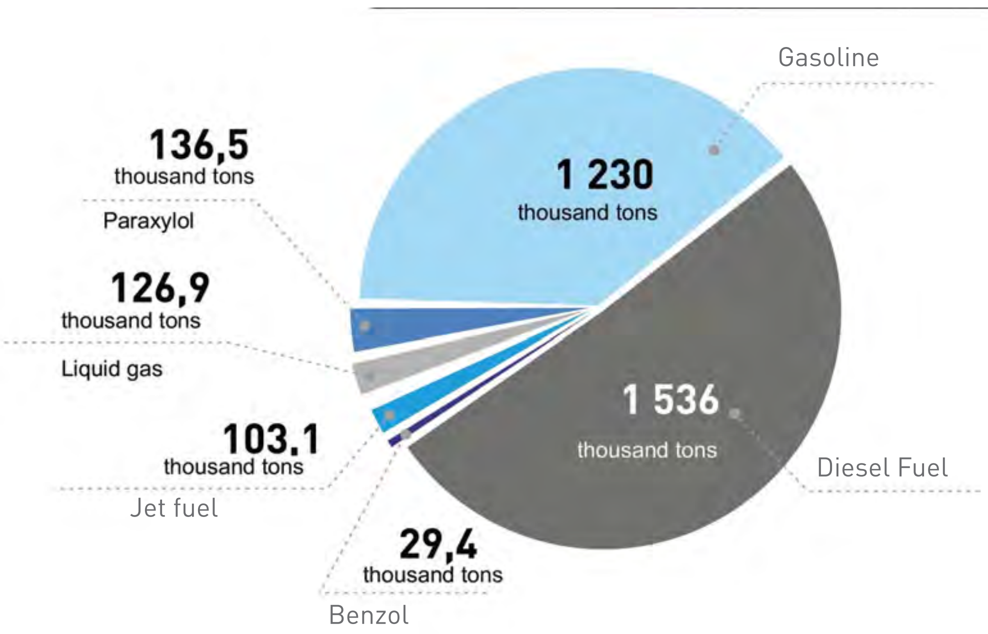
The achieved indicators are the result of a full sized modernization of capacities, which took place **in three main stages**:

Following the results of **the 1st stage** of modernization, the refinery began production of environmentally friendly winter diesel fuel and high-octane auto-petrol. For the implementation of the project, the international technologies of the leading American company in the oil industry – UOP were involved.

At **the 2nd stage** of modernization, the petrochemical direction was implemented, which consisted in the construction of a petrochemical complex producing paraxylol and benzol, which have no analogues in the republic. "Atyrau Refinery" LLP is the only producer of paraxylol, a feedstock for petrochemical products, in Kazakhstan.

The 3rd stage of modernization is the most extensive in terms of the attracted investments and involved resources volume. As a result, the number of technological installations doubled and amounted to 23 units. The heart of the advanced oil refining complex built at the Atyrau Refinery become the catalytic fluid cracking unit installation with a capacity of 2.4 million tons per year. Thanks to it, the depth of oil refining and the volume of production of valuable oil products with high added value cost improved.

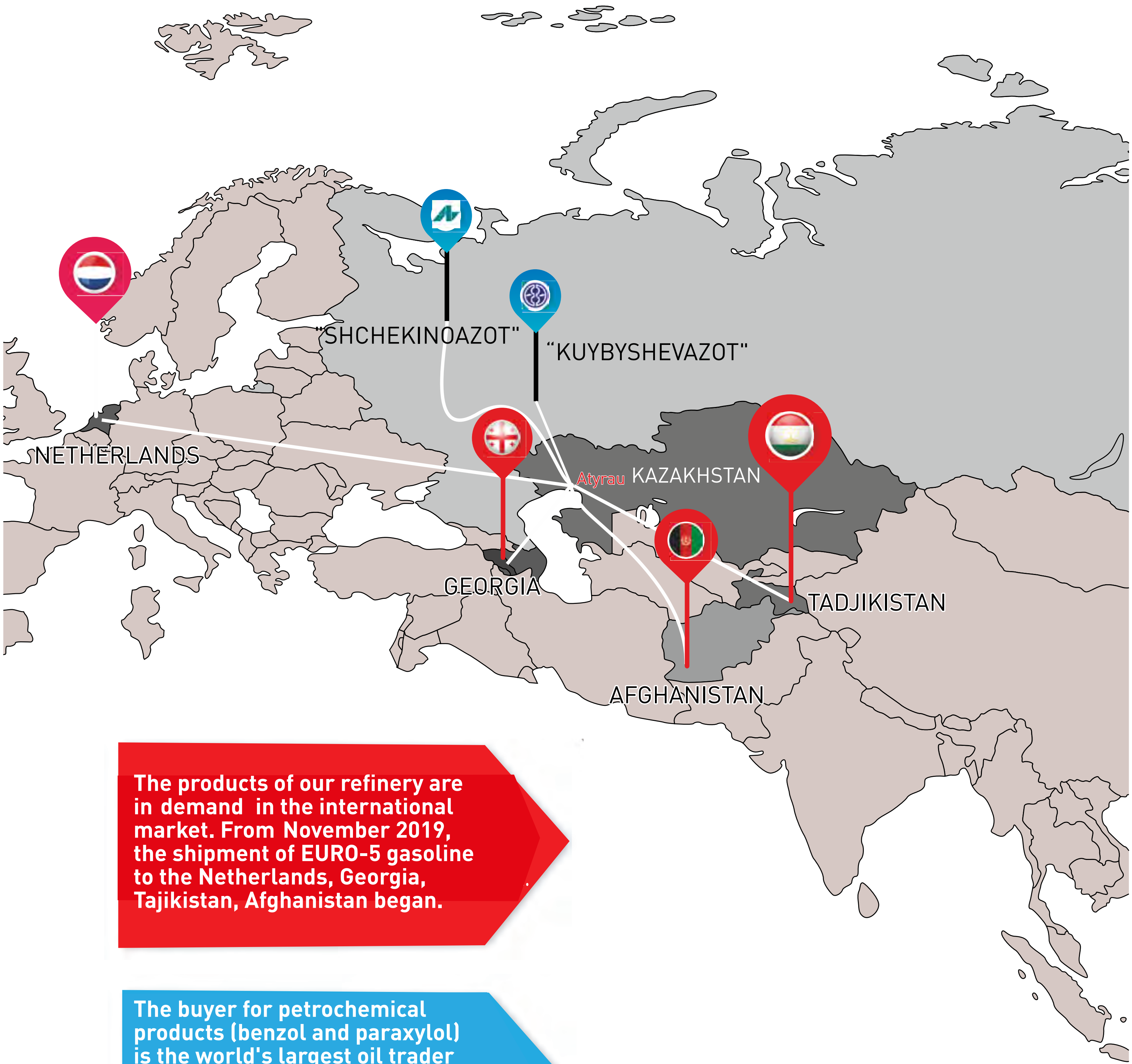
Manufactured products



2019 year turned out to be the milestone year for "Atyrau Refinery" LLP. Thanks to the joint coordinated efforts of the entire team, the contribution of each of our employees, **5.388 million tons** of oil were processed for the first time in the history of the enterprise. At the same time, the share of light-oil products was 58.1%, the refinery yield was 75%.

We have provided uninterrupted supply of the country domestic market with products corresponding to ecological classes K4 and K5 (analogs of Euro-4 and Euro-5) and contributed greatly to overcoming Kazakhstan's fuel dependence on imports.

The products of our refinery are in demand in the international market. Since November 2019, the shipment of EURO-5 gasoline to the Netherlands, Georgia, Tajikistan, Afghanistan has begun. The world's largest oil trader Vitol S.A is the buyer for petrochemical products such as benzol and paraxylol, also there are already regular consumers for benzol in the Russian Federation: the plants of JSC "KuibyshevAzot" and "ShchekinoAzot".



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The buyer for petrochemical products (benzol and paraxylol) is the world's largest oil trader Vitol S.A., as well as for benzol there are regular consumers in the Russian Federation: the plants of OJSC "KuibyshevAzo" and "ShchekinoAzot"

Last year, we began to develop a new product that had not been produced in Kazakhstan before - Khazar-38 diesel fuel, which has the highest low-temperature indicators and corresponds to the Arctic diesel fuel quality. The first shipment of Khazar-38 was shipped to the TengizChevroil enterprise. In addition, 2019 year can by no doubt to be called a new page in the history of the refinery - thanks to perfect technical progress, we have increased the "muscles" of the refinery and now we are pumping its "brain".

The "brain" is the consciousness modernization of the plant personnel, the development of the each employee competitiveness, pragmatism in the use of production and personal resources, progress in the field of culture and education, the cult of knowledge and other values, thanks to which all processes at the plant will be successfully evolved.

At the same time, project management had been implemented at "Atyrau Refinery" LLP.

Since 2019 year, 7 projects have been implementing, 3 of which have been completed

JAN'A-JOL – reconstruction of in-plant automobile roads. The total area of the new bituminous concrete pavement, including decorative borders, was 57 thousand square meters. 16 bus stops and 180 road signs have been installed. Markings for pedestrians and bicyclists were made. 200 new bicycles for the mobile movement of the factory employees had been purchased.

JETI QAZYNA – creation of an overalls center and a centralized archive. All stages of the clothes and shoes receipt at the central warehouse, its issuance to employees, washing, dry cleaning, fitting and disposal are digitalized. Thus, employees are promptly provided with the necessary PPE to organize safe working conditions in the workplace.

5S – Workplaces standardization. This is a workspace (office) organization system developed in Japan that creates optimal conditions for performing operations, maintaining order, cleanliness, tidiness, saving time and energy. 5S is a lean manufacturing tool that is successfully implemented at "Atyrau Refinery" LLP.

BAILANYS – modernization of telecommunication networks. The main work was completed in December 2019, the speed of the data transmission network was increased. Managed switches and new access points (Wi-Fi) were installed. A backup core operation of automatic telephone exchange was created, new IP- telephones and video conferencing were implemented. A new digital Private Automatic Branch Exchange was installed to support II - telephony.

ARMAN – improvement of social and living conditions for plant employees, creation of the most comfortable business environment. In 2019 year, the reconstruction of 4 buildings was completed. The main tasks of the project: formation of a space of effective communications, activation of the creative activity of employees, motivation of people to achieve improvements and full disclosure of their potential, increase employee loyalty to the enterprise, increase labor productivity, attract and retain valuable employees, develop and implement a single corporate standard. A modern engineering center has been created at the administrative complex of the Advanced Oil Refining Complex.

TAZALYQ – the project provides for the modernization of the wastewater treatment plant, the introduction of modern technological processes and control systems for the consumption of harmful substances. Thanks to the "Tazalyq" project, 70% of the treated wastewater can be reused at the plant. The project, which started in 2019 year, shall last until 2026 year. Main works: construction of a precipitator block with gratings and detritus chambers, construction of an equalizing block, construction of a flotation unit block, construction of a slime treatment block, reconstruction of aerator tanks, construction of a membrane bioreactor block.

BILIM – selection, training, preparation and development of personnel. This project includes 13 individual programs: electronic recruiting, an employee development program in the first year of his work, industrial technical training, staff level of professional knowledge control, a computer training class, the "General MBA" program, the "Lean 6 program Sigma" program, English club," Zhas Maman "program, dual training, employee pool, development of the" Chemical technology of organic substances "sub-faculty. Online courses for plant employees have been implemented.

At the same time, for the sustainable development of the "Atyrau Refinery" LLP and the creation of dignified conditions for the employees of the enterprise in 2019, all personnel were provided with hot meals and two sets of new overalls - winter and summer.

The future of the refinery is in the new generation hands of oil refiners. The construction of a 100-apartment building for promising production workers was started in 2019 year in order to support young specialists, as well as to strengthen social stability. We concluded a memorandum of mutual cooperation with the Atyrau University of Oil and Gas named after S. Utebayeva in order to train young personnel for work at the refinery, within which LLP "Atyrau Refinery" shall carry out repairs in the laboratory of the "Chemical technology of organic substances" sub - faculty and shall upgrade it with modern equipment.

"Atyrau Refinery" LLP finished 2019 year in the status of the largest taxpayer and system- forming enterprise in the Western region of Kazakhstan, which fulfilled all its obligations to employees as per with the new three-year collective agreement.

"Atyrau Refinery" LLP continues its successful activities for the benefit of independent Kazakhstan according to our main priorities: **safety, quality and stability.**

KEY EVENTS

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ACHIEVMENTS

PRODUCTION

- The export of **K5 class gasoline** began for the first time
- Production and shipment of **Khazar** freeze - resistant diesel fuel with a cold filter plugging point of minus 38° C was launched
- The most large-scale maintenance repair in recent years have been carried out, covering the five largest units of the refinery built before modernization. **140 tons** of pipelines had been replaced.
- Project of the A. Sarsenbayev engineer of the Department of Ensuring the Mechanical Integrity of Equipment won in the nomination **"Best Lean 6 Sigma Project at Refinery-2019"**

COMMUNICATIONS

- The special **telegram -channel AMOZ ALEMI** had been created.
- **The model of corporate behavior** in "Atyrau Refinery" LLP had been developed

FINANCE

- **In January 2019 year, bonds in the amount of 56 billion tenge** were issued and placed on the AIFC International Exchange. The investor was JSC "Samruk-Kazyna". The funds were fully directed for partial call of foreign currency loans to JSC "Development Bank of Kazakhstan"
- In January 2019, on preferential terms, **a loan on USD 150 million was attracted from JSC "Halyk Bank of Kazakhstan".** The funds were fully directed for partial early repayment of foreign currency loans in JSC "Development Bank of Kazakhstan"
- In July 2019, **the balance of USD 152 million was converted into tenge** on a foreign currency loan to JSC "Development Bank of Kazakhstan" with a change in the interest rate from floating to fixed
- In December 2019, "Atyrau Refinery" LLP attracted a concessionary loan in tenge from **JSC "Development Bank of Kazakhstan"** to complete financing of the modernization project of the Advanced Oil Refining Complex

INFRASTRUCTURE

Realized Projects:

- **Jańa Jol** – In-plant roads had been reconstructed, 16 bus stops and 180 road signs had been installed, 200 bicycles had been purchased.
- **5S** – workplaces standardization
- **Jeti Qazyna** – creation of a overalls provision center for the PPE, creation of a centralized archive
- **Arman** – repair of administration and amenity rooms
- **Bailanys** – telecommunication network modernization
- **Tazalyq** – modernization of refinery disposal facility and evaporation ponds
- **Transportation department of the refinery** had replenished by 11 Toyota Hilux pickups and 5 ISUZU buses

MOTIVATION

- **1008** Atyrau refiners were awarded in honor of the 120th anniversary of Kazakhstan oil

SOCIAL SPHERE

- Implementation of the **Bilim project started**
- **100-apartment residential house** for factory workers is under construction
- **English language club had established**
- In view of training specialists in the dual training system, for the first time at the Atyrau Refinery, **40 students** of the Atyrau University of Oil and Gas named after I. S. Utebayev, APEC Petrotechnic Higher College and S. Mukashev Atyrau Polytechnic College passed occupational training
- **4 canteens** are functioning

SPORTS

- The "Atyrau Refinery" LLP team took **1st place** at the qualifying stage of the Spartakiad of the "Refining and Marketing" Division of JSC NC "KazMunayGas"

MAIN PRODUCTION
AND FINANCIAL INDICATORS

TECHNOLOGICAL ACHIEVEMENTS

In 2019, at the technological units of the "Atyrau Refinery" LLP, measures were taken to achieve higher economic performance of the units, improve the quality characteristics of the components produced and increase the volume of target products to ensure the production of high- quality fuel that meets the K4 and K5 standards.

Achieved production of 100% environmentally compatible diesel fuel corresponding to ecological classes K5 (EURO-5) (sulfur content no more than 10 ppm).

The technology for the production of jet fuel Brand Jet A-1 for turbojet engines was approved according to ASTM D 1655 B standard.

At year-end of 2019 year, the following was achieved:

THE HIGHEST EFFICIENCY RATE:

processing depth **75,0**%

light oil products yield **58,1**%

THE BEST PRODUCT INDICATORS FOR THE REFINERY HISTORY:

gasoline **1 230** thousand tons

diesel fuel **1 536** thousand tons

jet fuel **103,1** thousand tons

PRODUCED PETROCHEMICAL PRODUCTS

in the volume **165,9** thousand tons
including:

benzol **29,4** thousand tons

paraxylol **136,5** thousand tons

PRODUCTION OF A NEW BRAND DIESEL FUEL KHAZAR-38:

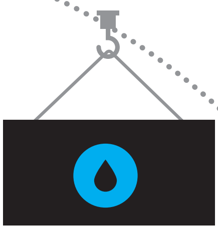
Khazar-38

for November-December

shipped **19,8** thousand tons


MSA AUER
AMOZ

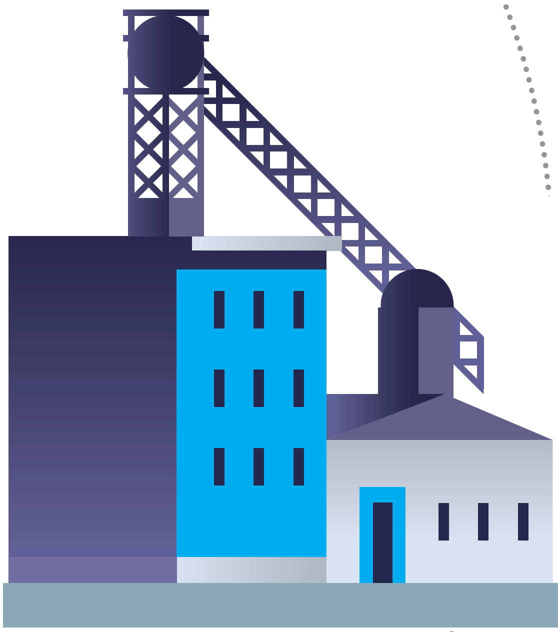
OPERATIONAL DATA



In November 2019 year, after a long sustained interruption, "Atyrau Refinery" LLP started to export finished motor gasoline of AI-92 brand of ecological class K4 and K5.

Totally for 2 months, including December, K4 and K5 finished motor gasoline was shipped for export in the quantity of

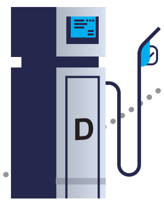
66,3 thousand tons



At year-end of 2019, the volume of throughput performance amounted to

5 388 thousand tons

The indicator is a record value for the entire history of the refinery



Production of 100% environmentally compatible diesel fuel corresponding to ecological classes K5 with a sulfur content of no more than 10 ppm had been achieved

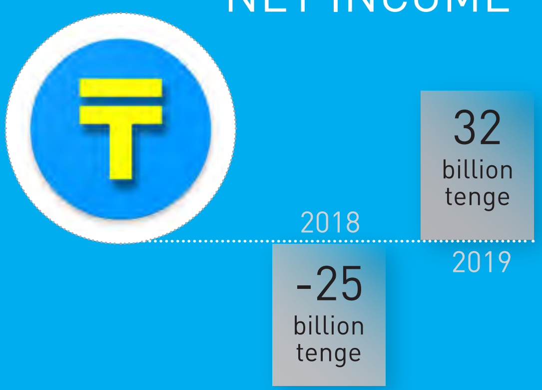
REFINED

2018	2019
5 268 thous.tons	5 388 thous.tons

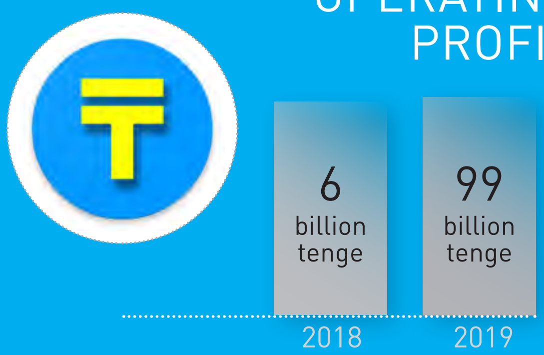
REVENUE

2018	2019
232 billion tenge	253,9 billion tenge

NET INCOME



OPERATING PROFIT

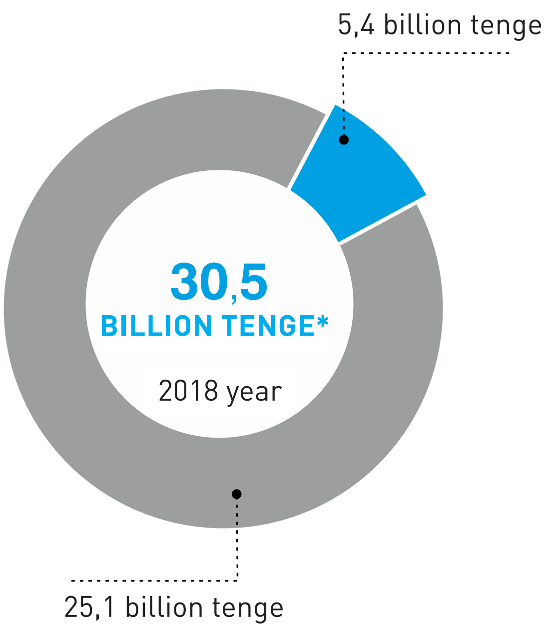


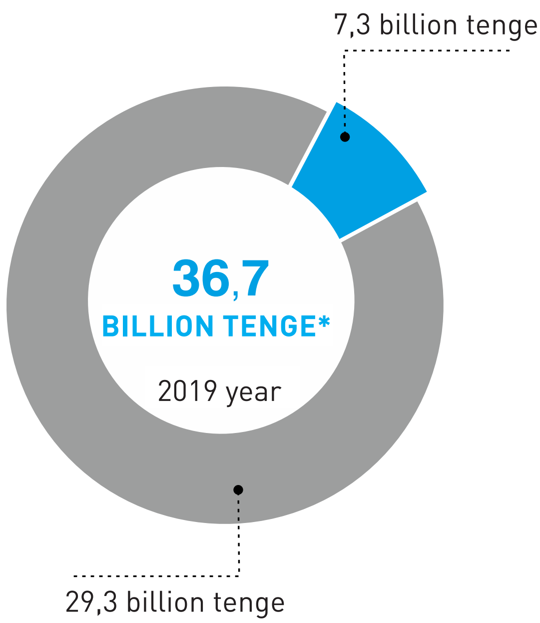
«Total taxes and payments» 2019 year

36,7 billion tenge

(excluding social contributions, pension contributions 5% and 10%, contributions / dues to the Compulsory Social Health Insurance in the amount of 1.7 billion tenge)

The budget of the Republic of Kazakhstan received from "Atyrau Refinery" LLP:





* excluding social contributions, pension contributions 5% and 10%, contributions / dues to the Compulsory Social Health Insurance in the amount 1 billion 585 million tenge.

* excluding social contributions, pension contributions 5% and 10%, contributions / dues to the Compulsory Social Health Insurance in the amount 1 billion 713 million tenge

RoK budget

local (regional) budget

FINANCIAL STABILITY

In order to finance strategic investment projects for the construction modernization of the Complex for the production of aromatic hydrocarbons and the Advanced Oil Refining Complex with the participation of Chinese and Japanese suppliers, the "Atyrau Refinery" LLP attracted loans in US dollars in 2010-2012 from JSC "Development Bank of Kazakhstan", Export- Import Bank of China, Japan Bank for International Cooperation and MUFG Bank Ltd.

After the disbursement of the loan, the "Atyrau Refinery" LLP began a number of extensive majors to refinance foreign currency loans:

"Atyrau Refinery" LLP bonds issuance on Astana International Exchange

On the 8 of January, 2019 year, "Atyrau Refinery" LLP was included in the official list of securities of Astana International Exchange Ltd (AIFC Exchange), and for the first time in the history of the plant, bonds were issued on the stock exchange. "Atyrau Refinery" LLP became a pioneer in the KMG group of companies for the issuance of bonds on the AIFC International Exchange. AIFC was created in 2018 year with the support of the First President of the Republic of Kazakhstan in order to comprehensively develop the domestic securities market.

On the 10 of January, JSC "Samruk-Kazyna" acquired bonds of the "Atyrau Refinery" LLP.

On the 11 of January, "Atyrau Refinery" LLP carried out the second successful major financial transaction - obtaining the loan from Halyk Bank of Kazakhstan.

Both deals, on an aggregate basis, allowed "Atyrau Refinery" LLP to save more than USD 12 million through lowering interest rates. Moreover, the positive effects include entering the stock exchange, a decrease in Chinese funding in the aromatic hydrocarbons complex project, further financing through Kazakhstan's financial institutions and an improvement in the creditors' portfolio by including "Samruk-Kazyna".

Successful closure of the deals was preceded by the extensive work of the management of JSC NC" KazMunayGas" , AIFC, Samruk-Kazyna, JSC "Development Bank of Kazakhstan", JSC "Halyk Bank of Kazakhstan" and foreign creditor banks.

Full early repayment of the foreign currency loan of JSC "Development Bank of Kazakhstan"

In July 2019 year, the "Atyrau Refinery" LLP carried out the conversion in tenge of the outstanding amount of **USD 152 million** on the loan of the JSC "Development Bank of Kazakhstan" for the Complex for production of aromatic hydrocarbons project with a change in the interest rate from floating to fixed.

Positive effects from the transaction: include optimization of the debt servicing expenses, reduced foreign exchange risk, reduced risk of floating rate volatility, lowering of interest, reduction of the Chinese funding, further financing through Kazakhstan's financial institutions.

LOANS REPAYED

39%

SHARE OF CURRENCY LOANS

84%

REFINANCED

452
USD million

STRATEGY AND GOALS

Development strategy of "Atyrau Refinery" LLP for 2014-2022. determines the directions of development for the main type of activity, providing for strategic stability and improving the performance indicators of the "Atyrau Refinery" LLP.

THE MISSION:
safe quality stable production.

THE VISION:
"Atyrau Refinery" LLP is a high-performance, innovative petrochemical enterprise that occupies a strategically important place in the fuel and energy industry of the Republic of Kazakhstan.

STRATEGIC PRIOROTIES:

- Sustainable development and efficiency increasing of the enterprise to assist the state in stabilizing the domestic market for petroleum products;
- Ensuring industrial and environmental safety of production;
- Social responsibility and human resources development;
- Decisions making in operational and investment activities based on a accurate risk analysis;
- Increasing Kazakhstan content and supporting domestic manufacturers;
- Comprehensive innovation and technological development;
- Consistency and efficiency in decision making and their implementation;
- Improving energy efficiency and development within the vector of the "green economy".

STRATEGIC GOALS:

- Increasing the efficiency of petroleum products production, including those with high added value, and improving production technology;
- Improving safety at work, labor and environmental protection;
- Improving the efficiency of equipment maintenance.

BASIC STRATEGY INDICATORS

- Increase in the volume of oil refining up to 5.5 million tons per year;
- Increasing the refinery yield up to 87%;
- Improving the efficiency of the refinery's technological units (reducing process fuel and irretrievable losses).

PLANS AND PROJECTS

9 BUSINESS INITIATIVES

As the largest business unit in the Kazakhstan oil refining segment, in 2019 "Atyrau Refinery" LLP is implementing 9 business initiatives, covering all key areas of the enterprise. These initiatives are focused on achieving economic benefits for the enterprise.

Automated system of energy resources technical accounting

KMG Automation

What does? Automating the collection of energy consumption data

Effect? Reducing electricity consumption by 5% per year

Who is responsible?
Khloptsev S.N. Chief Power Engineer
Azhigaliev R.N. Head of Production Assets Reconstruction Department

When? 2021 year

Perfect production

RLG

What does? Increase in operational efficiency of production

Effect? High-quality goal setting. Involvement of operating personnel in achieving goals.

Who is responsible?
Duzbaev N.A. Head of production development department

When? 2020 year

Advanced process control system

Honeywell

What does? Computer program to optimize the installation mode

Effect? Stable setting mode, achieving improvement i n outputs

Who is responsible?
Vlasov V.V. Chief Metrologist

When? 2024 year

MOR

Honeywell

What does? Transition to an extended overhaul period, equipment reliability

Effect? Stable operation of installations. Increase in the volume of oil refining. Production of petroleum products by reducing repair time.

Who is responsible?
Bisaliyev S.D. Managing Director for Production Support
Nakonechny N.I. Director of the Department for MRO and Maintenance Management
Kustadinchev Yu.Yu. Department of Reliability and Mechanical Integrity of PA provision

When? 2020 year

Computer simulators

Honeywell

What does? Training and retraining of operators

Effect? Advanced training of personnel on installations

Who is responsible?
Shoshanbasov A.T. Head of the technical department
Urtambaev A.M. Leading engineer of the technical department
Zhulumbetov A.T. Leading Engineer

When? 2021 year

3D Master plan

What does? Digitalization of the general layout of plant

Effect? Modern tool for accessing plant data

Who is responsible?
Bisaliyev S.D. Managing Director for Production Support
Orynbasarova E.B. Head of Information Technology Department
Azhigaliev R.N. Head of Production Assets Reconstruction Department

When? 2020 year

6 Sigma

What does? Building a culture of continuous improvement

Effect? Reduced operating costs

Who is responsible?
Duzbaev N.A. Head of Production Development Department
Galieva A.E. Leading Engineer of Priduction Development Department

When? Constantly

Burns and losses reduction program

What does? Technological improvements to reduce burns and losses

Effect? Reduction of burns by 3.13%, losses by 1.19%

Who is responsible?
Bisaliyev S.D. Managing Director for Production Support
Duzbaev N.A. Head of Production Development Department

When? 2024 year

Energy efficiency program

What does? Reducing energy consumption

Effect? Reducing electricity consumption by 5% per year

Who is responsible?
Konysov N.N. Head of Risk Management and Management Systems Development Department
Shumilov S.A. Chief Specialist for Energy Efficiency and IMS

When? 2021 year

1. AUTOMATED TRACKING SYSTEM OF ENERGY RESOURCES

Modernization of the AUTOMATED TRACKING SYSTEM OF ENERGY RESOURCES (electricity and steam) at the technological units of "Atyrau Refinery" LLP (ASTRCE "Atyrau Refinery" LLP) pursues the following goals:

- creation the consolidated system at refinery for collecting, processing, presenting and storing information from all metering points of consumed and generated energy resources;
- increasing the efficiency of technological management at the facilities of "Atyrau Refinery"LLP ;
- reliable provision of operating and dispatching personnel with sufficient, reliable and timely information about the operating modes of the energy systems of "Atyrau Refinery" LLP in real time;
- reduction of energy consumption as a result of constant automated accounting, control of actual costs, regulation of the enterprise load schedule;
- reducing the time of emergency downtime of technological equipment for the power-producing part;
- identifying places of energy losses to eliminate their causes;
- minimizing the influence of the human factor in the process of utility metering.

The implementation of the ASTRCE project of "Atyrau Refinery" LLP provides twenty-four-hour operation and performance of specified functions both autonomously under the supervision of a TIR operator, and as part of a remote monitoring system under the supervision of dispatchers of JSC NC "KazMunayGas".

The construction of the facility is scheduled to begin in January 2021.

The created system ASTRCE "Atyrau Refinery" LLP is a complex of software and hardware tools, consisting of:

- data transmission networks (equipment and transmission devices for wire and fiber-optic communication);
- software (programs for monitoring and managing a data transmission network);
- measuring complexes for electricity metering (ICEM), including primary converters - measuring current and voltage transformers;
- electricity meters (microprocessor-based multi functional electricity meters);

- steam metering devices (flow meters, counters);
- programmable logic controllers (PLC);
- PLC communication channels with electricity metering devices and steam metering devices;
- database servers;
- PLC communication channels with the database server;
- communication channels of database servers with the upper level;
- automated workstations for ASTRCE operators;
- software tools for devices, PLC, servers, WKS.

The functioning of ASTRCE "Atyrau Refinery"LLP is assumed as follows. The PLC polls the steam metering devices connected to their ports. Further, the PLC, upon request from the upper level, provides data to the higher level. The procedures are performed automatically, and the polling time and frequency are manually adjusted during the system commissioning phase.

Polling of electricity metering devices is carried out directly from the server by accessing each device.

The database servers periodically poll the PLC and electricity metering devices, after which they accumulate all the information received in a single system. Upon request from workstations, the servers generate reporting information on the consumption of energy resources (electricity and steam).

To ensure the operability of ASTRCE "Atyrau Refinery"LLP, staff units are introduced, and operating personnel are formed. The specialists who will serve ASTRCE "Atyrau Refinery"LLP are obligatory undergoing training courses at the manufacturing plant and take an active part in putting the system into operation by the contractor.

The basic indicators of the ASTRCE project "Atyrau Refinery" LLP

Name of indicators	Unit of Measure	Indicators
Total length of the FOCL route	m	30 000
Total length of the signal cable route	m	21 798
Total length of cable route FTP 6e Cat	m	13 752
Electricity meter	pcs	454
Steam meter	pcs	114
XT and ETS nodes	pcs	49
Metering cabinet	pcs	43
Software and hardware complex	set	1

Fiber-optic transmission system XTran covers the optical ring of the SS, TP, DP in the territory of LLP "Atyrau Refinery". XTran equipment in terms of data transmission is installed at such power facilities of "Atyrau Refinery"LLP as the central server room, central distribution points, distribution substations, thermal power plant (TPP), transformer substations and the like, and forms a single network.

The objects of automation for **electricity metering** are PS, TP, DP on the territory of "Atyrau Refinery" LLP

The objects of automation for **steam metering** are technological units on the territory of "Atyrau Refinery" LLP. ASTRCE equipment in terms of steam metering is installed at such facilities as the Electrical desalting Plant Atmospheric Unit 2, the combined gasoline and diesel hydrotreater, the Hydrogen production and purification unit, the Sulfur production unit, the catalytic reforming unit, R2R catalytic cracking unit and many others.

2. LEAN PRODUCTION

In January 2019 year, JSC NC "KazMunayGas" and "Atyrau Refinery"LLP initiated a joint project with RLG International to introduce a system to improve the operational efficiency of oil products production.

The goal of the project is to increase the operational efficiency of production in accordance with the best world practices based on a set of unique and proven by many years of experience RLG International tools and techniques: OR ™, FAIR ™, MORE ™ and TMP ™, to which RLG has the exclusive right to use.

Processes and activities within the project in 2019 year:

- diagnostics of the current state of the oil refining business process management system to determine the scope of the project and the potential for optimization;
- increasing the operational efficiency of the production of petroleum products at the agreed upon with "Atyrau Refinery"LLP based on the results of diagnostics of priority installations;
- transparent responsibility at all levels;
- performance of key indicators at all levels;
- optimization of production, final product and profitability;
- integration of service and reliability under production control;
- the formation of a clear and understandable cascaded efficiency system for production personnel;
- increasing the involvement of plant personnel in the process of increasing efficiency;
- improving the efficiency of the planning process, monitoring and visualization of efficiency;
- elimination of the main prerequisites for an imbalance in the process of interaction between production services;
- elimination of "blurred" areas of responsibility of participants at all levels;
- increasing the efficiency of the system of interaction between the refinery management, line managers and production personnel.

Implementing plant-level performance planning meetings in 2019 year

The process of planning and optimizing production at "Atyrau Refinery" LLP is governed by the Rules for Planning Oil Refining and Production of Petroleum Products, developed by RLG together with the optimization planning department. The rules determine the procedure for monitoring the execution of tasks and assigned orders with the aim of high-quality and timely formation of the production program, taking into account the technological capabilities of production and the needs of raw material suppliers.

The Rules define the terms and persons responsible for the preparation and provision of data, describes the process from the moment the data is provided and the formation of the production program to the subsequent control of its implementation.

Implementation of Business Reviews at plant and production level in 2019 year

Beginning in March 2019 year, RLG has implemented weekly / monthly Managing Director / Production Manager meetings with facility managers to analyze the current situation, performance indicators, identify opportunities / risks, identify actions and make decisions to improve efficiency factor. 30% of the content of the Business Review is an assessment of what has been done, 70% is a perspective view.

It is important that, unlike a production meeting, this is not a meeting for making technical decisions, not training managers in how to solve any problem, not an operational or working meeting to resolve current issues. A Business Review is a conversation about "business", ie. on the achievement of specific strategic goals.

The structure of the implemented Business Review includes:

- opening remarks / opening of the SO by the head of production;
- review of the execution of instructions in the minutes of the previous SO by all participants;
- reports of the chiefs of installations (no more than 10 minutes per speaker) with a brief analysis of the implementation of the plans of the previous period, "successes" and "failures" over the past period;
- reports on their efficiency factor.

During the implementation of the project, planning meetings were introduced at the production facilities - every shift discussion with the team of goals, indicators, tasks, possible risks and expected results. Meeting moderator - plant manager / shift supervisor / senior operator; meeting duration - from 10 to 15 minutes; frequency of carrying out - before the beginning of each work shift.

The main results of the project:

• project participants, including daily operational meetings at the level of production facilities, weekly Business Reviews at the level of production, monthly Business Reviews at the level of "Atyrau Refinery" LLP, regular visits of management to production sites;

• the efficiency of conducting Business Reviews of industries has been improved compared to the baseline level from 54% to 71% **(+ 17%)**, including for production:

• Production of Aromatic hydrocarbons from 58 % to 74 % **(+16 %)**;

• Deep Conversion Refinery from 53 % to 61 % **(+8 %)**;

• The efficiency of the Atyrau Refinery's Business Review has been improved from 60% to 78% **(+18 %)**;

• The efficiency of carrying out the shift planning meetings at production facilities has been improved compared to the baseline level from 51% to 73% **(+ 22%)**, including for production facilities:

• Production of Aromatic hydrocarbons from 38 % to 56 % **(+18 %)**;

• **D**eep Conversion Refinery from 33 % to 48 % **(+15 %)**.

3. ADVANCED TECHNOLOGICAL PROCESS CONTROL SYSTEM

The advanced process control system (APCS) is designed for automatic control of a technological object and its optimization in real time. It is a software-algorithmic complex installed on a special computer-server APCS, connected by a local network with a distributed control system (DCS) of the technological unit.

Back in 2018, "Atyrau Refinery" LLP started the implementation of a project for the implementation of an APCS at the Electrical desalting Plant Atmospheric Unit 2 in order to increase the yield of light oil products and reduce energy consumption, stabilize the dynamics of quality indicators and overall operating efficiency.

In 2019 year, the first among all oil refineries of the Republic of Kazakhstan, the implementation of an SUMS at "Atyrau Refinery" LLP began together with the world leader in the field of automation of technological processes, Honeywell. As a result of the implementation of the APCS, the spread in the technological process decreased by 67% for gasoline and by 73% for diesel, the content of light oil products in fuel oil was reduced by more than 0.2%, the influence of the human factor on the technological system was reduced, and the yield of straight-run gasoline increased by 0.3266% of the mass. on raw materials (the expected effect is 0.16%, according to the statement of work), an increase in the output of the diesel fraction by 0.3605% of the mass. on raw materials (expected effect 0.29%, according to the statement of work).

4. 3D PLAN

The implementation of the project is of a qualitative nature, since the enterprise will receive in digital form an updated general plan of the "Atyrau Refinery" LLP taking into account the newly introduced objects, reduced to a visual 3D model.

The project will allow all divisions of the plant to obtain a modern tool for accessing data about the plant, automate individual business processes, and have constantly up-to-date information about the enterprise as a management object.

Also, during the project, a system is created, consisting of a digital database of working and design drawings, technical passports of equipment and communications for the further use of technical training aids and artificial intelligence in production with the ability to create an information model of an enterprise BIM (building information model).

At the moment, work has been completed to create and level the points of the geodetic network and reconnaissance of the territory. Collection of baseline data and field work were carried out in full. Completed work on laser scanning and processing of topographic survey.

Delivery of server hardware and software has been made.

Work is underway to model the tank farm and the Electrical desalting plant Atmospheric Vacuum Unit unit.

The economic effect of the implementation is indirect, since the implemented automation product is not a direct source of income.

The main economic effect of the implementation is to improve the economic and economic performance of the enterprise, primarily by increasing the efficiency of management and reducing the time for collecting initial data for more detailed planning and organization of repair work, design and other production business processes.

5. LEAN 6 SIGMA

Lean Six Sigma – the concept of production management, the essence of which is to improve the quality of the outputs of each of the processes, to minimize defects and statistical deviations in operating activities.

The Lean 6 Sigma method is based on statistical evaluation of processes, systematic search and development of measures to improve the quality of finished products, their consistent implementation and subsequent analysis of the error-free processes to increase customer satisfaction. Implementation for the "KazMunayGas - refining and marketing" group of companies began in September 2016.

In 2019 year, "Atyrau Refinery" LLP completed 10 projects, 24 projects of "Green and Black Belts" are at the stage of implementation. The total number of projects from 2017 to 2019 was 49.

According to the resources being optimized, projects are divided into:

- reduction of fuel and energy resources - 13 projects;
- reducing the consumption of reagents and other materials - 11 projects;
- increasing productivity, reducing losses - 14 projects;
- reduction of equipment repairs - 7 projects;
- optimization of labor resources - 4 projects.

Projects of the "Belts" are implemented both at old installations and at installations of new productions: Complex for production of aromatic hydrocarbons and Deep oil refining complex.

Almost all plant services are involved in the implementation of LSS Lean 6 Sigma projects.

Almost all plant services are involved in the implementation of LSS Lean 6 Sigma projects.

In 2019 year, 10 people trained for the "Black Belts", of which 3 have already been certified. 6 "Black Belts" projects are underway.

Information on informing employees as per project in 2019 year

In order to motivate the plant employees to solve urgent problems within the framework of the Lean 6 Sigma project at "Atyrau Refinery" LLP, the "Novator" plant newspaper published articles on the promotion and implementation of the LSS program.

Meetings and seminars on the implementation of Lean 6 Sigma at "Atyrau Refinery" LLP are held on a regular basis with the participation of "Green Belts", "Black Belt" and Executive Sponsors.

6. LOSS REDUCTION PROGRAM

In accordance with the decision of the Scientific and Technical Council for the Oil Refining business area of JSC NC "KazMunaygas" No. 19-05 dated May 4, 2019, the "Atyrau Refinery" LLP is implementing measures to reduce burns / losses and improve energy efficiency.

The total number of program activities is 42 (excluding measures carried out on an annual basis). Implementation is scheduled for 2019-2025. The activities are mainly aimed at optimizing technological processes and heat flows, restoring and installing technological units and units for capturing and returning vapors / gases, as well as replacing obsolete equipment.

At the same time, the program includes measures for cleaning and repairing tanks, which are divided into the following stages:

2020 г. –commencement of works on cleaning commodity tanks, except for gasoline tanks; 2021 г. –start of work on cleaning, installation of pontoons and mixing devices on

commercial gasoline tanks;

2022 г. –start of works on cleaning intermediate tanks;

2023 г. –start of work on cleaning oil tanks. Installation of pontoons and mixing devices only on light oil tanks.

The work is envisaged with the sequential withdrawal of tanks located in the same group, taking into account that for each tank with a volume of up to 5,000 m3 it will take about 3 months of work, and 6 months for tanks of a larger volume.

7. ENERGY EFFICIENCY INCREASING PROGRAM

Within the framework of the Energy Efficiency Improvement Program of "Atyrau Refinery" LLP for 2016-2020, it is planned to carry out 20 measures aimed at reducing the consumption of fuel and energy resources (FER). The expected decrease in fuel and energy resources is 8.78%.

All economic indicators of the Program activities are presented in the feasibility studies based on the results of an energy audit conducted by "Axens KGNT Energy Efficiency" LLP.

The implementation of these measures was provided only for the existing technological units of the old production, excluding the new Production of Aromatic Hydrocarbons and Deep Oil Refining Complex facilities.

8. COMPUTER TRAINING CLASSES

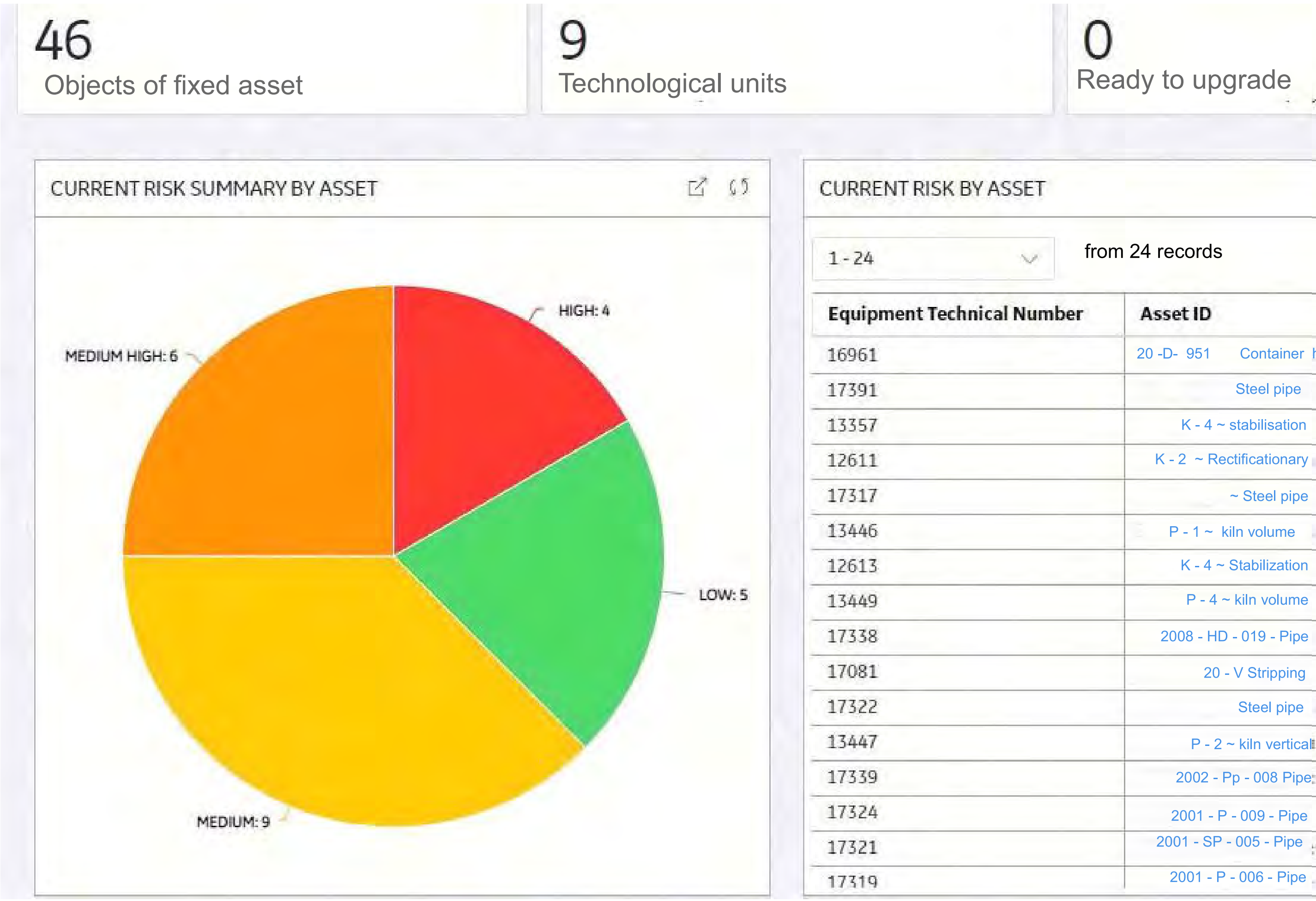
Computer simulator classes (CSC) at the "Atyrau Refinery" LLP allow, in a classroom, to develop and consolidate the skills of personnel in various situations, both regular and non-standard, to assess the knowledge and skills of workers when performing certain production operations. As a digital learning technology, CSCs are indispensable in terms of modeling any possible events in production and strengthening the algorithms for overcoming them among employees.

9. MERIDIUM APM

Asset Performance Management – it is a set of techniques aimed at achieving maximum equipment efficiency, reducing risks and optimizing enterprise costs through RCM, FMECA, RBI and other types of analysis. The project arose as a response to the initiative of JSC NC KazMunayGas to improve the repair process at the enterprises of the Group of Companies. In 2016, "Atyrau Refinery" LLP joined the project of the parent company after the approval of the project program for the implementation of the equipment maintenance and repair system (MRO). One of the sections of maintenance was to ensure the reliability and mechanical integrity of production assets. The new MERIDIUM APM software is a digital project platform on which a number of plant employees have been trained.

MERIDIUM APM – is a tool of reliability

The approach to repair management at the enterprises of JSC NC "KazMunayGas" is improving every year. In 2014, JSC "KazMunayGas Refining and Marketing" identified a number of areas for increasing efficiency related to planning repairs, equipment reliability and reducing risks arising from the operation of critical equipment. In this regard, in 2016, "Atyrau Refinery" LLP approved a program of projects for the implementation of a system of equipment maintenance and repair. One of the maintenance blocks is a system for ensuring the reliability and mechanical integrity of production assets.

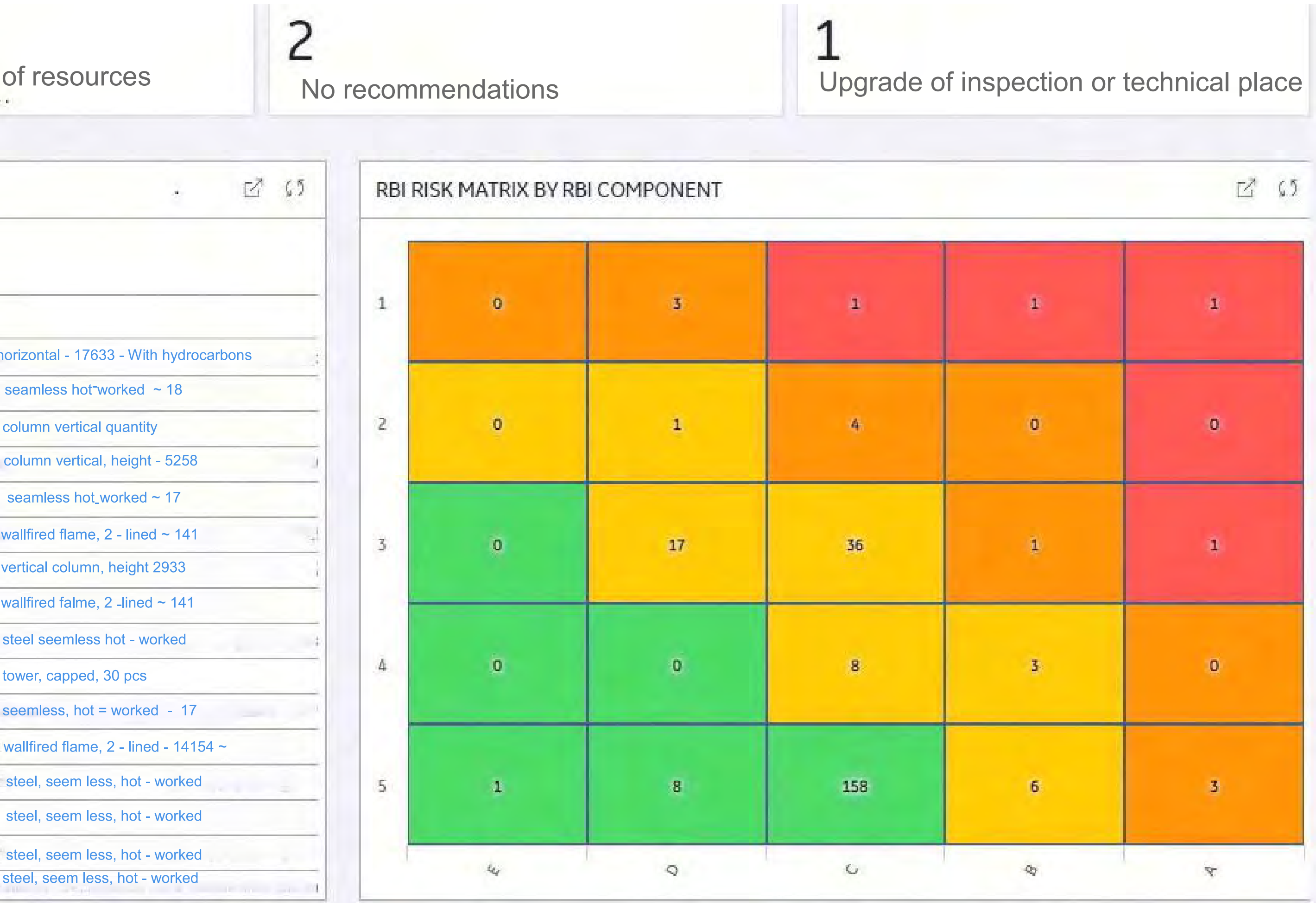


Equipment Technical Number	Asset ID
16961	20 -D- 951 Container
17391	Steel pipe
13357	K - 4 ~ stabilisation
12611	K - 2 ~ Rectificationary
17317	~ Steel pipe
13446	P - 1 ~ kiln volume
12613	K - 4 ~ Stabilization
13449	P - 4 ~ kiln volume
17338	2008 - HD - 019 - Pipe
17081	20 - V Stripping
17322	Steel pipe
13447	P - 2 ~ kiln vertical
17339	2002 - Pp - 008 Pipe
17324	2001 - P - 009 - Pipe
17321	2001 - SP - 005 - Pipe
17319	2001 - P - 006 - Pipe

In order to introduce new programs in 2018, a department for ensuring the reliability and mechanical integrity of production assets was formed at the plant, which includes a reliability department and a department for control and mechanical integrity of equipment. The objectives of this department are to achieve maximum equipment efficiency, reduce risks and optimize plant costs through the use of leading analytical methodologies. From July to September 2018, the MAINTEX company conducted training for the department employees with further experimental industrial operation of the new MERIDIUM APM software

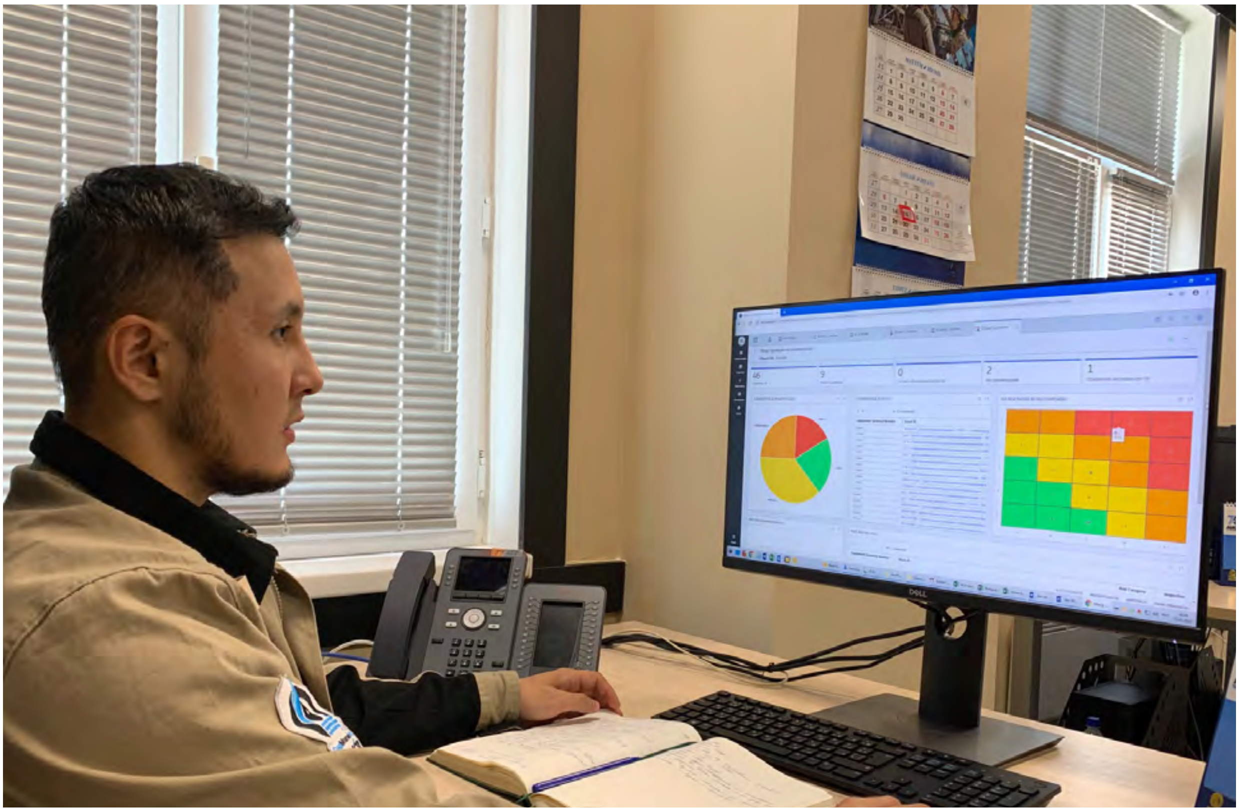
MERIDIUM APM – is a tool for applying leading methodologies such as criticality analysis, RCM, FMECA, RBI analyzes, etc.

APM (Asset Performance Management) – it is a set of techniques aimed at maximizing equipment efficiency, reducing risks and optimizing the costs of the enterprise.

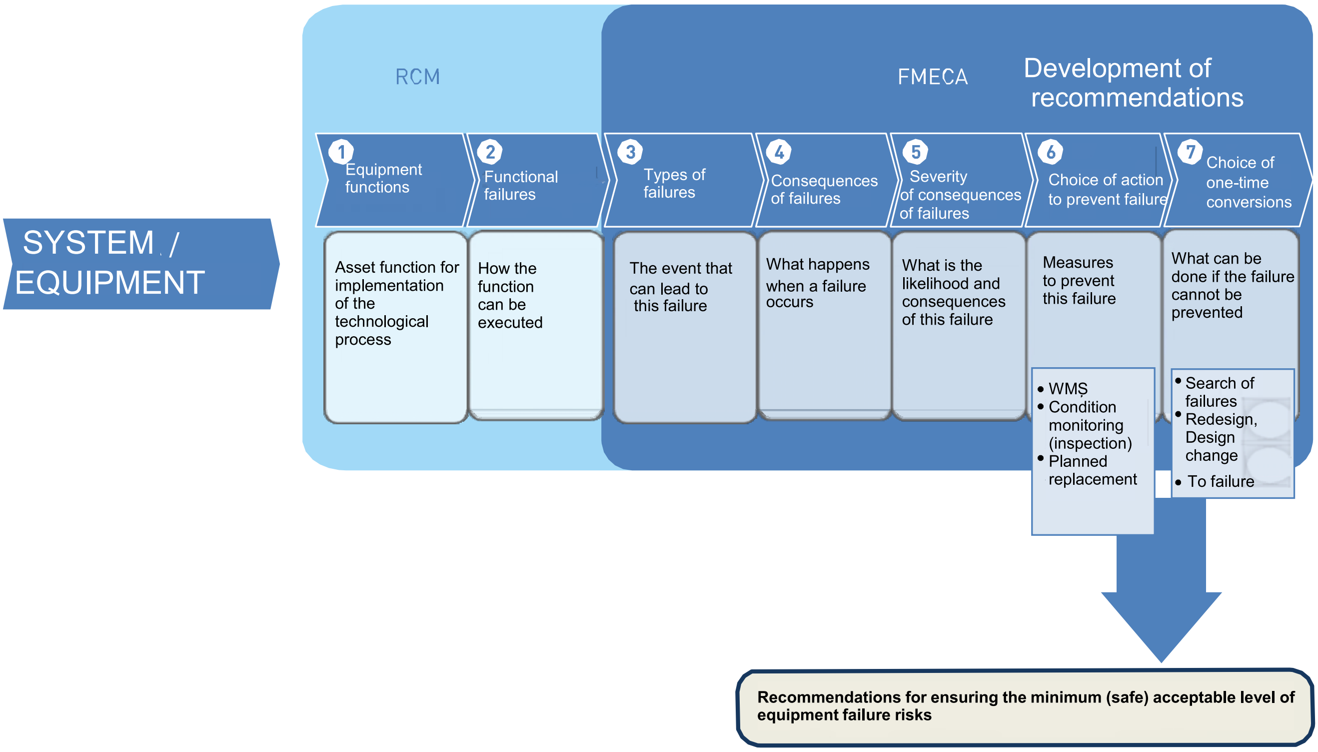


STAGES OF ANALYSIS at MERIDIUM APM

Work **at MERIDIUM APM** begins with a criticality analysis of the equipment. An object (technological unit) is selected, which is divided into small technological systems. A system is a group of interconnected pieces of equipment of various types and technical subsystems that jointly perform one or more production functions with a given performance. Criticality analysis is carried out for broken systems and equipment that are part of any system, according to the risk matrix developed by MAINTEX together with the plant management. In the analysis of criticality, indicators of the severity and frequency of failures affecting safety, the environment and production are used, which allows classification according to the degree of relative criticality. Upon completion of the criticality analysis, the scope of further analyzes (RCM, FMECA, RBI) and revision of the routine maintenance strategy are determined. For systems and equipment with high criticality, RCM and RBI analyzes are carried out, for medium critical - FMECA analysis, and for low critical - analysis of the existing MRO program .



RCM (ReliabilityCenteredMaintenance) – technical maintenance aimed at ensuring the reliability of equipment. RCM is a method for defining a preventive maintenance policy for equipment and how to implement it to achieve the required level of safety, availability and cost-effectiveness of operation. Failure management policies can include maintenance actions, application policy changes, design improvements, and other actions aimed at mitigating the consequences of failures. The RCM method is widely and successfully used in various industries in the world practice. The RCM method ensures decisions are made to establish effective equipment maintenance requirements in accordance with the safety and operating requirements of the equipment, as well as the economic consequences of identified failures and mechanisms leading to failure. The result of applying the method is the decision to perform maintenance tasks or other actions, such as making structural, functional changes or other actions to improve the efficiency of maintenance.



RBI (Risk Based Inspection) – technical examination (inspection) taking into account risk factors. RBI analysis is typically used on static process equipment (for example, piping, pressure vessels, and reinforcement bodies).

The main goal of the RBI methodology is to effectively manage the risks associated with the loss of mechanical integrity of equipment through the optimal use of resources. Typically, RBI allocates inspection and maintenance resources to facilities with a high risk of failure, thereby bringing the overall risk to an acceptable level for the owner. Decision-making analysis of technical inspection taking into account risk factors can lead to both an increase and a decrease in the frequency of inspections.

In the course of RBI-analysis, the description of equipment components subjected to various degradation mechanisms, as well as the processing of design and technological data, is carried out. Within the RBI approach, the risk of loss of mechanical integrity due to the action of each degradation mechanism is assessed, taking into account the technical parameters and conditions of the technological process.

As part of the RBI analysis, when determining the magnitude of the risk, both the probability and the consequences of failure are taken into account, which is of particular value to the RBI methodology in comparison with other methods of analyzing the types and consequences of failures.

FMECA (Failure Modes Effects Criticality Analysis) – analysis of types, consequences and criticality of failures.

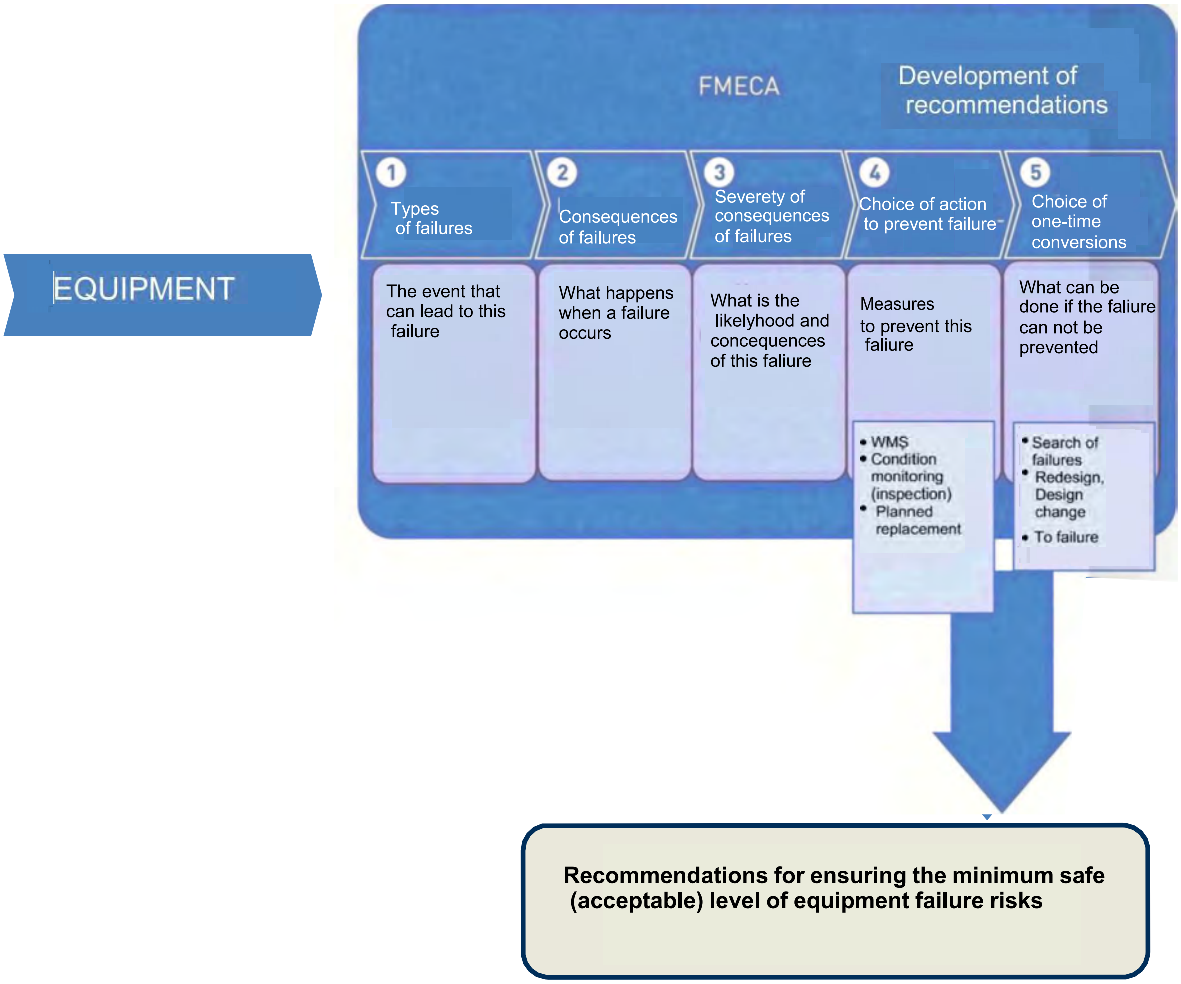
The FMECA methodology provides a simplified hardware analysis-based alternative to the more comprehensive RCM approach. The analysis aims to develop priority areas for corrective action based on risk assessment.

The use of the FMECA methodology makes it possible to substantiate, evaluate the sufficiency and effectiveness of the applied solutions to improve the system of technical maintenance and repair of the facility. The analysis helps to determine if the system is reliable in terms of guaranteeing timely warning of failures, as well as in terms of ensuring safety, environmental friendliness and asset efficiency.

The FMECA analysis is designed to identify possible types of failures of components and equipment in general, their causes, mechanisms and conditions of occurrence and development. The application of the methodology also makes it possible to determine the possible adverse consequences of failures, assess the degree of their criticality, and also highlight critical technological processes.

Unlike RCM, which is primarily concerned with preventing functional failures, FMECA simplifies the identification and prevention of most of the critical failure modes identified for equipment.

FMEGA ANALYSIS STEPS



ANALYSIS OF MRO PROGRAM

The purpose of this analysis is to develop the most effective maintenance strategy in terms of risk reduction and economic feasibility in relation to existing maintenance and repair activities.

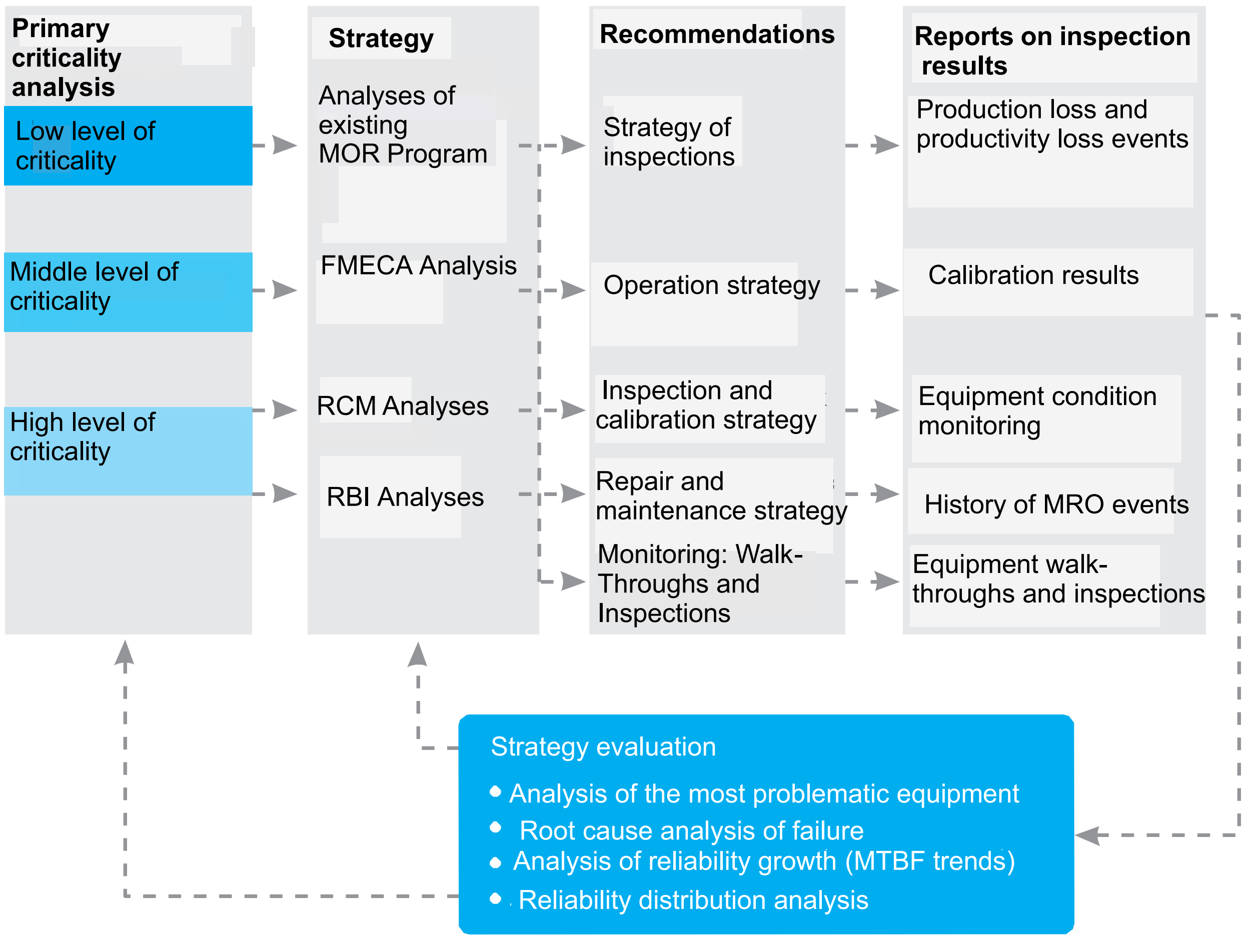
A strategy is a set of equipment maintenance activities that exists as a maintenance plan to:

monitoring and ensuring high reliability of equipment operation;

cost management of equipment replacement and refurbishment;

minimization of maintenance and repair costs.

REGULAR RELIABILITY MANAGEMENT PROCESS



MAINTENANCE SUPPORT

In the summer of 2019 year, the "Atyrau Refinery" LLP successfully completed routine maintenance in accordance with the developed schedule using the RLG methodology. In 2020, taking into account the positive experience, the number of repair orders was increased by 7.6 times.

This was the first precedent when a large amount of complex work was carried out in a limited time. In particular, for the first time, a large-scale repair of the Electrical desalting plant Atmospheric Vacuum Unit 3 unit was carried out, where more than 1,500 m of pipelines, which had been in operation since 1969, were replaced. In total, 140 tons of pipelines were replaced during the repair. Also, the repair of technological equipment was carried out: pipelines, industrial furnaces, electrical equipment, etc.

The environmental aspect of the repair is important: thanks to cooperation with the "MunayRealexpress" company, the electric dehydrators and containers of the Electrical desalting plant Atmospheric Vacuum Unit unit were cleaned without steaming, using reagents, which completely eliminated the evaporation of hydrocarbons into the atmosphere.

It is especially important that, despite the repairs, the "Atyrau Refinery" LLP continued to produce commercial products in a reduced volume to provide the region with fuel.

A special place is occupied by the continued implementation of digitalization projects.

The **MES program** for production process management and production optimization planning, maintenance and repair management **IBM MAXIMO**, inspection management and reliability assurance **MERIDIUM APM** fully proved its worth.

Based on the results of the work of the working group of "Atyrau Refinery" LLP and Rompetrol, 78 most expedient projects for improving the enterprise's activities were developed, which are in the stage of assessment and implementation. Also, following the positive example of Rompetrol, it is planned to introduce project management at the "Atyrau Refinery" LLP.

CONSTRUCTION DIVISION

The obsolete compressor was replaced with a new SAMSUNG SM5000 brand complete with a cooling unit to ensure a stable and sufficient supply of technical and instrument air for new technological units.

ENSURING THE LAW OF THE REPUBLIC OF KAZAKHSTAN IN THE FIELD OF OIL TURNOVER

In 2019 year, work was carried out to equip the following facilities with control devices:

- 7 oil reservoirs;;

- collector for receiving oil from a railway overpass.

Thanks to the project, it is possible to track information on-line, collect, process, store data on the movement of oil supplied to the "Atyrau Refinery" LLP, with the transfer of data to the authorized body.

In addition, the protection of the process control system was installed at the production facilities of oil refining and fine desulfurization of oil products, coke and sulfur production, and RtR. 6 servers were installed, 64 control workstations were secured. Thus:

- the normal functioning of the process control system has been preserved;

- the consequences of possible threats of virus attacks are reduced;

- reduced response time to potential threats.

Also, work was carried out to restore 16 units of in-line analyzers at CCR and PX units for aromatic hydrocarbons production.

7 NEW PROJECTS

The plant continues a complete renovation of the existing off-site facilities.

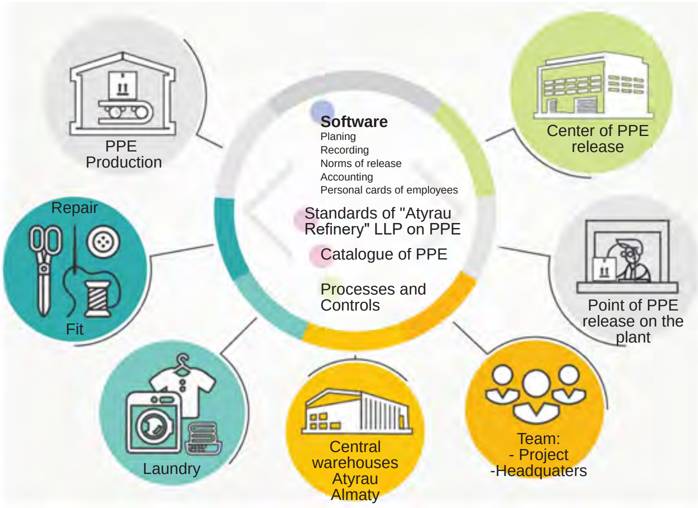
During the year, as noted above, 7 new projects were implemented at the "Atyrau Refinery" LLP: Arman, Bailanys, 5S, "Zheti Kazyna", Jańa Jol and Tazalyq, many projects have been successfully completed, and a new project called BILIM was launched.

1 | Jana Jol

Within the framework of the Jana Jol project, the construction of in-plant highways with asphalt concrete pavement, curbs with a total area

57 thous. m^2

2 | Jeti Qazyna



The project has no analogues in Kazakhstan. The whole process of providing overalls and personal protective equipment at the plant is now carried out by the "one window" method. The plant workers are promptly supplied with the necessary PPE for safe working conditions. As for the clothing, the employee receives it in one place, on it is applied a personalized numbered chip, which is entered into the electronic database. In the same place, the employee can adjust the received clothes to the required size, give them to be cleaned. At the point there is a fitting room, a service for washing / dry- cleaning workwear, hemming and repairing clothes.

a) Archive

Within the framework of the Jeti Qazyna project, a centralized archive was created that meets all the requirements for storing documents with highly reliable fireproof rooms, stable mobile shelving and a security system.

The archive contains documents on personnel with storage periods "permanently" and "over 10 years" in the amount of 27,573 files and all documentation of the three stages of modernization of the plant - more than 31,000 files.

b) Hall of History and Labor Glory

A major reconstruction of the Hall of History and Labor Glory has begun in the museum of "Atyrau Refinery" LLP. The renovated unique Hall of History and Labor Glory of the plant is planned to be opened in a series of festive events dedicated to the 75th anniversary of the "Atyrau Refinery" LLP in 2020 year.

c) Canteen

In response to the wishes of the factory workers to improve the quality of food in the factory canteen, 48 items of new equipment were purchased, an automated food accounting system was introduced, a rejection commission was created, which takes a sample from the prepared food every day. Complete overhaul of all production premises of the canteen.

3 | Arman Project

Within the framework of the ARMAN project, the reconstruction of administrative and household complexes is being carried out according to a single standard.

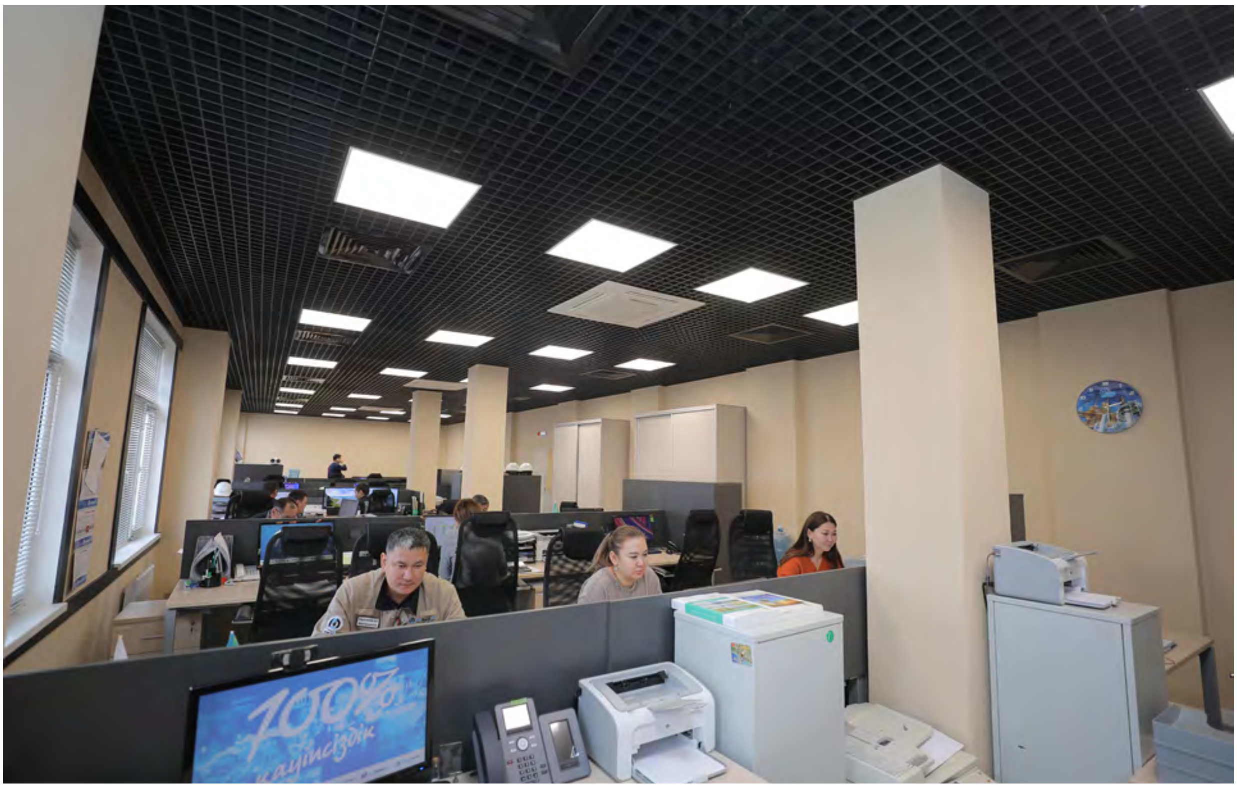
In 2019, administration and on-site building of Deep Conversion Refinery became the first sign of this project and today it is the most technologically advanced engineering center.

- For six months, the premises in this building were completely rebuilt for comfortable open spaces in accordance with world standards of the working space.
- The building has a completely renovated ventilation system with the ability to open windows.
- We have purchased modern ergonomic furniture with a 10-year warranty period and modern office equipment. For example, printers print only when using the personal pass of an employee of a particular department, which significantly saves paper and cartridges.

Today administration and on-site building of Deep Conversion Refinery is a so- called combined office, in which the individual workspace is separated from the rooms for negotiations and meetings, and even more so from the dining rooms. Therefore, the following are provided:

- A conference room with a projector on each floor;
- On each floor there are coffee rooms with all the necessary equipment;One briefing room;
- Branding of all premises in accordance with the corporate brand book;
- Showers, dressing rooms, lounges and dining rooms have been updated, new special lockers for workers have been installed.

Also, the administrative and amenity complexes of the oil refining and fine desulfurization workshop, the service building of the service building of On-spot loading rack of the department of technical inspection workshop were repaired; control rooms CCB, Combined gasoline and diesel fuel hydrotreating unit, Electrical desalting plant Atmospheric Vacuum Unit 3, Electrical desalting plant Atmospheric Vacuum Unit 2, production and purification of hydrogen plant, loading rack, control room and field control room of the On-spot loading rack of the IT department, substation 2B, the building of the training center 1st floor (centralized archive and PPE distribution center). The project will continue until 2022.



4 | Project Tazalyq

The main environmental project of 2019 with a projection for 2020 - Tazalyq

In March 2019 year, the akim of the Atyrau region turned to the Minister of Energy of the Republic of Kazakhstan with the question of the need to reclaim the lands of the evaporation fields of the "Atyrau Refinery" LLP (hereinafter - EF) with an area of 860 hectares in order to maintain the ecological balance and cleanliness of Atyrau. In June last year, at a meeting with the public of the Atyrau region, it was announced that the President of the Republic of Kazakhstan ordered to study the issue of reclamation of EF Atyrau Refinery. In July 2019, following the results of the working trip of the Prime Minister of the Republic of Kazakhstan to the Atyrau region, an order was issued to liquidate EF "Atyrau Refinery"LLP.

In pursuance of the instructions of the country's leadership, the "Atyrau Refinery" LLP has developed the TAZALYQ project, which includes the following subprojects:

1. Reconstruction of mechanical treatment facilities (MOS) in 2019-2022 an estimated cost of 15, 043 billion tenge (excluding VAT). The project involves the dismantling of old structures and the construction of a new facility at the vacated sites. To date, a tripartite agreement has been signed for the conduct of a non-military examination of the project,

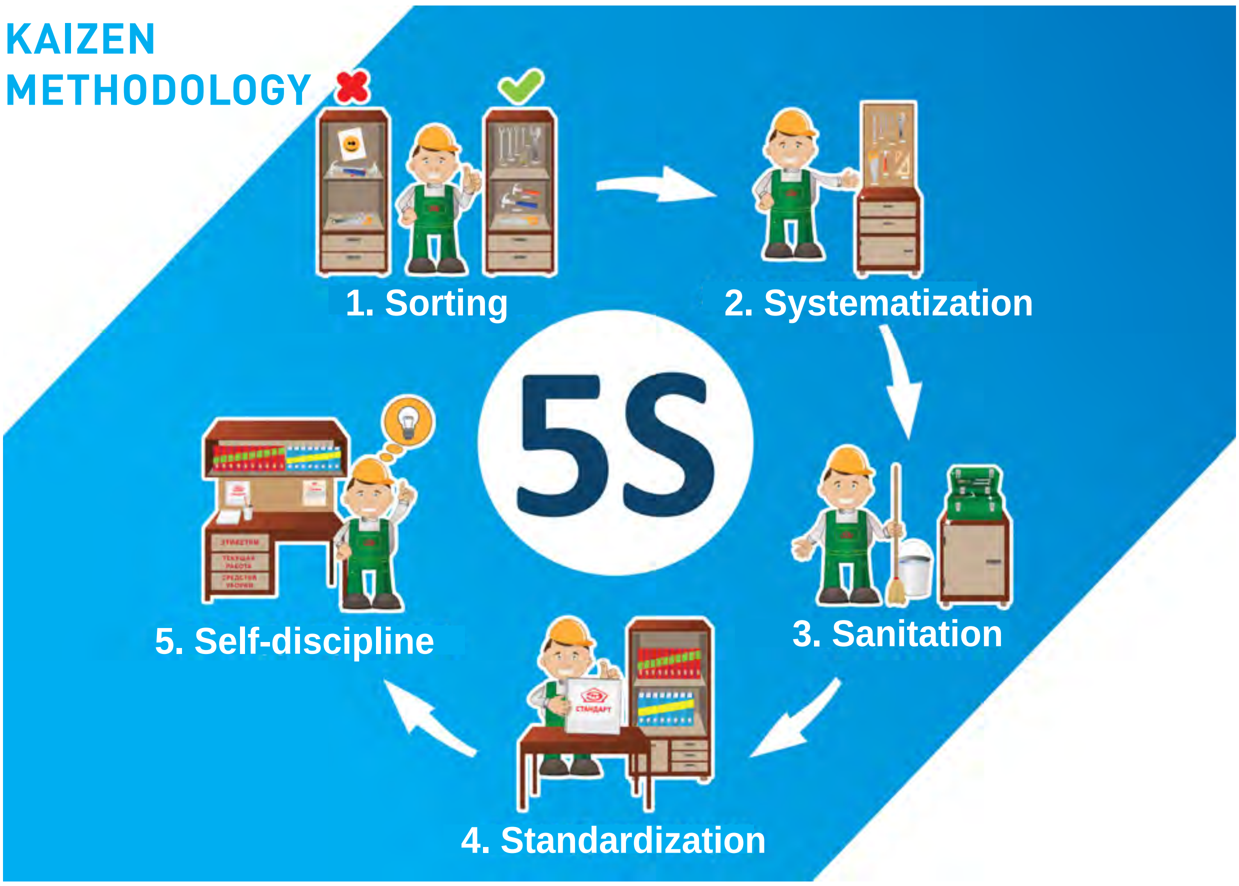
an expert group has been appointed, and work has been carried out to review the working draft.

2. Reconstruction of biological treatment facilities (BTF) and constructionpost-treatment plants in 2019-2023 an estimated cost of 12 billion tenge (excluding VAT). The project involves the reconstruction of the existing waste water treatment plant and the construction of a new post-treatment unit. In 2020, it is planned to complete the design work and submit documents to the RSE "Gosexpertiza".

3. Reconstruction of evaporation fields of "Atyrau Refinery" LLP in 2020-2023 indicativeworth 6.4 billion tenge, of which the construction of a pipeline - 2, 804 billion tenge, land clearing for PI - 3, 616 billion tenge (excluding VAT). In October 2019, a memorandum was signed with the akimat of the Atyrau region on the intake of effluents from the "Atyrau refinery" LLP at the WWTP of the left-bank part of the city of Atyrau, and the Roadmap was approved, agreed with the akimat of the Atyrau region on the execution of the instructions of the President of the Republic of Kazakhstan, with the timing of the implementation of the TAZALYQ projects.

5 | Project 5S

5S – workplaces standartization. This is a system for organizing the workspace (office) developed in Japan, which creates optimal conditions for performing operations, maintaining order, cleanliness, tidiness, saving time and energy. 5S is a lean manufacturing tool that is successfully introduced at "Atyrau Refinery" LLP.



6 | Project Bailanys

As part of the Bailanys project, a single information space has been created at the plant. During the year, a complete replacement of active network equipment, an outdated analog PBX with a new one with support for II-telephony, was made; Wi-Fi modules with seamless coverage were placed in the plant buildings. The data transmission network was updated in 38 buildings on the territory of the plant, and a wireless network was installed in 14 buildings. The number of wired ports of data transmission networks has been doubled. Also, the data transfer speed of Wi-Fi hotspots has been increased.

At the second stage, it is planned to purchase and install the MOSM hardware- software complex (means of operational-search measures). The fiber-optic communication line is being updated, new video and conferencing systems have been introduced, which allows the plant workers to work together from anywhere in the enterprise. A video conferencing system has been introduced, which allows you to participate in meetings without leaving your workplace.

7 | Project Bilim

BILIM – a project for the selection, training, training and development of personnel, from recruiting to supporting students-future workers in the oil refining industry.

A special place in the success of the project is given to digital technologies, in particular - computer training classes (CTC), created at the "Atyrau Refinery" LLP. These high-tech classes serve as training grounds where production workers acquire, practice and reinforce key skills in working with equipment and acting in non-standard situations.

CTC allows:

- Conduct training, retraining of the main and newly recruited technological personnel on the maintenance of the technological process, equipment operation and the correct procedure for starting and stopping technological installations;

- Conduct certification and control of the knowledge of technological personnel on the conduct of the technological process, equipment operation, actions when starting and stopping technological installations;
- Strengthen the skills of personnel in managing the technological process in the normal mode and in the mode of emergency situations;
- Carry out training of technological personnel for elimination of emergencies,
- diagnostics of malfunctions in case of incorrect operation of equipment;
- Acquire and consolidate the skills of early detection of the prerequisites for the development of accidents and taking measures to localize and eliminate them;
- Train the change of technological personnel in joint actions in the event of accidents (incidents);
- Perform operations to control the operation of technological equipment in a steady state.


QazMunaiGaz
AMÓZ

RISK MANAGEMENT

RISK MANAGEMENT

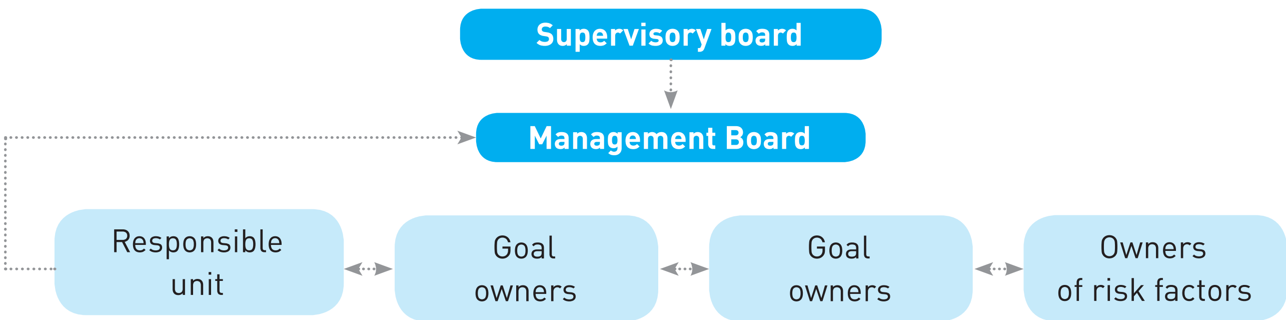
The corporate risk management system is a key component of the corporate governance system aimed at timely identification, assessment, monitoring and mitigation of potential risk events that may negatively affect the achievement of the Atyrau refinery's strategic and operational goals.

Realizing the importance of risk management, since 2017 "Atyrau Refinery" LLP has been working to improve this system. In particular, the indicator "Implementation of a vertical process for risk management" was included in the KPI map of managers in charge of key areas. This indicator characterizes the degree of implementation of the vertical process of managing production and non-production risks within their competence.

The automated risk management system is used, launched within the framework of the JSC NC "KazMunay-Gas" project for the Group of Companies to carry out timely identification, assessment, analysis, management and monitoring of the state of risks at "Atyrau Refinery" LLP

ARCS allows significantly reduce time and labor resources, promptly generate information for making management decisions taking into account risks, provide up-to- date information on all significant risks of "Atyrau Refinery" LLP, affecting the achievement of efficiency factor, with action plans for their mitigation.

The risk culture at the plant is developing along the path of involving all structural divisions and outsourcing organizations in the risk management process, and involves regular exchange of information between the Supervisory Board, the Management Board and the "Atyrau Refinery" LLP employees.



The risks of "Atyrau Refinery" LLP are classified as follows:

PRODUCTION RISKS, related to the main business process at the plant;

NON -PRODUCTION RISKS, connected with non-production business processes;

EXTERNAL RISKS, lightly managed either unmanaged

The Supervisory Board of "Atyrau Refinery" LLP on an annual basis approves the Risk Register, Risk Map, Action Plan for risk management at "Atyrau Refinery" LLP/

Constant monitoring of the dynamics of key risks and the implementation of measures to mitigate them is carried out, based on the results of the Management Board and the Supervisory Board, a quarterly report is sent.

As perthe Register and the Risk Map for 2019 year, was identified and assessed

13 RISKS

in the specified areas.

For each risk, risk owners were identified, and risk management measures were developed..

Internal control system implementation

Within the framework of the KMG project "Implementation of a new risk management model", the plant adapted and approved methodological documents on the system of internal control (hereinafter - ICS).

ICS – it is a set of processes and procedures, norms of behavior and actions that contribute to effective and rational activity, aimed at ensuring the achievement of operational goals and minimizing process-level risks in the business process.

The implementation of the ICS allows management or employees, in the course of the normal performance of the functions assigned to them, to prevent or timely detect wrong actions.

The business process "Closing the period and preparation of separate financial statements" was chosen as the first recommended for the application of the ICS approach, in which the processes of the first, second and third levels were defined, a matrix of risks and process controls was developed with current control procedures covering the identified risks.

PRODUCTION RISKS

The production activity of the "Atyrau Refinery" LLP is potentially hazardous, since it has an explosive and fire hazardous nature, carries a high risk of unfavorable environmental impact, harm to life, health of production personnel and property as a result of emergency and emergency situations, man-made disasters at production objects and sites, as well as as a result of illegal actions of third parties. The consequences of the realization of these risks negatively affect the reputation, production and financial activities of the plant.

In order to minimize production risks, "Atyrau Refinery" LLP carries out the following activities:

1) oensuring timely maintenance and repair of equipment in accordance with the requirements of regulatory documents;

2) timely reconstruction, modernization;

3) calculation of the optimal technological regime and development of optimal operating modes of equipment;

4) timely diagnostics and identification of potentially dangerous factors that can lead to corrosion;

5) advanced training of service personnel.

In order to prevent accidents at work, the plant implements organizational and technical measures to ensure:

1) safe work conduction, prevention of injuries and occupational diseases;

2) timely training and knowledge testing on issues safety and labor protection, the presence at the place of work of work managers and officials responsible for their work;

3) internal control in the field of safety and labor protection.

"Atyrau Refinery" LLP is included in the KMG Corporate Reinsurance Program, which ensures high-quality protection of the property interests of the company and its affiliated legal entities from damage as a result of an insured event.

The collection of information and the preparation of a report for the insurance market is carried out by the method of risk survey - an insurance engineering survey based on world practices in the field of labor protection and industrial safety.

SOCIAL RISK

Social dissatisfaction of workers can lead to unauthorized strikes. The main directions for reducing the risk of unauthorized strikes are monitoring and analysis of the social climate, timely development of measures to address problematic issues of personnel.

For these purposes, the "Atyrau Refinery" LLP has established effective internal communications between the employer and employees, obligatory reporting meetings of the chief executive with labor collectives, meetings of management with production personnel are held.

The current platform for active dialogue with the youth environment is the youth council. "Atyrau Refinery" LLP takes an active part in the system of unified youth policy of KMG, which provides for the formation of an active life position among young workers, the involvement of young people in social and industrial life.

NON - PRODUCTION RISKS

CORRUPTION RISK

Риск подразумевает распределение ресурсов не в интересах АНПЗ, нанесение ущThe risk implies the allocation of resources not in the interests of the "Atyrau Refinery" LLP, causing damage to the Atyrau Refinery in order to obtain personal gain, any manifestations of fraud and other corrupt actions.

Such actions are completely unacceptable for "Atyrau Refinery" LLP employees, regardless of their position and the amount of financial damage.

As a subject of the Law of the Republic of Kazakhstan "On Combating Corruption"

and other legislative acts on anti-corruption issues, "Atyrau Refinery" LLP has undertaken obligations:

1) anti-corruption monitoring implementation;

2) analysis of corruption risks;

3) the formation of an anti-corruption culture;

4) the establishment of organizational and legal mechanisms to ensure accountability, controllability and transparency of decision-making procedures;

5) acceptance and adherence to business ethics;

6) prevention of conflicts of interest.

For this purpose, the "Atyrau Refinery" LLP has developed and approved:

- **Anti-Corruption Policy;**
- **Policy for resolving conflicts of interest among employees and officials;**
- **Confidentiality Informing Policy.**

The plant carries out consistent work on the implementation and strengthening of internal control over corruption, prevention of illegal and unfair actions both on the part of "Atyrau Refinery" LLP employees and third parties, establishing a procedure for conducting internal investigations into the facts of illegal and unfair actions by the plant employees.

The trust line operates at the "Atyrau Refinery" LLP.

REPUTATIONAL RISK

"Atyrau Refinery" LLP is exposed to reputational risk affecting its image and business relationships with investors, partners and other interested parties. "Atyrau Refinery" LLP carries out a set of measures to manage this risk, including monitoring publications in the media about the plant's activities, publishes articles about the plant in the media, organizes management speeches to highlight various aspects of the plant's activities, and also timely responds to negative publications in media sources.

In general, in 2019 year, the planned work on managing the key risks of the plant was completed in full. "Atyrau Refinery" LLP took appropriate measures to respond to key risks to reduce the likelihood of their occurrence and minimize / prevent possible financial losses.

As part of improving the risk management system in the KMG group of companies, in 2020 year, work will continue to develop and implement a business continuity management system (management of risks leading to business interruption).

EXTERNAL RISKS

Currency risk

The risk is an increase of the tenge rate against the US dollar.

The main part of the debt portfolio of "Atyrau Refinery" LLP is loans denominated in US dollars, which were attracted to finance strategic modernization projects with the participation of foreign contractors. In this connection, the growth of the tenge against the US dollar may lead to an increase in the cost of debt service and an increase in the cost of loans.

"Atyrau Refinery" LLP carries out a number of positive changes in the loan portfolio in relation to currencies and interest rates by re-financing and restructuring foreign currency loans in tenge and on more favorable terms in order to minimize this risk.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

HUMAN RESOURCES POLICY

Taking into account the key role of professional personnel in the successful functioning of the "Atyrau Refinery" LLP, the plant carries out purposeful work to find and attract trained and promising candidates to the team, address issues of social protection of personnel, create favorable conditions for work, improve and continuous development of employees.

In the conditions of modernization of the "Atyrau Refinery" LLP, commissioning, commissioning and trouble-free operation of both reconstructed and completely new

technological facilities, one of the priority areas in the company's activities is to improve the quality of personnel and social

policy.

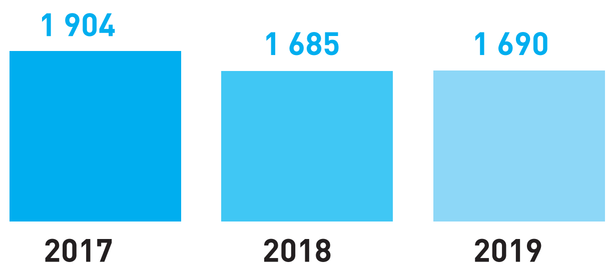
Human resources policy at the plant

The organizational structure of the "Atyrau Refinery" LLP as per the requirements of JSC NC "KMG" for the unification of the structures has been unified since May 2016 and is constantly being improved taking into account the requirements of corporate governance of KMG. The competences of structural units are clearly delineated and enshrined in the Regulations, job descriptions and internal instructions for office work.

The staf size of the "Atyrau Refinery" LLP in 2019 was

increased by 5 units. in connection with the positive decision of the Commission for the introduction of staff positions, for the selection and acceptance of employees of JSC NC "KazMunayGas". All measures to optimize the number of administrative and managerial personnel and the withdrawal of non-core and support functions were completed by January 2019.

Staff size in 2017-2019 years



Together with KMG, with the involvement of the project group of the Almaty Branch of "PetroKazakhstan Overseas Services Inc.", a project was implemented in 2019, during which all positions and professions of the Partnership were assessed based on target processes and an objective and understandable system was developed grades and levels of wages, based on data from the regional labor market. The grading system made it possible to establish both internal and external fairness in remuneration, depending on the complexity of the work performed and the contribution of the position to the achievement of the strategic goals of the enterprise.

In order to enhance the material interest of the Partnership's employees, increase the efficiency of production and economic activities, as well as strengthen labor and production discipline, changes were made to the system of monthly / quarterly employee bonuses based on the results of the reporting period. A permanent Bonus Committee was created - a collegial co-broadcasting body of the Partnership, the main function of which is to assess the fulfillment of planned key performance indicators (hereinafter - KPI) of a structural unit.

KPIs of a structural unit are a set of quantitative and qualitative indicators that reflect the performance of the structural unit in achieving the strategic and operational goals of the Partnership. The implementation of KPIs is one of the conditions for awarding bonuses for the results of production and economic activities of production / administrative personnel.

Electronic Recruiting System (ERS)

The quality of the plant's human resources depends to a large extent on the quality of the work on attracting and selecting personnel at the "Atyrau Refinery" LLP. At the recruiting stage, the task is to identify and employ those workers at the plant, whose competencies certainly correspond to the technologically complex nature of production.

In 2019, "Atyrau Refinery" LLP began implementing an electronic recruiting system (ERS) to work with the database of incoming resumes and automated data sorting.

The main task of the ERS is to increase the efficiency of work with the resumes of job seekers arriving at the plant and to automate the relevant business processes in the personnel department.

The electronic recruiting system is a software solution for working with the data of candidates for vacant positions on the platform of the automated information system iJaNet "Atyrau Refinery" LLP, which performs the following functions::

- creating a resume using an information kiosk and through a corporate website;
- providing tools for creating a resume;
- keeping all resumes in one place;
- distribution of resumes into groups with similar qualification requirements for candidates;
- sorting data, filtering according to specified criteria (name/surname, age, length of service and work experience, education);

- keeping the resume database up-to-date;
- work with the current structure of departments and vacancies according to the staffing table;
- selection of candidates with reflection of key information when hiring them;
- ensuring transparency and accessibility of information about the resume and the recruitment of candidates for work;
- if the resume is rejected due to non-compliance with qualification requirements, the candidate is notified by e-mail.

Employee pool

One of the priority directions of the personnel policy of "Atyrau Refinery" LLP is the training of a personnel reserve, which includes the identification of young and promising leaders for their promotion to managerial positions. The main objective of the project is the purposeful and systematic training of management personnel with ensuring the continuity of management, as well as providing prospective employees with opportunities for development and career growth.

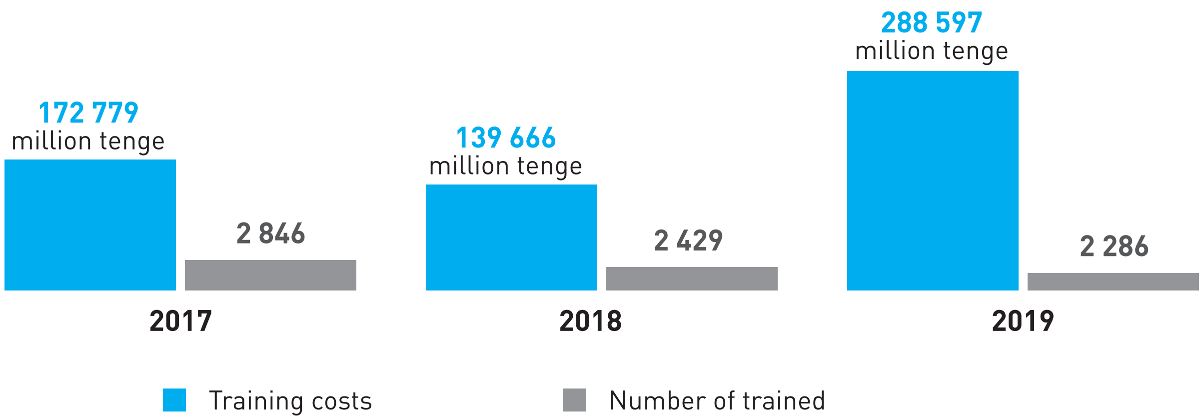
In 2019, "Atyrau Refiner" LLP underwent a two-stage selection procedure for the personnel reserve. During it, 159 engineering and technical workers and 83 representatives of working personnel (242 participants) passed online testing to determine the level of personal and business competencies. As per results of the assessment, 167 participants were enrolled in the talent pool, and today they are being trained in accordance with the approved individual career development plans (ICDP).

In addition, in 2019 year, work was continued on the development and promotion of three high-potential employees of Atyrau Refinery LLP - Suleimenov E.B., Sahauov A.B., Makeev D.S., enrolled in the Unified personnel reserve of the Group of companies "KazMunayGas". As a result, all three reservists graduated from the MBA program. One of the three reservists was transferred to a managerial position in NC "KazMunayGas" JSC.

In order to create favorable conditions for the development of reservists, since 2019, training has begun for participants in the personnel reserve under the General MBA program at the Atyrau branch of the Almaty Management University in the following programs: finance, marketing, operational management, project management, personnel management, balanced scorecard, business planning, organizational behavior, business legislation and others.

For now, 6 staff reservists of "Atyrau Refinery" LLP are trained under the General MBA program. Training for all reservists are carried out with the involvement of the best Kazakh trainers and are aimed at developing personal and business competencies, professional knowledge and skills.

Training overview (2017-2019)



TRAINING OVERVIEW (2017-2019)

The training was organized both with visits to training centers and in the form of corporate seminars at the "Atyrau Refinery" LLP.

In 2019 year, within the framework of the MRO project, the plant's specialists underwent training in the Basics of IBM Maximo Asset Management 7.5 Fundamentals, Meridium APM programs, on the transfer of advanced experience in Maintenance Management in Romania, as well as plant managers were trained on the topic "Career springboard".

In 2020, it is planned to update the industrial and technical training program in the form of distance learning using video lessons and presentations on online platforms.

In 2019, the number of employees who took part in training seminars, refresher courses, training and retraining amounted to

2286 persons.

The most ambitious, courageous and innovative programs that ensure the transition to sustainable, dynamic and balanced development of the "Atyrau refinery" LLP personnel are **Lean 6 Sigma, Zhas Maman, cooperation with universities, dual education and ICAM.**

Within the framework of the "Bilim" project, 13 directions for the selection, training, training and development of personnel are being implemented, including the above-mentioned electronic recruiting system, CTC, a personnel reserve program, as well as:

- **adaptation program** for training and development of an employee in the first year of work;
- **production and technical training** of personnel;
- **program "CLPN"** - control of the level of professional knowledge of employees;
- **MBA training** - the formation of a strategic vision and a systematic understanding of the business processes of production;
- **program "Lean 6 Sigma"** - training specialists in the methodology of lean production;
- **English club** – development of technical English for employees;
- **the program "Zhas Maman"** - training young specialists for production in the main factory professions from among school graduates;
- **dual education program** - a project for students of specialized colleges and universities on combining theoretical knowledge and practical skills in production;
- development of the institution of **internal coaches, mentoring** with the condition of providing motivational payments;
- development of **the sub-faculty of "Chemical Technology of Organic Substances"**, Atyrau University of Oil and Gas named after S. Utebayev.

Lean 6 Sigma

The Lean 6 Sigma project has been introduced at the enterprise since 2016 in order to reduce all types of defects and losses by eliminating their root causes,

In 2019, in addition to the already trained workers, 2 groups of the “green belt” level with a total of 11 people and two groups of the “black belt” level of 9 people underwent theoretical training.

At present time trained

36 persons

by the level of "green belts"

9 persons

by the level of "black belts".

Zhas Maman

According to the new recruitment in 2019, at the expense of the enterprise, under the "Zhas Maman" program, they are trained in the main factory specialties:

at the RSU named after Gubkin, Moscow	8 students
at USPTU, Ufa	2 students
at MGIMO, Moscow	1 student

Trilateral agreements have been signed, payment has been made to universities for the first year of study, and scholarships are paid to students in order to create favorable conditions for study,

In 2020, work in this direction will continue. In addition, within the framework of the "Zhas Maman" program, as well as to motivate the best students of Atyrau University of Oil and Gas and their future employment, it is planned to resume competitions for 10 factory scholarships for students of AUOG named after S. Utebayev.

In 2019 year completed their training and were employed at the plant

4 graduates

of program "Zhas Maman"

In total, in 2019, completed an internship at the enterprise

187 students

Working with universities

In order to train specialists to work at the plant's technological units in the main specialties of the chemical and technological profile, "Atyrau Refinery" LLP entered into memorandums and agreements on cooperation with 9 leading technical universities and three SEI in the cities of Atyrau, Almaty, Astana, Uralsk and Shymkent. Within the framework of these agreements, all types of student practices were organized, assistance was provided in the preparation of scientific papers, course and diploma projects. For each student, mentors of practical training were assigned from among the highly professional workers of the plant.

Within the framework of social partnership, joint work with universities is carried out in the following areas:

- plant managers are members of the Boards of Trustees of educational institutions;
- specialists of "Atyrau Refinery" LLP participate in the coordination of the subjects of term and diploma works of students, participate in the qualification commissions for taking exams and defending final qualification works (diploma projects);
- employees of "Atyrau Refinery" LLP take part in conferences, seminars, open days, job fairs and other similar events aimed at expanding cooperation;
- teachers undergo training in the main and auxiliary workshops of the plant;
- together with NJSC "Atyrau University of Oil and Gas named after S. Utebayev "and LLP "Higher College APEC PetroTechnic " have developed training programs on technological installations of the plant for production personnel.

Dual training

In order to train young specialists in production, a dual training program has been implemented since 2016.

In 2019, 3 young technologists from among those who completed practical training under the dual program were employed at the plant.

In 2019 year, 57 students underwent industrial training and practical training in the dual system, including:

10 students	Kazakh-British Technical University with a specialization in "Chemical technology of organic substances"
25 students	NJSC "Atyrau University of Oil and gas to them. S. Utebayev "in the specialties:" Chemical technology of organic substances "and" Technological machines and equipment"
12 students	LLP "Higher College APEC PetroTechnic"with a degree in Chemical Engineering Technology"
10 students	Atyrau Higher Polytechnic College named after S. Mukashev on specialty: "Technology of oil and gas processing" and "Technical maintenance and repair of equipment for the oil and gas industry "

10 students-dualists of AUOG them.
S. Utebayeva completed an internship at PJSC "Omskneftekhimproekt".

During practical training at the plant, students are provided with overalls, personal respiratory protection, mentors from among experienced and highly qualified workers are assigned to them, compensation is paid based on the time sheet in the amount of 1 Monthly Calculation Index (42 500 tenge per month).

PERSONNEL PROFESSIONAL KNOWLEDGE CONTROL (PPKC)

The primary goal PPKC is the development of technical literacy of production personnel and the deepening of professional knowledge, the formation of employees' understanding of which area it is necessary to develop independently or with the help of mentors.

The certification of engineering and technical workers and the verification of the knowledge of the service personnel carried out in 2019 showed that along with high indicators of the professional level of employees, there are bottlenecks in personnel training. To eliminate them, it is necessary to monitor the level of professional knowledge of the operating personnel of technological installations.

With this purpose, the "Atyrau Refinery" LLP introduced the program "Control of the level of professional knowledge" (hereinafter referred to as PPKC) to determine the level of professional knowledge on technological installations in the electronic testing system with automatic output of test results (scorecard).

The score “unsatisfactory” revealed by the test results is defined as the “growth zone” of the employee.

The elimination of the revealed gaps in knowledge occurs in the workplace with the help of assigned internal trainers, mentors from among senior operators, shift supervisors, plant managers, operational coordinators, production managers, or in the course of additional training.

The control of the level of professional knowledge is carried out on a quarterly basis, this allows one to make sure of growth, or stopping in place, or lagging behind in certain parameters.

The PPKC program being implemented at "Atyrau Refinery" LLP received a positive assessment from JSC NC "KMG" and was recommended for use at other enterprises of the group of companies.

STATUS OF "THE PROFESSIONAL KNOWLEDGE CONTROL OF PERSONNEL" PROGRAM

Staff coverage based on the results of 3 stages of testing for 2019:

1 stage → **84**%

2 stage → **90**%

3 stage → **92** %

Testing indicators by structural divisions-leaders:

1 place → CLF (average indicator on the basis of 3 stages **69**%)

2 place → PAH (average indicator on the basis of 3 stages **66**%)

3 place → DCR (average indicator on the basis of 3 stages **64**%)

OUR GOALS:

Development zones	2019	2020
85-100% (green zone)	12%	40%
50-85% (yellow zone)	70%	60%
0-50% (red zone)	18%	0%

COLLECTIVE AGREEMENTS
SOCIAL PROJECTS

COLLECTIVE AGREEMENTS

In accordance with the Collective Agreement and the Rules for the provision of social support, in 2019 all employees of the "Atyrau Refinery" LLP were provided with a guaranteed social package. In addition, all workers in 2019 were provided with new overalls. 10 new buses and 11 pick-up trucks were purchased to move and deliver workers. For the most complete involvement of employees in the implementation of the strategic goals and objectives of the enterprise, a brochure "Model of corporate behavior" was published, the main theses of which were SAFETY, QUALITY, STABILITY and others.

In addition, certain categories of employees were additionally provided with the following benefits and payments:

- benefits for preschool children;
- one-time financial assistance for the purchase of school supplies;
- organization of recreation for employees' children in summer health camps "English summer", "Tau Samal" (Almaty), "Sunkar" (Kokshetau).

Also, during the holidays, within the framework of the "Menin Elim" social investment program, the project Children's sightseeing train "Tugan elge sayakhat "was implemented. It was attended by three children from large families of plant workers. The tour for children went along the route Astana - Baikonyr - Turkestan - Almaty with visits to historical sites in these cities and other entertaining and educational activities;

- material assistance when employees reach 50, 60 years old;
- material assistance in connection with the conclusion of the first marriage;
- financial assistance for the birth of a child.

As part of social support for non-working pensioners of the plant, the following types of social assistance were provided:

- monthly supplement to pension;
- financial assistance for holidays;
- financial assistance for anniversaries;
- medical support;
- material assistance for funeral services for employees and pensioners;
- rent of apartments for invited workers.

In order to maintain continuity and exchange of experience, an Advisory Body for Production Veterans was established at the plant, at whose meetings the development of the "Atyrau Refinery" LLP, the use of the latest methods and technologies of work are discussed, the advice and recommendations of the older generation are listened to and taken into account.

For the development of multilingualism among employees, on the initiative of the general director of the plant, the English Club was created at the "Atyrau Refinery" LLP in 2019. Its goal is to improve the technical English language among the staff serving technological processes, mastering the necessary terms. The members of the club are production and technical workers who learn to conduct presentations in English and accompany foreign delegations arriving at the plant.

Within the framework of the Year of Youth announced by the President of the Republic of Kazakhstan:

- More than 20 promising young professionals who do not have housing received housing loans for the purchase of apartments;
- a 100-apartment building is under construction in the new residential complex Viktory Park.

CORPORATE AND EXTRACURRICULAR ACTIVITIES

Sport

The plant pays special attention to the maintenance and development of mass sports. Work is underway to support the factory sports teams and individual athletes- factory workers, they are provided with the necessary financial resources to participate in city-wide, republican and international sports competitions.

In 2019, the following sporting events were organized at the "Atyrau Refinery" LLP:

- winter sport fishing competitions;
- volleyball tournament among women's and men's teams for the International Women's Day on March 8;
- sports competitions in honor of Nauryz-meiramy and the Day of workers of the oil and gas complex;
- qualifying tournaments in billiards, chess, checkers, table tennis;
- a mini-football tournament dedicated to the Day of the First President of the Republic of Kazakhstan among the labor collectives of "Atyrau Refinery" LLP and outsourcing companies;
- competitions in volleyball, mini-football, billiards among production commanders on the occasion of the Independence Day.

Cultural and festive events

A long-term good tradition at the plant is mass cultural events, which gather the whole team: evenings, holidays, contests, shows, meetings.

In 2019, the workers together and with enthusiasm celebrated International Women's Day on March 8, Nauryz-meiramy, the Great Victory Day.

The "Miss Atyrau Refinery" contest and the children's drawings competition for the Children's Day were filled with vivid impressions.

In honor of the Day of Oil and Gas Industry Workers, a solemn meeting was held with the awarding of honored workers of the refinery, and on the weekend the team organized a field trip with sports competitions and a concert program.

For the International Day of Older Persons, the housing of the lonely retirees of the plant was prepared for the winter period. A charitable visit to a nursing home took place.

On the eve of the Independence Day of the Republic of Kazakhstan, a solemn meeting and rewarding of the plant employees took place.

SOCIAL STABILITY RATING

The social stability index of "Atyrau Refinery" LLP in 2019 was 74%. Compared to 2018, it grew by 8 subpoints.

> The increase in the Index value is the result of a change in the engagement indicators by + 5 sp, the social well-being index by + 8 sp, the social peace index by + 9 sp.

PROFESSIONAL SKILLS COMPETITION "UZDYK MAMAN"

In order to strengthen motivation, develop the initiative and to assess the professional skills of representatives of blue-collar occupations of the main industries of "Atyrau Refinery" LLP, in accordance with the approved Regulations on the "Uzdyk Maman" competition, an internal competition "Uzdik Maman-2019" was held.

In 4 nominations in 2 age categories, the winners of the internal competition were determined, which were represented by "Atyrau Refinery" LLP at the "Uzdyk MaMan-2019" competition among the subsidiaries and dependent companies of JSC "NC KMG" in Almetyevsk, the Republic of Tatarstan, Russia.

In addition, "Atyrau Refinery" LLP employees took part in the BEST IN PROFESSION 2019 competition, which was held at "Gazpromneft-Moscow Refinery".

CODE OF BUSINESS ETHICS

In 2019, serious and comprehensive work was carried out on the development of a draft new version of the Code of Corporate Ethics of "Atyrau Refinery" LLP. Subsequently, the draft document was submitted for consideration by the Board of the plant.

SPARTAKIAD

In 2019, the "Atyrau Refinery" LLP regained the title of champion and the challenge Cup of Spartakiad among the subsidiaries and affiliates of JSC "NC KazMunayGas", which it possessed 4 years ago.

The team of "Atyrau Refinery" LLP showed the highest results in almost all sports, as a result, having gained 305 points, with a large margin from the rivals (Pavlodar Oil Chemistry Refinery, which took 2nd place, scored 285 points), ascended the victory podium.

It is worth noting that in 2019 for the first time an e-sports tournament was held - the game “CounterStrikeGo”, where our team beat rivals dry.

LABOR UNION

Social stability is the main issue in the activity of the primary labor union organization of "Atyrau Refinery" LLP. The labor union committee of the plant is a branch of the public association of the Labor Union of workers in the chemical, petrochemical and related industries.

The Labor union organization unites 2443 employees of the plant management, central office, structural divisions and outsourcing companies.

Labor union seeks to combine a protective function with concern for the successful operation of the enterprise, since only through an increase in production, a stable economy, high labor discipline and labor safety is it possible to improve the quality of life of workers.

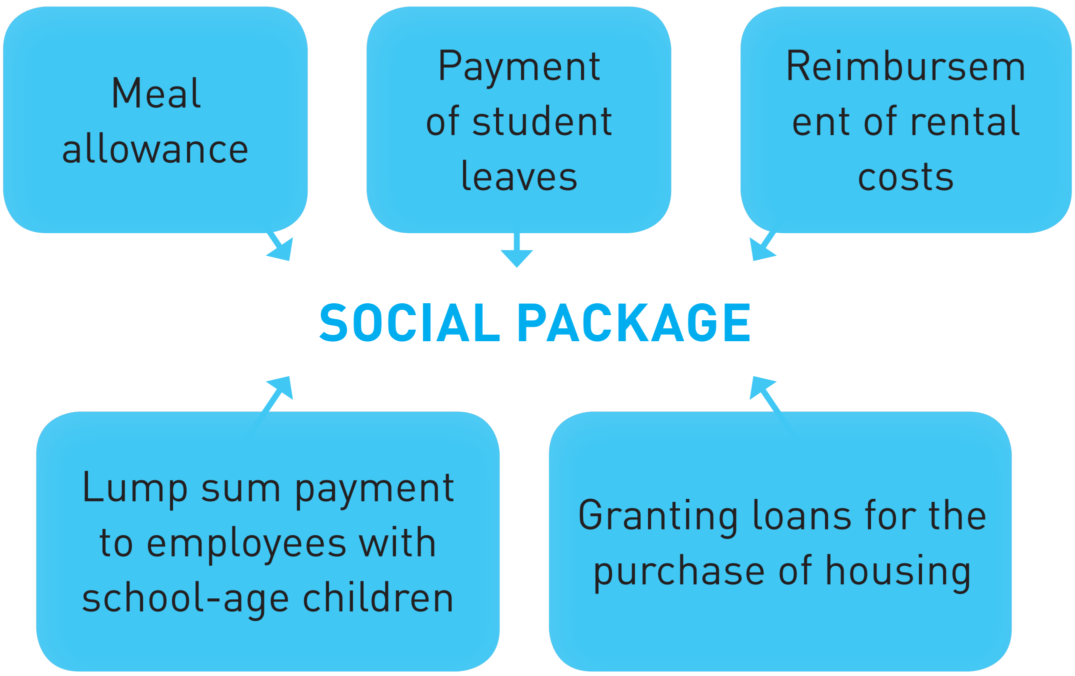
The main document for the protection of social, labor and professional rights and interests of members of the Labor Union is the Collective Agreement between the administration of the plant and the labor collective.

In March 2019, a new Collective Agreement was signed for 2019-2021. It retains the entire previous social package and introduces additional types of social support:

- a lump sum payment upon termination of an employment contract in case of inability to continue working for health reasons;
- a one-time payment upon termination of an employment contract upon reaching retirement age;
- financial assistance for organizing a funeral;
- financial assistance for annual paid labor leave;
- financial assistance in connection with the birth (adoption) of a child;
- additional payment to the allowance for temporary disability when the employee is on sick leave for more than one month in a row;
- payment for maternity leave based on the average wage minus the amount of social benefits in case of loss of income due to pregnancy and childbirth;
- provision of paid social leave;
- provision of hot meals;
- benefits for employees studying in educational institutions in the main factory specialties on the job;
- partial compensation for the cost of summer vacations for employees' children;
- medical insurance and others.

According to the new edition, the social package of the factory workers was additionally expanded, namely:

- since April 2019, food subsidies have been issued to all employees on the payroll, additional costs in the budget amounted to 119.1 million tenge, in general in 2019 - **326.8 million tenge;**
- a one-time payment to employees with school-age children for the purchase of school supplies in the amount of 100 thousand tenge for each child, an additional **89 million tenge** was allocated for these purposes in 2019;
- payment of student leave has become differentiated. Previously, payment was made to students only in factory specialties. According to the new rules, employees who study independently in factory specialties will be paid 2 minimum Monthly Calculation Indexes (85,000 tenge), the rest of the students - 0.25 Monthly Calculation Index (10,625 tenge);
- reimbursement of rental costs for young professionals and employees accepted by invitation;
- providing loans to employees for the purchase of housing, according to the housing program.



In general, in 2019, the cost of social support for employees amounted to 1,760.6 million tenge, per employee - 1,067 million tenge Compared to 2018 the growth was 3.6%

One of the main aspects of the Collective Agreement is the level of wages The management and the labor union of the plant pays great attention to increasing wages The average salary for 2019 at "Atyrau Refinery" LLP was **535,979 tenge.**

A conciliation commission on labor disputes has been established and operates at the plant

The labor union committee allocates the necessary funds from the labor union budget to provide material assistance to workers in dire need and retirees - former workers of the plant in agreement with the Managing Board

Constant assistance is provided to the women's council, the council of veterans, the council on youth affairs, for the implementation of activities for the development of mass physical culture and sports, health-improving work, the development of the creative potential of workers, the encouragement of participants in amateur performances

The Managing Board and the Labor Union Committee actively cooperate in matters of protecting the health of workers, ensuring safety, improving working conditions. At the labor union committee, technical inspectors for labor protection are actively working

In 2019, the technical inspector for labor protection of "Atyrau Refinery"LLP, the operator of the Deep Conversion Refinery Yerzhan Ulan took part in the I republican competition "The best technical inspector for labor protection" of the Federation of Labor Unions of the Republic of Kazakhstan, in which he took 2nd place and was awarded a Diploma and cash the prize of the Federation of Labor Unions, a Certificate of Honor and a valuable gift from the branch labor union.

ENVIRONMENTAL PROTECTION

The priority areas in the field of environmental protection of "Atyrau Refinery" LLP are:

- management of emissions of pollutants and greenhouse gases;
- water resources management;
- improving energy efficiency;
- production and consumption waste management.

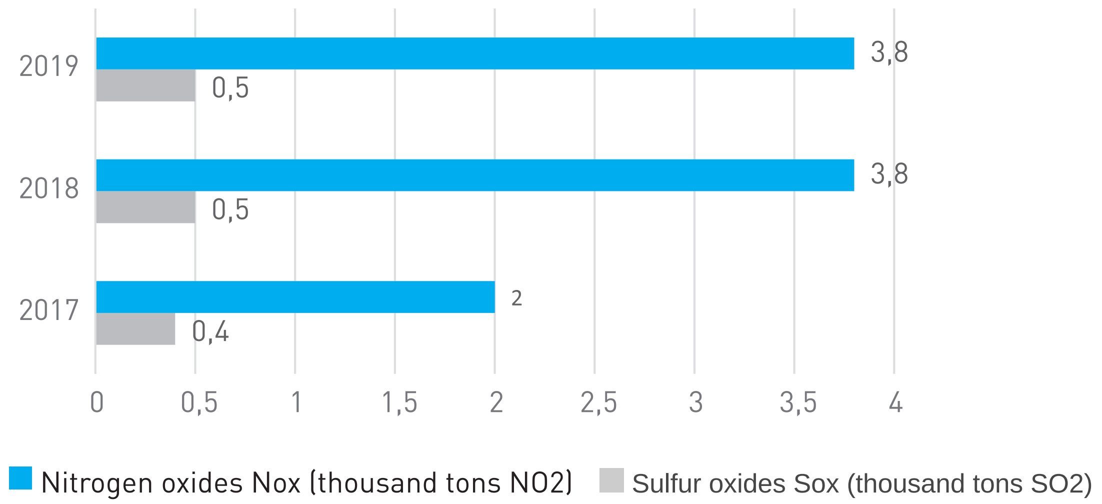
In order to improve the environmental situation in the city of Atyrau at "Atyrau Refinery" LLP, the "Tazalyq" project is being implemented, the main task of which is to minimize the environmental impact of "Atyrau Refinery" LLP. The project will have a significant environmental saving effect by bringing the quality of wastewater treatment to normative indicators and termination of the operation of evaporation fields This will exclude the negative impact of production on groundwater, flora, fauna and atmospheric air of the city of Atyrau.

"Atyrau Refinery" LLP is constantly improving approaches to environmental management and allocates the necessary resources for environmental protection in order to effectively manage environmental risks. Environmental costs include the payment of taxes for regulatory emissions, costs for environmental protection measures, insurance in the field of environmental protection

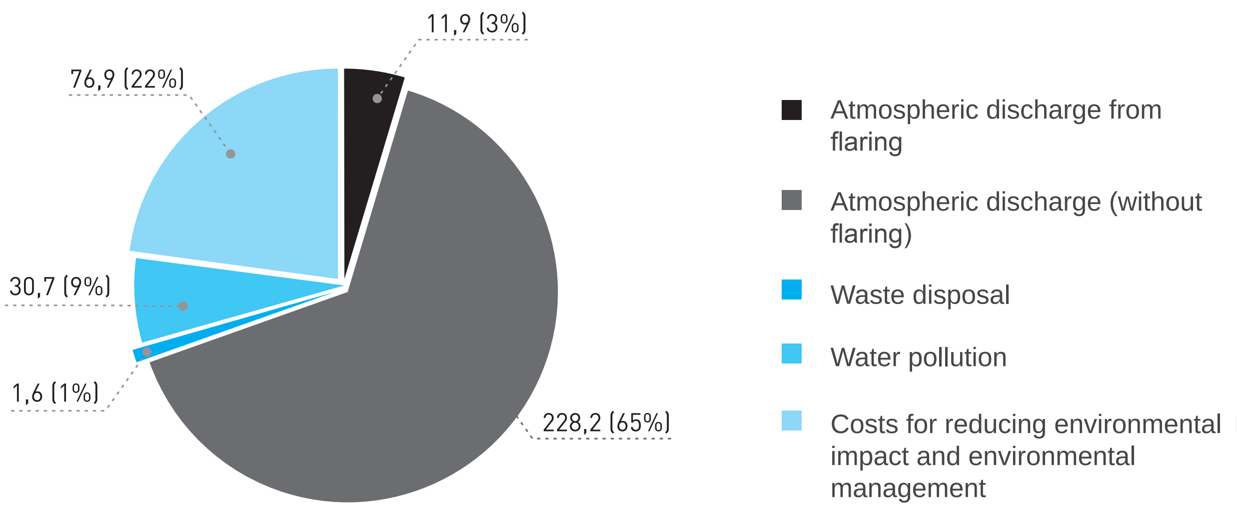
"Atyrau Refinery" LLP strives for continuous improvement of the environmental management system, actively interacts on environmental issues with all stakeholders, publishes information on all environmental aspects on an annual basis, thereby constantly reaffirming its commitment to openness and responsibility to society.

INFORMATION ON ENVIRONMENTAL INDICATORS "ATYRAU REFINERY" LLP

Emissions of pollutants



Structure of environmental payments for 2019 year, KZT mln



UNIFIED SYSTEM OF INTERNAL COMMUNICATIONS

For the effective functioning of the internal communication system at the plant, the orderly use of internal communication channels, the formation of responsibility for the dissemination of reliable and unbiased information, in 2019, the Rules for a single system of internal communications were developed.

The rules determine the procedure, conditions for creating and maintaining feedback between the employer and employees in order to improve the socio- psychological climate in the work collective.

The tasks of a unified system of internal communications are to receive feedback from the management and employees of the plant, timely inform the team about the activities of the enterprise, and form a positive image of the "Atyrau Refinery" LLP among employees.

SPONSORSHIP AND CHARITY

Based on an extract from the Minutes of the meeting of the Consultative Council on Sponsorship and / or Charitable Aid of JSC NWF "Samruk-Kazyna" No. 118-06/325 dated 01.22.2015, a decision was made to suspend the provision of sponsorship and charitable assistance by subsidiaries and dependent fund enterprises.

However, by the decision of the Board of Directors of JSC "Samruk-Kazyna" dated January 28, 2016 No. 126, the Charity Policy of the Fund and the Charity Program of the Fund were approved.

According to the new Charity Policy of the Fund, all charitable activities of the group of companies of the Fund are carried out by the "Samruk-Kazyna Trust" Social Projects Development Fund, which implements socially significant projects through selection on a competitive basis.

PURCHASING AND LOCAL CONTENT

The total volume of purchased goods, works and services for LLP "Atyrau Refinery" at the end of 2019 is 58 billion tenge Local content was 55%, including for goods - 44%, works and services - 67%.

Safety and labor protection at "Atyrau Refinery" LLP for 12 months of 2019 year

№	Показатели	Ед.	2019	Примечание
1	Number of fatal accidents	prs	0	
2	Number of accidents at work	prs	1	**Circumstances of the accident:** At 09 hours 15 minutes on August 1, 2019, the operator of the 6th grade overpass fell from the tank car to the zero mark during the operation of loading fuel oil on the loading and unloading overpass of dark oil products **Accident severity:** Refers to severe work- related injuries **Accident reason:** Not using available fall protection equipment when working at height
3	Eoll of the road	actual/ prs	0	
4	Number of occupational diseases	prs	0	
5	Number of OSH trainings	prs	225	
6	Number of fire and gas safety trainings for plant employees	prs	1501	
7	The costs of training in OSH, fire and gas safety	mln tenge	11,4	

CORPORATE GOVERNANCE
REPORT

MANAGEMENT STRUCTURE
"ATYRAU REFINERY"LLP

GENERAL MEETING OF FOUNDERS

For the reporting year 2019, the General Meeting of Participants of "Atyrau Refinery" LLP considered **15 issues** at 6 meetings, of which:

on changing the composition of the Supervisory Board (on the re-election of the Chairman of the Supervisory Board)	**1**
on changing the composition of the Managing Board (on the re-election of the General Director, individual members of the Managing Board)	**3**
on the approval of financial statements and distribution of net income of "Atyrau Refinery"LLP for 2018 year	**1**
on compensation payments to members of the MB of "Atyrau Refinery" LLP	**1**
on approval of transactions for the amount over 8 000 000 000 tenge	**9**

Information from the register of participants of "Atyrau Refinery" LLP

	Participant name	The ratio of the size of the share owned by the participant of the LLP to the authorized capital of the LLP (in percents)
2	JSC NC "KazMunayGas"	99.53619433
2	LLP "Almaz International Trading Company"	0.08747775
3	LLP "Company AG Securities" (revoked license)	0.00319197
3	LLP "AG Securities"	0.00078335
5	Individuals (4003 participants)	0.37235260

Ps: Information compiled on the basis of data from the accounting system JSC "Central Securities Depository", as of December 26, 2019 accounting systems

SUPERVISORY BOARD

For the reporting 2019 year by the Supervisory Board of "Atyrau Refinery LLP" at **9 meetings** considered **30 questions**, of which 29 questions in face- to-face meetings

The Supervisory Board carried out its activities in accordance with the Work Plan for 2019, approved by the decision of the Supervisory Board of "Atyrau Refinery" LLP dated March 12, 2019, Protocol No. 118

In 2019 reviewed and accepted decisions:

On HR issues:

- on the approval of the total employees number of
- "Atyrau Refinery" LLP as of 1 690 people;
- on the temporary assignment of the duties of the secretary of the Supervisory Board to the secretary of the Atyrau Refinery Board;
- on the appointment of a new secretary of the "Atyrau Refinery" LLP Supervisory Board from September 4, 2019;

on issues related to the approval of 11 documents regulating the internal activities of the Partnership, including such significant documents as:

- the rules for the formation, coordination, approval and monitoring of the tariff for the processing of tolling oil by "Atyrau Refinery" LLP;
- rules for organizing financing for the acquisition of a dwelling place by an employee of "Atyrau Refinery" LLP;
- rules for remuneration of employees and assessment of the work of employees of the "Atyrau Refinery" LLP, providing for a new remuneration system and the introduction of a grading system operating in the "PetroKazakhstan Overseas Services Inc." LLP group of companies (hereinafter - PKOSI);

on issues related to adjustments and approval of the Atyrau Refinery's business plan - adjustments for 2019-2023 and approval for 2020-2024;

on issues related to the assessment and payment of remuneration to executives at the end of 2018, quarterly bonuses - to the secretary of the Supervisory Board (1, 2 and 3 quarters), approval of the KPI of executives and goals of the secretary of the Supervisory Board for 2019;

on issues related to the preliminary approval of the annual financial statements of the "Atyrau Refinery" LLP for 2018, the determination of the auditing organization for 2019-2021, the approval of the Work Plan of the Supervisory Board for 2019, the conclusion of a transaction, the cost of which is 25 percent or more of the total value of the assets of Atyrau Refinery LLP, on the increase in the financial liabilities of Atyrau Refinery LLP by an amount of more than 500 000 000 tenge;

The Supervisory Board of the Limited Liability Partnership "Atyrau Oil Refinery" is the body exercising, within the limits of its powers, control over the activities of the Management Board of the Partnership, which organizes its activities in accordance with the legislation of the Republic of Kazakhstan and the Charter of the Partnership.

The Supervisory Board (SB) organizes its activities in accordance with the legislation of the Republic of Kazakhstan, the Charter, as well as the internal documents of the Partnership and other documents approved by the General Meeting of Participants (GMP)

The objectives of the SB are to control the activities of the executive body of the Partnership, ensure the realization of interests and protect the rights of participants

Competence of the SB is determined by the legislation of the Republic of Kazakhstan and the Charter The Supervisory Board is not entitled to make decisions that contradict the decisions of the GMP

Payment of remuneration to members of the Supervisory Board (representatives of JSC NC "KazMunayGas") is not provided

KEY COMPETENCES OF THE SUPERVISORY BOARD OF "ATYRAU REFINERY" LLP

- Approval of the Business plan and annual budget, adjustments to them and monitoring of implementation;
- Preliminary approval of the annual financial statements;
- Approval of the total number of employees;
- Approval of the general risk appetite of the Partnership;
- Approval of the partnership's corporate KPIs, motivational KPI cards for executives and their target values, as well as the final performance of KPI maps, determination of the size of official salaries and wage conditions, bonuses, payment of awards and social support of the Partnership's executives;
- Conclusion of transactions, the value of which is 25 percent or more of the total value of the assets of the Partnership;
- Increase in financial liabilities (loans, borrowings, financial assistance, guarantees) by an amount of more than 500 000 000 (five hundred million) tenge.

RESPONSIBILITY OF MEMBERS OF THE SUPERVISORY BOARD

In accordance with the Charter of "Atyrau Refinery" LLP:

- The Supervisory Board is responsible to the General Meeting of Participants.
- Members of the Supervisory Board are liable for losses caused by actions (inaction) as a result of improper implementation by the Supervisory Board of control over the activities of the executive body of the Partnership, in the manner prescribed by the legislation of the Republic of Kazakhstan.
- Members of the SB may be held liable at the request of the organizational structure of Administration/Management, while they are jointly and severally liable for losses caused by their joint implementation of improper control over the activities of the executive body of the Partnership.
- Members of the Supervisory Board can be jointly and severally held liable to third parties subsidiary with the Partnership for losses incurred by these persons as a result of insolvency (bankruptcy) of the Partnership caused by improper control over the activities of the executive body of the Partnership.

SUPERVISORY BOARD

Election and early termination of powers of the Chairman and members of the Supervisory Board, the quantitative composition, term of office of the Supervisory Board are determined by the General Meeting of Participants of "Atyrau Refinery" LLP.

Daniyar Suinshlikovich Tiesov was elected the Chairman of the Supervisory Board since February 15, 2019 (the protocol of the General Meeting of Participants No. 130 of February 15, 2019).

The Chairman is responsible for the management of the Supervisory Board and ensures its efficient operation, convenes and presides over the meetings of the Supervisory Board. During the meetings, the chairman ensures a free discussion of agenda issues, contributes to the development of balanced decisions.

COMPOSITION OF THE SUPERVISORY BOARD

TIYESSOV Daniyar Suinshlikovich

Chairman of the Supervisory Board of "Atyrau Refinery" LLP

Deputy Chairman of the Managing Board for Oil Refining and Marketing of JSC NC "KazMunayGas"

Was born: On the December 6, 1970.

Education: in 2002 graduated from the Atyrau Institute of Oil and Gas with a degree in Technological Engineer

In 1991 graduated from the East Kazakhstan State University with the qualification "Lawyer"

Work experience: began his labor activity in 1994 as a manager of the small enterprise "Manas", then worked as a manager in "Bata" LLP and as an executive director in "Abyz" LLP

Since 1999 – Assistant to the First Vice President, Secretary of the Board of Directors of OJSC "Atyrau Refinery". In the same year, starts working at CJSC "NOC Kazakhoil" as Chief Manager, Deputy General Manager of the Group for Project Management for Reconstruction of OJSC "Atyrau Refinery" LLP, Head of the Control Sector for current activities, chief specialist of the sector corporate governance and monitoring of the current activities of the project management department of the "Atyrau Refinery" LLP.

In 2002, was appointed as the Deputy Director of the Oil, Gas and Petrochemistry Department, then - Deputy Director of the Petrochemistry Development Department of CJSC "NC KazMunay Gas"

From 2003 to 2006 he worked as the head of the capital construction department, the general director of the Directorate of the enterprise under construction, the financial director of the Directorate of the enterprise under construction LLP "ANPZ".

In 2006, he was appointed as Deputy General Director for Production of JSC "Trading House "KazMunayGas".

From 2009 to 2013 - Deputy Chairman of the Managing Board for Refining and Petrochemicals, Managing Director for Oil Refining and Marketing, Advisor at JSC NC "KazMunayGas"

In 2013, he became Deputy Chairman of the Managing Board for Oil Refining and Marketing of JSC NC "KazMunayGas" - General Director of JSC "KazMuNayGas" - Refining and Marketing "

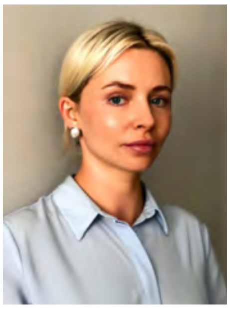
Since August 2016 - Senior Vice President of JSC NC "KazMunayGas"

Since January 2018 - Executive Vice President for Oil Transportation, Refining and Marketing of JSC NC "KazMunayGas"

Since February 2019 - Deputy Chairman of the Managing Board for Oil Refining and Marketing of JSC NC "KazMunayGas"

Awards:

Awarded with the medal "Qurmet", medals "20 years of the Constitution of the Republic of Kazakhstan" and "25 years of Independence of the Republic of Kazakhstan", the Certificate of Merit and the Certificate of Honor of JSC NC "KazMunayGas"; a diploma of the Chairman of the Board of JSC "NWF" Samruk- Kazyna "" For demonstrated leadership in promoting the goals of transformation "and a jubilee medal for the 20th anniversary of the civil protection service of the Emergency Situations Committee of the Ministry of Internal Affairs of the Republic of Kazakhstan



MELNIK Victoria Evgenievna

Member of the Supervisory Board of "Atyrau Refinery" LLP

Head of the Operations Management Division of the Oil Refining Department of JSC NC "KazMunayGas"

Was born: July 27, 1985

Education: in 2008 graduated from the Omsk State University named after F.M. Dostoevsky with a degree in Finance and Credit, Exchange Business with the qualification "Economist"

Work experience: began her career in 2005 as an economist of the 2nd category of the planning and economic department of Manufacturing Company LLP "KSP Steel"

In 2010-2011, worked in "Refinery Company RT" LLP, which was engaged in the sale of oil and oil products, as a manager of the economic analysis and budgeting service

In 2012-2014 - Deputy Director of the Department of Economic Analysis and Business Planning at "Eurasia Munay Impex" LLP, a subsidiary of JSC "KazMunayGas Refining and Marketing"

From 2014 to 2016 - General Manager, Head of the Financial Analysis and Business Planning Service of LLP "KazMunayGas-Aero", engaged in the sale of aviation fuel, fueling of aircrafts.

In 2015-2016, worked as Deputy Director of the Department for Investment Planning and Tariff Regulation of JSC "KazMunayGas Refining and Marketing"

In 2016-2017 - Chief Manager of the Oil Refining Department of JSC NC "KazMunayGas", Deputy Director of the Department for Project Management of Modernization of JSC NC "KazMunayGas"Refinery

From August 2017 to the present - Head of the Operations Management Division of the Oil Refining Department of JSC NC "KazMunayGas"

Awards: awarded with Certificates of Honor and medals LLP "Pavlodar Oil Chemistry Refinery", LLP "JV" CASPI BITUM", JSC "KazMunayGas-processing and marketing", JSC NC "KazMunayGas".

DANDYBAYEVA Zhanara Auezkhanovna

Member of the Supervisory Board of "Atyrau Refinery" LLP

Deputy Director of the Corporate Finance Department of JSC NC "KazMunayGas"

Was born: May 20, 1978

Education: In 1999 graduated from the Faculty of Economics of the Kostanay Agricultural Institute, qualification "Economist-financier"

In 2002 she graduated from the International Academy of Business in Almaty, receiving an academic degree of Master of Science in the specialty "Economics and Management in the Social Sphere and Industries"

Work experience: she began her career in 1999 as a specialist in the field of research of geophysical services of the marketing department of JSC "Kazakhstankaspiyshelf".

From 2000 to 2002 she worked in the service company LLP "GIS-Center" as a project manager

From 2002 to 2011, she worked at JSC "KazMunayGas Trading House" in the following positions: Chief Manager of the Development Department, Department of Oil Products Sales and Retail Network Development, Department of Corporate Development and Investment Management, Chief Manager and Deputy Director of the Corporate Development Department and financing

From 2011 to 2013, she worked as a category 1 manager of the oil refining and petrochemistry department, a category 1 manager and an expert in the oil refining and petrochemical development department of JSC NC "KazMunayGas"

From 2013 to 2016, she worked at JSC "KazMunayGas" - Refining and Marketing "Deputy Director of the Corporate Finance Department

In 2016–2017, she held the positions of the chief manager of the refinery modernization management department, the head of the treasury and corporate finance department of the economy and finance department of the TPM Division of NC JSC" KazMunayGas" From December 2017 to the present, she has been working as Deputy Director of the Corporate Finance Department of JSC NC "KazMunayGas"

Awards: Awarded with Certificates of Honor and medals JSC "Trading House" KazMunayGas", LLP "ANPZ ", JSC "KazMunayGas-PM", JSC NC "KazMunayGas".

MANAGING BOARD

The Managing Board of "Atyrau Refinery" LLP is a collegial executive body that manages its current activities, implements decisions of the General Meeting of Participants and the Supervisory Board of "Atyrau Refinery" LLP

The chairman and members of the Managing Board are obliged to ensure the integrity of the accounting and financial reporting systems, including the conduct of an independent audit, taking the necessary measures to prevent damage

The chairman and members of the Board of the Atyrau Refinery are prohibited from entering into transactions with the Atyrau Refinery without the consent of the organizational structure of Administration/Management, aimed at obtaining property benefits from it (including agreements of donation, loan, gratuitous use, purchase and sale, etc.) Receiving remuneration from both "Atyrau Refinery" LLP and third parties for transactions concluded by the "Atyrau Refinery" LLP and third parties, to act on behalf of or in the interests of third parties in their relations with the "Atyrau Refinery" LLP

The competence of the Managing Board includes all issues of ensuring the activities of the "Atyrau Refinery" LLP, which are not related to the competence of other bodies of the Partnership, determined by legislation, the Charter or rules and other documents adopted by the General Meeting

The Managing Board makes decisions:

- on the conclusion of the "Atyrau Refinery" LLP transactions, with the exception of transactions
- referred by legislation and / or the Charter of the Partnership to the competence of other bodies of the Partnership;
- makes decisions on increasing the financial liabilities of the "Atyrau Refinery" LLP (loans, credits, financial assistance, guarantees) by an amount ranging from 1 to 10 percent of its equity capital;
- approves the annual financial statements;
- coordinates and directs the work of branches and representative offices of the Partnership;
- ensures the development and submission for approval of the Supervisory Board of the accounting policy and tax accounting policy of the "Atyrau Refinery" LLP, promptly notifying the Supervisory Board of the status of key risks of the Partnership;
- prepares for consideration by the OSA and SB of "Atyrau Refinery" LLP documents on
- issues, the adoption of decisions on which is within their competence, acting in the interests of "Atyrau Refinery" LLP in good faith and reasonably

MEMEBERS OF MANAGING BOARD

(as of December 31, 2019)

DANBAY Shukhrat Abdurashitovich

Chairman of the Managing Board of "Atyrau Refinery" LLP

Was born on December 11, 1963 in the city of Kentau, South Kazakhstan region

Graduated from the "Kainar" University with a degree in International Economic Relations, the Russian Academy of National Economy and Public Administration under the President of the Russian Federation (Moscow) with a degree in Business Administration

From February 26, 2018 to October 26, 2019, he underwent professional retraining at the Russian State University of Oil and Gas named after I.M. Gubkin and received an Executive Master of Business Administration degree in the Energy Leadership program.

Over the years, he headed large commercial structures for the supply and refining of oil: he was the general director of "Gelios" LLP, the general director of the "Fuel Energy Complex of Kazakhstan" LLP; held the positions of Deputy General Director of "Pavlodar Petrochemical Plant" LLP for Economics and Finance, Executive Director of the Oil Refining and Petrochemicals Unit of NC JSC "KazMunayGas", from September 2009 to November 2017 - General Director of "Pavlodar Oil Chemistry Refinery" LLP, since June 2018 from February 15, 2019, he was Managing Director for Oil Refining of JSC NC "KazMunayGas"

He is the author of a number of articles and publications on the organization and functioning of commercial settlement at enterprises in a market economy.

Danbay Sh.A. conducts a great public work: he is the president of the NGO "Boxing Federation of the Atyrau region", was the president of the PA "Boxing Federation of the Pavlodar region", a member of the Bureau of the Political Council of the Pavlodar regional branch of the party "Nur Otan", a deputy of Pavlodar regional maslikhat of V, VI convocations

Awarded with the Medals "Qurmet" and "Parasat", the Certificate of Honor of the Chairman of the Senate of the Parliament of the Republic of Kazakhstan, the Certificate of Honor of the Federation of Labor Unions, medals: the Energy Association KAZENERGY, "Kazakhstan Republic Publications Tauelsizdigine 20","For merits in the patriotic education of youth","Kaiyrymdygyky Ushin SAUAP", in honor of the 75th anniversary of the Pavlodar region, in honor of the 45th anniversary of LLP" Engineering company "KazGiproNeft-Trans", "For loyalty to the cause"; badges "For services to the region" and "Kazakstan policemen 25 zhyl", Honorary resident of Pavlodar city.

SULEIMENOV
Erkin
Borisovich

Member of the Managing Board of "Atyrau Refinery" LLP

Was born on April 18, 1972 in Mangystau region.

In 1994 he graduated from the Atyrau Institute of Oil and Gas with a degree in "Engineer-Chemist-Technologist", in 2001 - with a degree in Engineer-Economist In 2016 he received a master's degree in business administration from the non-governmental educational institution "Almaty Management University"

He began his career as an operator of a technological unit at the "Atyrau Refinery "LLP, in different years he held the positions of head of plant installations, deputy head of a workshop, head of a technical department, chief technologist-head of a technical department, director of an oil refining department, deputy chief engineer for technology and production, Deputy Chief Engineer for Technology, Director of the Department for Reliability and Mechanical Integrity of Production Assets, Managing Director for Technology, First Deputy General Director for Production

In August 2019, he was appointed First Deputy General Director for Production - Chief Engineer of "Atyrau Refinery" LLP

AKANOVA
Luiza
Bakhtiyarovna

Member of the Managing Board of "Atyrau Refinery" LLP

Was born on February 25, 1976 in the city of Almaty.

In 1996 she graduated from the Kazakh State Academy of Management with a degree in Economist, Accounting and Audit

Over the years, she held the positions of head of the reporting sector of issuers, chief specialist, leading specialist of the National Securities Commission of the Republic of Kazakhstan; chief specialist of the financial supervision department of the National Bank of the Republic of Kazakhstan; Chief Specialist of the Department for Supervision of Securities Market Entities and Accumulative Pension Funds of the Agency of the Republic of Kazakhstan for the Regulation and Supervision of Financial Market and Financial Organizations

Since 2016, she worked in the following positions: Chief Manager, Deputy Director, Director of the Department of JSC NC "KazMuNayGas", Director of the Department of JSC "KazMunayGas Refining and Marketing", Director of the Asset Management Directorate of the Refining and Marketing "JSC NC" KazMunayGas ", director of the asset management department of JSC NC" KazMunayGas "

In April 2019, she was appointed Deputy General Director for Corporate Functions of "Atyrau Refinery" LLP

SADVOKASSOVA
Ardak
Mukanbetkalievna

Member of the Managing Board of "Atyrau Refinery" LLP

Was born on June 3, 1961 in the city of Zhezkazgan.

In 1983 she graduated from the Karaganda State University with a degree in Economist, Finance and Credit

Over the years, she held the positions of an economist of state revenues, head of the sector of taxation of income of non-state enterprises, chief tax inspector of the indirect taxes department of the State Tax Inspectorate of the Ministry of Finance of the city of Karaganda, accountant for taxes, deputy chief accountant, chief accountant of JSC "Intergas Central Asia"

Has experience in the position of chief accountant of "KazStroyService" JSC, JSC "Intergas Central Asia", "Petroleum Operating" LLP, head of the IFRS reporting department of the accounting and reporting department of JSC"MoskommertsBank" , head of the Accounting of the project"Transformation of basic business functions and implementation of ERP of JSC NC "KazMunayGas"

Since July 2018, she has been appointed as chief accountant of "Atyrau Refinery" LLP

DZHUMAGALIEV
Berik
Ganievich

Member of the Managing Board of "Atyrau Refinery" LLP

Was born on September 11, 1963 in the city of Karaganda.

In 1985 he graduated from the Karaganda State University with a degree in Jurisprudence

Over the years, he held the positions of an inspector for the work of administrative bodies of the Karaganda City Executive Committee, a legal adviser, a deputy director for commercial issues, a financial director of the Marketing Technologies company, a senior economist of the foreign exchange operations department of the Russian Coal and Raw Materials Joint Bank, deputy head of the department for work with branches, head of the legal department of the legal department of JSB "Kazkommertsbank", director of the legal department of CJSC "Bank TuranAlem", deputy director of "Kazakhstan Legal Group" LLP

He was appointed to the position of the head of the department of the Committee for State Material Reserves of the Ministry of Energy, Industry and Trade of the Republic of Kazakhstan, Director of the Legal Department, Vice President of the "Astana Holding" Corporation, Deputy Chairman of the Management Board for Administration of Subsidiary JSC "Oil TME", Director of Legal Affairs of JSC "Tran-ko", Director of the Business Support Department of "Atyrau Refinery" LLP

In March 2019, he was appointed as Director of the Legal Support Department of "Atyrau Refinery" LLP

ACTIVITY OF THE MANAGING BOARD

During 2019, the Managing Board of "Atyrau Refinery" LLP made 177 decisions.

REMUNERATION FOR MEMBERS OF THE BOARD

The total amount of remuneration of executive employees-members of the Management Board of "Atyrau Refinery" LLP at the end of 2019 amounted to 231,6 million tenge, which includes the sum of annual salaries and short-term remuneration of members of the Management Board in cash paid to "Atyrau Refinery" LLP during their being a member of the Managing Board in 2019, in accordance with the Rules for remuneration of executives and the secretary of the Supervisory Board of "Atyrau Refinery" LLP (approved by the decision of the Supervisory Board of "Atyrau Refinery" LLP dated 03.04.2019, Protocol No. 119).

SHAREHOLDING

A member of the Managing Board of "Atyrau Refinery" LLP Suleimenov Erkin Borisovich has a 0.00007003% share of participation in "Atyrau Refinery" LLP, other members of the Managing Board and the Supervisory Board have no share.

FINANCIAL STATEMENT

QazMunaiGaz

AMÓZ

ATYRAÝ MUNAI ÓNDEÝ ZAÝYTY

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«Эрнст энд Янг» ЖШС
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Republic of Kazakhstan
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Independent auditor's report

To the Participant, Supervisory board and management of "Atyrau Refinery" LLP

Opinion

We have audited the financial statements of "Atyrau Refinery" LLP (the Company), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its 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 financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 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 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 financial statements.

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Impairment of property, plant and equipment

We considered this matter to be one of the most significance in the audit due to materiality of the balances of property, plant and equipment to the financial statements, the high level of subjectivity in respect of assumptions underlying impairment analysis and significant judgements and estimates made by management. In addition, the combination of volatility in oil prices and Tenge, increased inflation and cost of debt and uncertainty about future economic growth affects the Company's business prospects and therefore triggers potential impairment of the Company's assets.

Significant assumptions included discount rates, oil and petroleum product prices forecasts, inflation and exchange rates forecasts. Significant estimates included crude oil tolling forecast, future capital and operational expenditures.

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

We involved our business valuation specialists in the testing of impairment analysis and calculation of recoverable amount performed by management. We analysed the assumptions underlying management forecast. We compared oil and petroleum products prices used in the calculation of recoverable amounts to available market forecasts. We compared the discount rates and long-term growth rates to general market indicators and other available evidence.

We compared expected capital and operational expenditures with management forecasts and actual expenditures.

We tested the mathematical integrity of the impairment models and assessed the sensitivity analysis.

We analysed disclosures in respect of impairment tests in the financial statements.

Compliance with debt covenants

In accordance with the terms of certain financing arrangements, the Company should comply with certain financial and non-financial covenants. There is a higher likelihood that covenants impacted by revenue and profit, which depends on tolling rate and amounts of operating expenses, may be breached, therefore, we focused on this area during our audit. Breaching covenants could result in significant fines and penalties along with repayment on demand. Compliance with defined covenants is 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 financial statements, and on classification of interest-bearing liabilities in the statement of financial position.

Information on compliance with covenants is disclosed in ***Note 14*** to the financial statements.

We examined the terms of financing arrangements and analysed financial and non-financial covenants, terms of early repayment and events of default. We examined the presence of confirmation received from banks related to compliance with financial covenants. We compared data used in the financial covenants calculations with the financial statements. We tested arithmetic accuracy of financial covenants calculations.

We analysed disclosures in respect of debt covenants compliance in the financial statements.

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Responsibilities of management and the Supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations or has no realistic alternative but to do so.

The Supervisory board is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with the Supervisory board, 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 Supervisory board 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, related safeguards.

From the matters communicated to the Supervisory board, we determine those matters that were of most significance in the audit of the 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.

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

Ernst & Young LLP

Kairat Medetbayev Auditor	Gulmira Turmagambetova General Director Ernst and Young LLP
Auditor qualification certificate № МФ-0000137 dated 8 February 2013	State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ 2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

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

20 February 2020

Atyrau Refinery LLP Financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

In thousands of tenge	Note	31 December 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	5	**720,177,335**	726,311,525
Right-of-use assets	2	**656,045**	–
Intangible assets		**2,729,723**	814,479
Advances paid for non-current assets	6	**470,715**	9,924,017
Non-current financial assets		**718,077**	397,362
Investments in an associate	8	**3,809,900**	3,839,214
Investments in a joint venture	9	**2,984,669**	2,642,884
Deferred tax assets	26	**9,281,960**	20,187,649
VAT recoverable	11	**–**	2,392,125
Inventory, non-current	10	**1,587,020**	1,609,237
Other non-current assets	7	**3,679,636**	1,563,544
		746,095,080	769,682,036
Current assets			
Inventory	10	**5,588,697**	5,731,789
Trade receivables		**74,263**	407,710
Corporate income tax prepayment		**697,060**	601,668
Other taxes prepaid	11	**14,073,443**	11,320,055
Advances paid		**3,736,582**	325,042
Other non-current assets		**104,086**	116,830
Cash and cash equivalents	12	**97,431,749**	72,975,549
		121,705,880	91,478,643
Assets available for sale		**16,510**	16,510
		121,722,390	91,495,153
Total assets		**867,817,470**	861,177,189

The accompanying notes on pages 6 to 42 are an integral part of these financial statements.

1

Atyrau Refinery LLP Financial statements

STATEMENT OF FINANCIAL POSITION (continued)

In thousands of tenge	Note	31 December 2019	31 December 2018
Equity and liabilities			
Equity			
Share capital	13	**47,807,399**	47,807,399
Additional paid-in capital	13	**18,610,515**	18,783,268
Other components of equity	13	**(1,064,596)**	(1,120,501)
Accumulated loss		**(34,036,920)**	(70,984,952)
Total equity		**31,316,398**	(5,514,786)
Non-current liabilities			
Loans and borrowings, non-current portion	14	**526,986,822**	652,809,113
Bonds, non-current portion	15	**40,171,950**	–
Trade payables, non-current portion	19	**115,169**	–
Lease liabilities, non-current portion	16	**1,380,123**	1,830,547
Employee benefit liabilities, non-current portion	17	**1,976,284**	1,723,590
		570,630,348	656,363,250
Current liabilities			
Loans and borrowings, current portion	14	**195,880,116**	194,397,517
Bonds, current portion	15	**12,670,690**	–
Lease liabilities, current portion	16	**680,200**	608,394
Employee benefit liabilities, current portion	17	**342,759**	305,177
Provisions	18	**1,317,264**	1,317,264
Trade payables, current portion	19	**41,171,205**	6,143,895
Taxes and other payables		**667,700**	575,680
Obligations under contracts with customers	20	**12,531,574**	6,431,607
Other current liabilities		**609,216**	549,191
		265,870,724	210,328,725
Total liabilities		**836,501,072**	866,691,975
Total equity and liabilities		**867,817,470**	861,177,189

Signed and authorised for issue on 20 February 2020.

General Director — *Sh.A. Dauray*

Deputy General Director for Corporate Functions — *L.B. Akanova*

Chief Accountant — *A.M. Sadvokassova*

The accompanying notes on pages 6 to 42 are an integral part of these financial statements.

2

Atyrau Refinery LLP Financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

In thousands of tenge	Note	2019	2018
Revenue from contracts with customers	21	**200,385,965**	178,104,702
Cost of sold goods and rendered services	22	**(104,877,957)**	(64,009,124)
Gross profit		**95,508,008**	114,095,578
General and administrative expenses	23	**(3,399,891)**	(9,888,750)
Foreign exchange gain/(loss), net		**5,468,713**	(104,208,528)
Income from operating lease		**99,042**	274,472
Share in profit of associate	8	**1,347,022**	2,215,800
Share in profit of a joint venture	9	**391,785**	1,626,577
(Loss)/profit from disposal of property, plant and equipment		**(2,112)**	8,300
Other income		**211,147**	2,133,872
Other expenses		**(128,208)**	(257,118)
Operating profit		**99,495,506**	6,000,203
Finance income	24	**8,516,923**	876,071
Finance costs	25	**(65,300,711)**	(37,033,284)
Profit before taxes		**42,711,718**	(30,157,010)
Income tax (expense)/benefit	26	**(10,905,689)**	5,455,931
Net profit/(loss) for the year		**31,806,029**	(24,701,079)
Other comprehensive income			
Other comprehensive income/(loss) not to be reclassified to profit or loss in the subsequent periods			
Profit/(loss) from revaluation of defined benefit plans	17	**55,905**	(297,526)
Comprehensive income/(loss) for the year, net of tax		**31,861,934**	(24,998,605)

Signed and authorised for issue on 20 February 2020.

General Director Sh. A. Dauday

Deputy General Director for Corporate Functions L.B. Akanova

Chief Accountant A.M. Sadvokassova

The accompanying notes on pages 6 to 42 are an integral part of these financial statements.

3

Atyrau Refinery LLP Financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

In thousands of tenge	Note	2019	2018
Cash flows from operating activities			
Cash proceeds from customers		**250,321,046**	222,157,061
Cash payments to suppliers		**(53,301,292)**	(29,917,093)
Cash payments to employees		**(9,261,668)**	(8,509,104)
Other taxes and payments		**(38,161,907)**	(33,889,212)
Other (payments)/proceeds		**(1,241,821)**	795,011
Income tax paid		**(1,056)**	(4,224)
Interest paid		**(48,665,873)**	(44,692,859)
Interest received		**534,569**	706,021
Net cash flows from operations		**100,221,998**	106,645,601
Cash flows from investing activities			
Purchase of property, plant and equipment		**(8,987,381)**	(12,495,198)
Purchase of intangibles assets		**(4,915)**	–
Dividends received	8, 9	**1,426,336**	1,921,679
(Placement)/withdrawal of bank deposits, net		**(401,558)**	30,922
Proceed from sale of property, plant and equipment		**61,285**	64,521
Other proceeds		**–**	241,343
Net cash flows used in investing activities		**(7,906,233)**	(10,236,733)
Cash flows from financing activities			
Repayment of loans	29	**(312,369,696)**	(162,925,401)
Proceeds from loans	29	**199,395,500**	89,883,100
Repayments of bonds	29	**(5,749,350)**	–
Proceeds on bonds	29	**56,223,000**	–
Repayment of obligations under lease agreements	29	**(763,405)**	(707,909)
Dividends paid	29	**(352)**	(312)
Other payments	29	**(3,846,040)**	–
Net cash flows used in financing activities		**(67,110,343)**	(73,750,522)
Net increase in cash and cash equivalents		**25,205,422**	22,658,346
Effect of exchange rate changes on cash and cash equivalents		**(748,332)**	4,138,365
The movements in the provision for expected credit losses for cash and cash equivalents		**(890)**	(1,550)
Cash and cash equivalents as at 1 January	12	**72,975,549**	46,180,388
Cash and cash equivalents as at 31 December	12	**97,431,749**	72,975,549

Signed and authorised for issue on 20 February 2020.

General Director *Sh.A. Danbay*

Deputy General Director for Corporate Functions *L.B. Akanova*

Chief Accountant *A.M. Sadvokassova*

The accompanying notes on pages 6 to 42 are an integral part of these financial statements.

4

Atyrau Refinery LLP

Financial statements

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For the year ended 31 December 2019

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Profit before taxes		**42,711,718**	(30,157,010)
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Net profit/(loss) for the year		**31,806,029**	(24,701,079)
Other comprehensive income			
Other comprehensive income/(loss) not to be reclassified to profit or loss in the subsequent periods			
Profit/(loss) from revaluation of defined benefit plans	17	**55,905**	(297,526)
Comprehensive income/(loss) for the year, net of tax		**31,861,934**	(24,998,605)

Signed and authorised for issue on 20 February 2020.

General Director — *Sh.A. Dariay*

Deputy General Director for Corporate Functions — *L.B. Akanova*

Chief Accountant — *A.M. Sadvokassova*

The accompanying notes on pages 6 to 42 are an integral part of these financial statements.

Atyrau Refinery LLP Financial statements

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Signed and authorised for issue on 20 February 2020.

General Director — *Sh.A. Danbay*

Deputy General Director for Corporate Functions — *L.B. Akanova*

Chief Accountant — *A.M. Sadvokassova*

The accompanying notes on pages 6 to 42 are an integral part of these financial statements.

4

Atyrau Refinery LLP

Financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

In thousands of tenge	Note	Share capital	Additional paid-in capital	Other reserves	Uncovered loss	Total
At 1 January 2018		47,807,399	19,507,298	(822,975)	(51,983,629)	14,508,093
Net loss for the year		–	–	–	(24,701,079)	(24,701,079)
Other comprehensive loss	17	–	–	(297,526)	–	(297,526)
Total comprehensive loss for the year		–	–	(297,526)	(24,701,079)	(24,998,605)
Reclassification due to repayment of the loan		–	(5,699,756)	–	5,699,756	–
Discounting of loans received at the below market rate		–	4,975,726	–	–	4,975,726
At 31 December 2018		47,807,399	18,783,268	(1,120,501)	(70,984,952)	(5,514,786)
Adjustment of opening balance in accordance with adoption of new IFRS		–	–	–	**92,115**	**92,115**
At 1 January 2019 (adjusted)		**47,807,399**	**18,783,268**	**(1,120,501)**	**(70,892,837)**	**(5,422,671)**
Net profit for the year		–	–	–	**31,806,029**	**31,806,029**
Other comprehensive income	17	–	–	**55,905**	–	**55,905**
Total comprehensive income for the year		–	–	**55,905**	**31,806,029**	**31,861,934**
Reclassification due to repayment of the loan	14	–	**(5,049,888)**	–	**5,049,888**	–
Discounting of loans received at the below market rate	14	–	**4,877,135**	–	–	**4,877,135**
At 31 December 2019		**47,807,399**	**18,610,515**	**(1,064,596)**	**(34,036,920)**	**31,316,398**

Signed and authorised for issue on 20 February 2020.

General Director — *Sh.A. Dalbay*

Deputy General Director for Corporate Functions — *L.B. Akanova*

Chief Accountant — *A.M. Sadvokassova*

The accompanying notes on pages 6 to 42 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. CORPORATE INFORMATION

Atyrau Oil Refinery limited liability partnership (the "Company") was established on 14 July 2004 in accordance with the legislation of the Republic of Kazakhstan. As at 31 December 2016, the Company's participant was KazMunayGas Refining and Marketing JSC ("KMG RM"), the share of which was 99%, and which was dissolved in 2017. As at 31 December 2019, National Company KazMunayGas JSC ("NC KMG") owns 99% of the Company.

KMG RM operated in the Republic of Kazakhstan and was a fully controlled subsidiary of NC KMG. NC KMG is controlled by the Government of the Republic of Kazakhstan as represented by National Welfare Fund "Samruk-Kazyna" (NWF "Samruk-Kazyna", 90%) and the National Bank of the Republic of Kazakhstan (10%) and, respectively, all subsidiaries of NC KMG and other government entities are considered as related parties in these financial statements *(Note 27)*.

Principal activities of the Company are oil processing, production and sale of petroleum products. The Company is the only major oil refinery in Western Kazakhstan. NC KMG and the Supervisory Board of the Company agree and approve the methodology for calculation of tariffs and tariff rates for processing of crude oil, under which the Company derives substantially all of its revenues for rendering services in oil and fuel oil refining.

The Company's office is located at: 1 Zeynolla Kabdolov Ave., Atyrau, Republic of Kazakhstan.

2. BASIS OF PREPARATION AND CHANGES IN THE COMPANY'S ACCOUNTING POLICY

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these financial statements. These financial statements are presented in tenge and amounts herein are rounded to the nearest thousand, except when otherwise indicated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in *Note 4*. These estimates are based on information available as of the date of the financial statements. Actual results, therefore, could differ from these estimates.

Going concern

The Company's management prepared these financial statements on a going concern basis, which includes the realisation of assets and the satisfaction of liabilities in the normal course of business in the foreseeable future. In making this judgement, the Company's management took into account the Company's financial position, current intentions and available financial resources of the Company. As at 31 December 2019, current liabilities exceeded current assets by 144,164,844 thousand tenge (31 December 2018: by 118,850,082 thousand tenge). As at 31 December 2019, the current portion of loans and bonds, including interest accrued amounted to 208,550,806 thousand tenge (31 December 2018: 194,397,517 thousand tenge), of which 41,882,401 thousand tenge represent the current portion of loans from NC KMG (31 December 2018: 41,762,445 thousand tenge).

It is planned to pay for the current portion of long-term loans and interest accrued using cash derived from operating activities and refinancing of existing loans.

The Company's management believes that the financial statements have been prepared on the basis that the Company will be able to continue its activities as a going concern in the foreseeable future. The Company is currently implementing initiatives intended to improve liquidity and efficiency. In particular, the Company increased the tariff for processing of crude oil from 37,436 tenge per ton to 41,466 tenge per ton from 1 January 2020. The management of the Company believes that the above initiative will ensure that the Company has adequate liquidity to continue its activities during at least 2020.

2. BASIS OF PREPARATION AND CHANGES IN THE COMPANY'S ACCOUNTING POLICY (continued)

New and amended standards and interpretations

The Company applied IFRS 16 *Leases* for the first time. The nature and impact of the changes arising from the application of this financial reporting standard are set out below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the full retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company adopted the new standard from the effective date on 1 January 2019 and did not recalculate the comparative information. Application of the requirements of the new standard resulted in an adjustment of the accumulated loss balance at the beginning of the reporting period, which includes the date of initial application, in the amount of 92,115 thousand tenge.

The Company has leases of temporary land use and other equipment (catalyst and servers). Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term.

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses (if any), and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

2. BASIS OF PREPARATION AND CHANGES IN THE COMPANY'S ACCOUNTING POLICY (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

Summary of new accounting policies (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments.

Short-term leases and leases of low-value assets

The Company will apply (if any) the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date). It applies the lease of low-value assets recognition exemption to leases of temporary land use that are considered of low value (i.e., below 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amounts recognised in the statement of financial position and profit or loss

	Right-of-use assets			Lease
In thousands of tenge	**Land**	**Other**	**Total**	**liabilities**
At 31 December 2018	–	–	–	–
Change in balance at the beginning of the reporting period	256,970	–	256,970	164,855
Additions	24,274	29,823	54,097	48,818
Transfers from property, plant and equipment *(Note 3)*	–	523,624	523,624	–
Amortisation charges	(43,241)	(135,405)	(178,646)	–
Interest expense	–	–	–	15,726
Payments	–	–	–	(73,648)
At 31 December 2019	**238,003**	**418,042**	**656,045**	**155,751**

Set out below, are the amounts recognised in profit or loss:

	For the twelve months ended 31 December	
In thousands of tenge	**2019**	2018
Depreciation expense of right-of-use assets	178,646	–
Interest expense on lease liabilities	15,726	–
Total amounts recognised in profit or loss	**194,372**	–

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGES IN THE COMPANY'S ACCOUNTING POLICY (continued)

New and amended standards and interpretations (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (continued)

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Company applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the financial statements of the Company.

Prepayment Features with Negative Compensation – Amendments to IFRS 9

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This interpretations is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the financial statements as the Company does not have long-term interests in its associate and joint venture.

IFRS Annual improvements 2015-2017 cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGES IN THE COMPANY'S ACCOUNTING POLICY (continued)

New and amended standards and interpretations (continued)

IFRS Annual improvements 2015-2017 cycle (continued)

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 replaces IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. There are several scope exceptions. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for insurance contracts with direct participation terms (the variable fee approach);
- A simplified approach (the premium allocation approach) is mainly for short-duration contracts.

IFRS 17 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17 This standard is not applicable for the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGES IN THE COMPANY'S ACCOUNTING POLICY (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 3 Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currencies

The financial statements are presented in tenge, which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Differences arising from repayment or restatement of monetary items are included in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Weighted average currency exchange rates established by Kazakhstani stock exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan. The following foreign exchange rates of tenge to US dollars have been used in the preparation of these financial statements:

	Exchange rate as at	Average weighted rate within one year
31 December 2019	**382.59**	**382.87**
31 December 2018	384.20	344.71

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Expected to be realised within 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 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 within normal operating cycle;
- It is due to be settled within 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 Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of any decommissioning obligation, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major technical review is performed, its costs are recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depreciation of property, plant and equipment is computed on a straight-line basis over the estimated useful life of the asset as follows:

	Years
Buildings	8-100
Machinery and equipment	3-30
Vehicles	5-20
Other	1-20

The expected useful lives, residual value and depreciation methods of property, plant and equipment are reviewed on an annual basis and, if necessary, respective changes are accounted for prospectively.

The carrying amount of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Cost related to repairs and renewals are charged when incurred and included either in cost of sales or general and administrative expenses, depending on the function of property, plant and equipment, unless they qualify for capitalisation.

An item of property, plant and equipment and any significant part initially recognised 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 the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement and statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do contain an option to purchase the underlying asset). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Company accounts for cash transactions related to the payment of fees on loans and borrowings as part of its financial activities in the statement of cash flows.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at initial cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite useful 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 the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. See the accounting policies, section "Revenue from contracts with customers".

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, 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 Company'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 Company commits to purchase or sell the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement financial assets are classified as follows:

- Financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

This is the category most relevant to the Company. The Company 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 Company's financial assets at amortised cost include trade and other receivables.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. excluded from the Company's statement of financial position):

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECL) 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 Company 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Company 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 instruments – initial recognition and subsequent measurement (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, such as loans and borrowings, finance lease, trade and other payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, finance lease, trade and other payables, net of directly attributable transaction costs.

The Company has not designated any financial liabilities upon initial recognition as financial liabilities at fair value through profit or loss.

Subsequent measurement of loans and borrowings

For purposes of subsequent measurement financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at amortised cost (loans and borrowings).

Financial liabilities at fair value through profit or loss

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

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This category is relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised 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 amortisation is included in finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognised 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 amount is recognised through the statement of comprehensive income or in the statement of changes in equity.

Offsetting of financial instruments

Assets and liabilities, income and expenses are not subject to offset and should be presented in the statements separately according to the materiality concept, unless it is required or permitted by IFRS or IFRIC.

Financial assets and financial liabilities are only offset and reported at the net amount in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company intends to either settle on a net basis, to realise the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The Company measures such financial instruments as derivatives at fair value at each reporting date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – techniques for which all inputs that relate to the lower hierarchy level which have a significant effect on the fair value are not observable.

For assets and liabilities that are revalued in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosure, the Company classified assets and liabilities based on their nature, characteristics and risks related to them and applicable level of fair value hierarchy, as specified above.

Cash

Cash and short-term deposits in the statement of financial position comprise cash at banks and short-term deposits with initial maturity of three months or less, which are subject to an insignificant risk of changes in value.

Inventory

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined based on FIFO method (first-in, first-out). The cost of finished goods and work in progress comprises supplies and raw materials, direct labour and other direct costs and related production overheads (based on normal production capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Provisions

Provisions are recognised when the Company 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employees benefit

Defined benefit plans

The Company has unfunded defined benefit plans. The cost of providing benefits under the defined benefit plans is determined individually for each defined benefit plan using the actuarial projected unit credit method.

In accordance with IAS 19, the Company separates three components:

- Cost of employees services;
- Net interest related to net liability of defined benefit plan;
- Revaluation of net liability of defined benefit plan.

The first two components relate to profit or loss, and only revaluation is recorded within other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees benefit (continued)

Defined benefit plans (continued)

As a result, components of defined benefit pension plan costs include:

- Within profit and loss:
  - Cost of services rendered in the current period;
  - Cost of any services rendered in the prior periods and profit or loss arising in payment;
  - Net interest related to liability (asset) of defined benefit pension plan;
- Within other comprehensive income:
  - Actuarial profit or loss;
  - Income on assets of the plan, exclusive of amounts included in net interest with respect to liability (asset) of defined benefits pension plan;
  - Any change in impact of limit of asset, exclusive of amounts included in net interest with respect to liability (asset) of defined benefits pension plan.

The cost of services includes the cost of current services and services of prior periods (includes curtailments and settlements under the plan). Due to changes in the standard, the cost of prior services and curtailment are recognised immediately.

Termination benefits

The Company is also liable to pay termination benefits. This type of remuneration is provided in exchange for breaking off of labour relations. They represent a decision of employees to accept an offer on remuneration in exchange for termination of employment agreement.

Pension deductions

The Company withholds up to 10% from the salary of its employees as contribution to designated pension funds. In accordance with requirements of the legislation, the Company is responsible for payment of retirement benefits on behalf of employees and the Company has no present or future obligations to further benefit its employees upon their retirement.

Investments in associates and joint ventures

An associate is a company, which is significantly influenced by the Company. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the 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 Company's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the associate or joint venture. Changes in OCI of such investee is represented within the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Company's share in profit or loss of the associate and joint venture is shown directly in the income statement beyond the operating profit. It represents profit or loss after taxes and non-controlling interests in subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

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

Taxation

Value added tax (VAT)

Tax legislation provide for repaying input VAT and output VAT on a net basis. Thus, value added tax receivable represents VAT on purchases net of VAT on sales.

VAT payable

VAT payable is accrued on accounts on income from sales of goods, work and services subject to VAT in accordance with the Tax Code of the Republic of Kazakhstan. Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor.

VAT recoverable

VAT recoverable is recorded in accounting on purchased goods, works and services that were purchased with VAT, in case that they were used for the purpose of obtaining income.

At each reporting date, the VAT recoverable amount is subject to offset against the VAT payable amount.

Excise

Excise duty is accrued in accounting on the date of shipment of gasoline and diesel fuel ("excisable product") to the customer. The amount of excise duty is calculated on the basis of transferred volumes of excisable products in physical terms.

The terms of oil processing agreement provide for reimbursement by oil suppliers of the amount of expenses incurred by the Company in fulfilling tax obligation to pay excise duty. The Company is an agent between the customer and the tax authority for payment of excise duty for transferred excisable products. The Company accounts for income and expenses related to excise duty on a net basis. The Company accounts for cash transactions related to excise duties in other taxes and payments, as well as in cash receipts from customers.

Social tax

The Company pays social tax to the budget of the Republic of Kazakhstan for its employees using a social tax rate set at 9.5% of taxable income of the employees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The Company applies tax rates and tax legislation adopted or substantially adopted at the reporting date in the Republic of Kazakhstan, where the Company operates and receives taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where 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 are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from 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 the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets against current tax liabilities, and deferred tax assets and deferred tax liabilities relate to income taxes collected by the same tax authority from the same taxable entity or from different taxable entities, which intend to either settle current tax liabilities and assets on a net basis, or to realise these assets and settle these liabilities simultaneously in each of the future periods in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

The Company's activities are mainly related to processing of oil, stable gas condensate and refined products. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is acting as a principal in all of its revenue arrangements, since in all cases it is the main party that assumed obligations under the contract.

The services rendered represent separate performance obligations under contracts with customers. The agreements provide for variable consideration (fines) recognised in revenue.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in *Note 4.*

Significant financing component

Generally, the Company receives short-term advances from its customers. As a result of applying practical expedient provided for by IFRS 15, the Company does not adjust promised amount of consideration with due account for impact of significant financing component in agreements, if the Company expects at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for such a good or service will be one year or less.

Balances under the contract

Trade receivables

Accounts receivable represent the Company's right to a refund, which is unconditional. The accounting policies with regard to financial assets are reviewed under "Financial instruments – initial recognition and subsequent measurement".

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of these items and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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: Assumptions and estimates are based on the Company's initial data, which it had at the time of preparation of the financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions while they occur.

Useful life of property and equipment

The Company assesses the 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*. These estimates may have a material impact on the amount of the current values of property, plant and equipment and on depreciation recognised in the income statement.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of non-current assets

The management engaged an independent appraiser to assess the recoverable amount of its non-current assets as at 30 November 2019.

The recoverable amount of CGU have been estimated using a DCF model. The discount rate was derived from the pre-tax weighted average cost of capital. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated based on publicly available marked data.

The business plan, which is approved on an annual basis, is the primary source of information for cash flow projections. It contains forecasts for sales volumes, revenues, costs and capital expenditure. Various assumptions such as oil prices and cost inflation rates take into account existing prices, other macroeconomic factors and historical trends and variability. Expenditure cash flows up to 2024 inclusively were based on a 5-year business plan of the Company, together with management's current assessment of probable changes in operational and capital expenditure.

The cost of use according to the marketing scheme was accepted as the recoverable amount of property, plant and equipment. The marketing scheme involves the performance of operating activities by independent purchase of raw materials, processing and sale of finished petroleum products.

The main assumptions used in determining value in use comprise:

	2020	2021	2022	2023	2024
Oil price forecast (US dollar per barrel)	60.9	62.1	62.5	64.1	65.6
Forecast exchange rate of tenge against US dollar	392.3	394.3	393.9	394.4	391.2
Oil price forecast (tenge per barrel)	23,879	24,502	24,621	25,269	25,678
The volume of oil refining (thousand of tons)	5,400	5,226	5,500	5,500	5,500
Kazakhstan consumer price index (inflation)	6.0%	5.0%	4.5%	4.0%	3.6%

Cash flows were discounted using the pre-tax weighted average cost of capital of 14.82%. As at 30 November 2019, the recoverable amount of property, plant and equipment amounted to 1,218,434,807 thousand tenge, which exceeds their carrying amount. If the discount rate is reduced/increased by 1%, the recoverable amount will increase/decrease by 104,775,929/89,519,194 thousand tenge, respectively.

Allowance for expected credit losses on trade receivables and assets under the contract

The measurement of expected 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 Company'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 Company's internal 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.

As at 31 December 2019, the provision for expected credit losses on accounts receivable and other current assets amounted to 293,439 thousand tenge (31 December 2018: 319,859 thousand tenge).

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Employee benefit obligations

The present value of defined benefit obligations and related current service cost are determined in accordance with actuarial valuation, which rely on demographic and financial assumptions including mortality, both during and after employment, rates of employee turnover, discount rate, future salary and benefit levels and, to a limited extent, expected return on plan assets. In the event that further changes in the key assumptions are required, the future amounts of the employee benefit costs may be affected materially. The net employee benefit liability as at 31 December 2019 amounted to 2,319,043 thousand tenge (31 December 2018: 2,028,767 thousand tenge). More details are provided in *Note 17*.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the 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 judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the financial statements. Further details are disclosed in *Note 29*.

5. PROPERTY, PLANT AND EQUIPMENT

Movement in property, plant and equipment comprise the following:

In thousands of tenge	Land	Buildings	Machinery and equipment	Vehicles	Other	Construction in progress	Total
At 31 December 2017	1,822,354	90,324,069	215,417,598	22,325	16,383,905	376,948,545	700,918,796
Proceeds	2,414,105	–	194,114	–	1,159,256	161,941,314	165,708,789
Disposals	–	(6,873)	(525,374)	–	(849,951)	–	(1,382,198)
Transfers to intangible assets	–	–	–	–	–	(177,810)	(177,810)
Transfers		174,531,950	342,515,885	–	18,459,672	(535,507,507)	–
At 31 December 2018	4,236,459	264,849,146	557,602,223	22,325	35,152,882	3,204,542	865,067,577
Proceeds	**70,934**	**–**	**146,534**	**–**	**2,571,287**	**36,972,060**	**39,760,815**
Disposals	**–**	**(17,539)**	**(66,558)**	**(112)**	**(376,602)**	**–**	**(460,811)**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**–**	**(1,869,626)**	**(1,869,626)**
Transfer to other non-current assets	**–**	**–**	**–**	**–**	**(976,535)**	**–**	**(976,535)**
Transfer to right-of-use assets	**–**	**–**	**–**	**–**	**(840,135)**	**–**	**(840,135)**
Transfers	**–**	**7,680,529**	**15,174,002**	**–**	**902,411**	**(23,756,942)**	**–**
At 31 December 2019	**4,307,393**	**272,512,136**	**572,856,201**	**22,213**	**36,433,308**	**14,550,034**	**900,681,285**
Accumulated depreciation and impairment							
At 31 December 2017	–	(20,127,778)	(82,301,749)	(21,408)	(4,447,285)	–	(106,898,220)
Depreciation charge	–	(5,751,442)	(24,362,382)	(187)	(3,123,985)	–	(33,237,996)
Disposals	–	5,451	525,072	–	849,641	–	1,380,164
At 31 December 2018	–	(25,873,769)	(106,139,059)	(21,595)	(6,721,629)	–	(138,756,052)
Depreciation charge	**–**	**(7,212,169)**	**(30,294,728)**	**(185)**	**(5,470,073)**	**–**	**(42,977,155)**
Disposals	**–**	**7,997**	**65,188**	**112**	**375,045**	**–**	**448,342**
Transfer to other non-current assets	**–**	**–**	**–**	**–**	**464,404**	**–**	**464,404**
Transfer to right-of-use assets	**–**	**–**	**–**	**–**	**316,511**	**–**	**316,511**
At 31 December 2019	**–**	**(33,077,941)**	**(136,368,599)**	**(21,668)**	**(11,035,742)**	**–**	**(180,503,950)**
Carrying amount							
At 31 December 2019	4,307,393	239,434,195	436,487,602	545	25,397,566	14,550,034	720,177,335
At 31 December 2018	**4,236,459**	**238,975,377**	**451,463,164**	**730**	**28,431,253**	**3,204,542**	**726,311,525**

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2019 and 31 December 2018, all of the Company's property, plant and equipment were pledged as collateral for borrowings from Development Bank of Kazakhstan JSC *(Note 14)*.

As at 31 December 2019, the cost of fully depreciated operated property, plant and equipment amounted to 21,387,899 thousand tenge (31 December 2018: 17,032,183 thousand tenge).

Due to the launch of the advanced oil processing plant in 2018, the Company stopped capitalising accrued interest costs and amortisation of loan fees since October 2018 (2018: 23,602,299 thousand tenge).

6. ADVANCES PAID FOR NON-CURRENT ASSETS

In thousands of tenge	**31 December 2019**	31 December 2018
Advances for advanced oil processing plant	**–**	9,382,477
Other	**470,715**	541,540
Total	**470,715**	9,924,017

As at 31 December 2018, long-term advances paid for non-current assets represent advances to SinopecEngineering for the construction of the advanced oil processing plant. During 2019, the advance was offset against the performed works of SinopecEngineering.

7. OTHER NON-CURRENT ASSETS

Other non-current assets are as follows:

In thousands of tenge	**31 December 2019**	31 December 2018
Catalysts in the warehouse	**3,448,048**	1,563,544
Other	**231,588**	–
Total	**3,679,636**	1,563,544

As at 31 December 2019 and 2018, non-current assets represent mainly catalysts in stock that are used in production for a period of more than one year.

8. INVESTMENT IN AN ASSOCIATE

Investments in an associate are represented by the investment in RTI-ANPZ LLP originated in November 2014 by acquisition of a 30% share in RTI-ANPZ LLP in cash for 55 thousand tenge and by contributing property (right to use land plots) for 1,477,218 thousand tenge. The main activity of the Company includes construction and operation of railways; steaming, washing and preparing cars for loading of crude oil and oil products; outer and inner washing of cars; services related to verification and preparation of rail cars; operating of washing and steaming stations.

The Company's participation in RTI-ANPZ LLP is accounted for in the financial statements using equity method. The following table illustrates the summarised financial information of the Company's investment in RTI-ANPZ LLP:

In thousands of tenge	**31 December 2019**	31 December 2018
Cash	**866,653**	2,879,210
Short-term trade and other accounts receivable	**192,904**	702,959
Other current assets	**269,255**	776,559
Non-current assets	**24,439,969**	26,310,612
Loans, current portion	**(2,611,977)**	(3,205,953)
Short-term trade and other accounts payable	**(1,163,652)**	(20,024)
Other current liabilities	**(371,027)**	(1,574,046)
Loans, non-current portion	**(6,544,177)**	(12,285,615)
Long-term trade and other accounts payable	**(1,926,181)**	(237,992)
Other non-current liabilities	**(452,100)**	(548,330)
Equity	**12,699,667**	12,797,380
Carrying amount of the investment	**3,809,900**	3,839,214

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENT IN AN ASSOCIATE (continued)

The Company's share of the financial results of RTI-ANPZ LLP included into the financial statements of the Company is as follows:

In thousands of tenge	**2019**	2018
Revenue	**12,244,285**	15,088,959
Cost	**(4,633,426)**	(4,038,434)
General and administrative expenses	**(291,037)**	(243,522)
Other expenses	**(56,355)**	(4,296)
Other income	**42,020**	489,865
Finance income	**106,160**	46,891
Finance costs	**(1,396,660)**	(2,163,546)
Profit before taxes	**6,014,987**	9,175,917
Income tax expense	**(1,524,915)**	(1,789,917)
Net profit for the year	**4,490,072**	7,386,000
Total comprehensive income for the year	**4,490,072**	7,386,000
Share of the Company in profit for the year (30%)	**1,347,022**	2,215,800

According to the decisions taken at the general meeting of RTI-ANPZ LLP participants, dividends in the amount of 133,765 thousand tenge were paid in 2019 based on 2017-2018 financial results, for the 1-3 quarters of 2019 – 1,242,571 thousand tenge. The carrying amount of the investment in RTI-ANPZ LLP was reduced accordingly.

9. INVESTMENTS IN A JOINT VENTURE

Investments in a joint venture represent an investment of the Company in Liquified Petroleum Gas's Storing Park LLP (LPGSP) by means of acquiring 50% of interest in the share capital of LPGSP by cash for the amount of 2,200,000 thousand tenge in May 2014. The fair value of the net assets acquired at the acquisition date was 3,076,674 thousand tenge. The difference in 661,663 thousand tenge between the acquisition cost and the fair value of net assets was fully recorded as LPGSP cost of property, plant and equipment. The principal activity of LPGSP comprises sale of liquefied gas purchased from processors of the Company in accordance with three party agreements on the domestic and export markets.

According to the decisions taken at the general meeting of LPGSP participants, dividends in the amount of 50,000 thousand tenge were paid in 2019 based on 2018 financial results. The carrying amount of the investment in LPGSP was reduced accordingly.

As at 31 December 2019, the carrying amount of the Company's investment in LPGSP amounted to 2,984,669 thousand tenge (31 December 2018: 2,642,884 thousand tenge).

The Company's participation in LPGSP is accounted for in the financial statements using equity method. Summarised financial information on the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the financial statements is set out below:

In thousands of tenge	**31 December 2019**	31 December 2018
Cash	**1,093,750**	400,853
Short-term trade and other accounts receivable	**337,868**	261,327
Other current assets	**1,008,925**	598,204
Non-current assets	**5,154,467**	5,040,317
Short-term trade and other accounts payable	**(1,344,290)**	(858,034)
Other current liabilities	**(281,382)**	(156,899)
Equity	**5,969,338**	5,285,768
Carrying amount of the investment	**2,984,669**	2,642,884

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN A JOINT VENTURE (continued)

The Company's share of the financial results of LPGSP included into the financial statements of the Company is as follows:

In thousands of tenge	2019	2018
Revenue	**9,071,614**	13,561,645
Cost of sales	**(5,771,486)**	(7,554,977)
Selling expenses	**(1,440,671)**	(1,084,964)
General and administrative expenses	**(411,168)**	(456,789)
Other expenses	**(460,948)**	(940,045)
Other income	**433,229**	1,088,160
Finance income	**9,875**	75,542
Finance costs	**(3,467)**	–
Profit before taxes	**1,426,978**	4,688,572
Income tax expense	**(643,408)**	(1,435,418)
Income for the year	**783,570**	3,253,154
Total comprehensive income for the year	**783,570**	3,253,154
Share of the Company in profit for the year (50%)	**391,785**	1,626,577

10. INVENTORIES

Current inventories

As at 31 December 2019 and 31 December 2018, current inventories comprised the following:

In thousands of tenge	31 December 2019	31 December 2018
Raw and other materials	**3,621,594**	4,372,879
Spare parts	**1,369,132**	718,666
Chemical agents	**547,970**	628,479
Finished products	**–**	7,633
Other	**61,925**	24,181
	5,600,621	5,751,838
Less: provision for obsolete inventories	**(11,924)**	(20,049)
Total	**5,588,697**	5,731,789

Non-current inventories

As at 31 December 2019, emergency stock in the amount of 1,587,020 thousand tenge (31 December 2018: 1,609,237 thousand tenge) comprised process oil in the vessels and pipelines in the amount of 380,326 thousand tenge (31 December 2018: 380,326 thousand tenge), methanol in pipelines in the amount of 11,044 thousand tenge, oil products in the vessels and pipelines in the amount of 821,136 thousand tenge (31 December 2018: 821,136 thousand tenge), minimum stock of spare parts held for emergency repair of the Company's property, plant and equipment to ensure continuous operations in the amount of 374,514 thousand tenge (31 December 2018: 396,731 thousand tenge).

Movements in the provision for obsolete inventories were as follows:

In thousands of tenge	2019	2018
At 1 January	**20,049**	44,169
Recovered for the year	**(9,543)**	(2,637)
Charge for the year	**1,418**	3,441
Write-off	**–**	(24,924)
At 31 December	**11,924**	20,049

11. OTHER TAXES PREPAID

Current portion

As at 31 December 2019 and 2018, other taxes prepaid were fully denominated in tenge and presented as follows:

In thousands of tenge	**31 December 2019**	31 December 2018
VAT recoverable	**12,231,442**	9,590,960
Property tax	**1,594,148**	1,409,471
Excise duties	**240,570**	311,275
Other taxes	**7,283**	8,349
Total	**14,073,443**	11,320,055

Non-current portion of VAT

As at 31 December 2019, there was no non-current portion of VAT recoverable (31 December 2018: 2,392,125 thousand tenge).

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

In thousands of tenge	**31 December 2019**	31 December 2018
Current accounts with banks, US dollars	**75,611,076**	69,795,647
Current accounts with banks, tenge	**21,820,671**	3,179,346
Current accounts with banks, Russian rouble	**2**	552
Cash on hand	**–**	4
Total	**97,431,749**	72,975,549

As at 31 December 2019, the provision for expected credit losses on cash and cash equivalents amounted to 2,441 thousand tenge (31 December 2018: 1,551 thousand tenge).

During 2019, interest is accrued on balance of cash on current accounts in tenge of 5% (2018: 0.5% to 5%), interest on deposit accounts in tenge is accrued in the range of 0.5% to 8.25% (2018: 3-8%).

13. SHARE CAPITAL

As at 31 December 2019, declared and fully paid share capital of the Company amounted to 47,807,399 thousand tenge (31 December 2018: 47,807,399 thousand tenge).

Additional paid-in capital represents the accumulated income from discounting of loans and borrowings received from: KMG PM at the below market rate or under interest-free financial aid, interest-free financial aid from NC KMG *(Note 14)*.

Other components of equity represent the accumulated revaluation of net liability of defined benefit plan resulting from adjustments based on experience and the impact of changes in actuarial assumptions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. LOANS AND BORROWINGS

Loans and borrowings are as follows:

In thousands of tenge	Currency	Interest rate under the agreement	Maturity	31 December 2019	31 December 2018
Export-Import Bank of China	US dollar	6 months LIBOR + 4.1%	2018-2027	**350,041,654**	398,978,377
Halyk Bank of Kazakhstan JSC	US dollar	5%	2019-2024	**52,771,145**	–
Halyk Bank of Kazakhstan JSC	US dollar	5%	December 2020	**38,322,765**	26,938,823
Japan Bank for International Cooperation	US dollar	4.64% 6 months LIBOR + 1.1%	2016-2025	**65,253,957**	76,452,246
NC KMG / KMG RM	Tenge	–	July 2020	**31,137,117**	31,077,579
NC KMG / KMG RM	Tenge	3,5%	2026-2032	**11,263,894**	10,746,790
NC KMG / KMG RM	Tenge	–	December 2020	**10,745,284**	10,684,866
Development Bank of Kazakhstan JSC	US dollar	5%	2016-2025	**63,915,985**	74,047,462
Development Bank of Kazakhstan JSC	Tenge	10.99%	2019-2023	**61,431,248**	–
Development Bank of Kazakhstan JSC	Tenge	7.99%	2019-2026	**25,051,441**	–
Development Bank of Kazakhstan JSC	Tenge	9%	2014-2023	**12,932,448**	15,799,107
Development Bank of Kazakhstan JSC	US dollar	6 months LIBOR + 4.5%	2015-2023	**–**	192,108,353
Development Bank of Kazakhstan JSC	US dollar	7.72%	2016-2023	**–**	10,373,027
Loans and borrowings				**722,866,938**	847,206,630
Less: the amount to be repaid within 12 months from the reporting date				**(195,880,116)**	(194,397,517)
Amounts due for settlement after 12 months				**526,986,822**	652,809,113

Development Bank of Kazakhstan JSC (DBK)

The Company pledged all of its property, plant and equipment as a security under the loans obtained from DBK JSC. In addition to this, in August 2010, KMG RM together with NC KMG and DBK JSC entered into the three-way agreement under which KMG RM and NC KMG agreed to ensure the appropriate and timely implementation of the project on construction of aromatic hydrocarbons plant.

In the first half of 2019, the Company made early full and partial repayment of the principal on two loans for a total amount of 113,016,406 thousand tenge, which resulted in payment of the fee by the Company in the amount of 3,157,705 thousand tenge. On 22 July 2019, the Company converted the balance of the DBK JSC loan in the amount of 152,094 thousand US dollars to tenge at the exchange rate as of the date of signing the supplementary agreement, and it amounted to 58,536,334 thousand tenge, and the Company also changed the interest rate from 6m LIBOR + 4.5% to a fixed rate of 10.99%.

On 26 December 2019, in order to finance the contract for the construction of the "Advanced oil processing plant", the Company received a loan from DBK JSC in the amount of 32,938,200 thousand tenge with an interest rate of 7.99%. Principal and interest payments are made from June 2020 as semi-annual payments. Upon initial recognition, this loan was recognised in the amount of 25,157,226 thousand tenge calculated by discounting future cash payment of principal amount at the effective rate of 15.2% per annum. Income from discounting in the amount of 7,780,974 thousand tenge was recognised as part of finance income in the statement of comprehensive income *(Note 24)*.

As at 31 December 2019 and 2018, the management believes that the Company was in compliance with all financial and non-financial covenants of this borrowing.

NC KazMunayGas JSC (NC KMG)

As at 31 December 2019, the Company had three long-term loans provided by NC KMG in the amount of 935,491 thousand tenge, 17,241,248 thousand tenge and 2,613,261 thousand tenge as at the rate of 3.5% per annum to cover the expenses on arrangement of financing of the investment project "Construction of the advanced oil processing plant". At initial recognition, the Company recognised these loans using the effective interest rate method of 12%.

Non-interest bearing financial aid

In July 2019, the Company received an interest-free financial aid from NC KMG in the amount of 32,992,500 thousand tenge for one year. Upon initial recognition, this loan was recognised in the amount of 29,413,819 thousand tenge calculated by discounting future cash payment of principal amount at the effective rate of 12.17%. The difference from discounting in the amount of 3,578,681 thousand tenge was recognised within equity.

14. LOANS AND BORROWINGS (continued)

NC KazMunayGas JSC (NC KMG) (continued)

Non-interest bearing financial aid (continued)

In December 2019, the Company received an interest-free financial aid in the amount of 12,000,000 thousand tenge for one year. Upon initial recognition, this loan was recognised by the Company in the amount of 10,701,546 thousand tenge calculated by discounting future cash payment of principal amount at the effective rate of 12.13%. The difference from discounting in the amount of 1,298,454 thousand tenge was recognised within equity.

In July and December 2019, due to repayment of financial aid, the Company reclassified a discount of 5,049,888 thousand tenge from additional paid-in capital to accumulated loss.

Halyk Bank of Kazakhstan JSC

In order to refinance the existing loans attracted for financing the strategic investment project, i.e. construction of the aromatic hydrocarbons plant, in January 2019 the Company received a loan from Halyk Bank of Kazakhstan JSC in the amount of 56,194,500 thousand tenge (equivalent to 150,000,000 US dollars), with the interest rate of 5%. Repayment of interest and the principal is made in semi-annual payments starting from July 2019.

In July 2019, the Company paid the principal in the amount of 5,765,400 thousand tenge, as well as interest in the amount of 1,449,357 thousand tenge (equivalent to 15,000,000 and 3,770,833 US dollars, respectively).

In the first half of 2019, the loan received in December 2018 in the amount of 70,000,000 US dollars was repaid early in full. In order to repay current liabilities to DBK JSC, EXIM of China, the Company received the following loans from Halyk Bank of Kazakhstan: in July 2019 in the amount of 26,830,300 thousand tenge and in December 2019 – 38,440,000 thousand tenge (equivalent to 70,000,000 US dollars and 100,000,000 US dollars, respectively), with a fixed rate of 5% per annum. During August-October 2019, the Company repaid the loan received in July 2019 in the amount of 27,152,700 thousand tenge (equivalent to 70,000,000 US dollars) early in full.

According to the loan agreements with Halyk Bank of Kazakhstan JSC, there are no covenants on these loans.

Export-Import Bank of China (EXIM Bank)

The Company has concluded a loan agreement with Export-Import Bank of China for the amount of 1,130,409 thousand US dollars with interest rate of 4.1% + 6m LIBOR (payments of principal from 2018 to 2027) to finance the construction of the advanced oil processing plant. Interest payment is carried out in terms of semi-annual payments.

In January and July 2019, the Company paid the principal and interest in the amount of 47,826,934 thousand tenge and 27,140,810 thousand tenge, respectively (equivalent to 125,576 and 71,269 US dollars, respectively).

As at 31 December 2019 and 2018, the management believes that the Company was in compliance with all non-financial covenants of this borrowing.

Japan Bank for International Cooperation (JBIC)

The Company entered into a loan agreement with the Japan Bank for International Cooperation for the financing of construction of the advanced oil processing plant in the amount of 297,500,000 US dollars (equivalent to 100,992,325 thousand tenge) including: 178,500,000 US dollars (equivalent to 60,595,395 thousand tenge) (Tranche A) provided by Japan Bank for International Cooperation of 4.64% interest rate and 119,000,000 US dollars (equivalent to 40,396,930 thousand tenge) (Tranche B) provided by Bank of Tokyo MUFG of 6m LIBOR + 1.10% interest rate. Repayment of the principal should be made from 2016 till 2025. Interest payment is carried out in terms of semi-annual payments.

In June and December 2019, the Company paid the principal and interest in the amount of 11,446,759 thousand tenge and 3,552,135 thousand tenge, respectively (equivalent to 29,750 and 9,233 US dollars, respectively).

As at 31 December 2019 and 2018, the management believes that the Company was in compliance with all non-financial covenants of this borrowing.

15. BONDS

Issued bonds consisted of the following:

In thousands of tenge	31 December 2019	31 December 2018
Issued bonds	**51,649,650**	–
Coupon interest payable	**1,192,990**	–
	52,842,640	–
Less: the amount to be repaid within 12 months from the reporting date	**(12,670,690)**	–
Amounts due for settlement after 12 months	**40,171,950**	–

In accordance with the decision of the General Meeting of Participants and the decision of the Management Board of SWF Samruk-Kazyna on 10 January 2019, the Company placed coupon bonds with the Astana International Exchange in the amount of 150,000 bonds with the nominal value of one security equivalent to 1,000 US dollars for a total amount of 150,000,000 US dollars (equivalent to 56,223,000 thousand tenge). The bonds were placed for the purpose of targeted sale of SWF Samruk-Kazyna and, therefore, do not assume further resale on the exchange. The bonds mature on 21 January 2024 (5 years). The annual coupon interest rate is 5% per annum and is fixed for the entire term of the bonds. Repayment of the principal and interest is made in tenge at the rate ruling at the maturity date indexed to the rate ruling at the date of issuance of bonds. Repayment is made semi-annually starting from July 2019. Borrowings are intended for refinancing of existing liabilities.

16. LEASE LIABILITIES

The Company entered into catalyst lease agreements with catalysts having a guaranteed useful life until 2022-2023. The minimum future lease payments under lease and lease option agreements as well as present value of net minimum lease payments are provided in the table:

	31 December 2019		31 December 2018	
In thousands of tenge	Minimum payment	Present value of payments	Minimum payment	Present value of payments
Within one year	**823,093**	**637,944**	826,557	608,394
More than 1 year but less than 5 years	**1,438,879**	**1,266,628**	2,189,451	1,830,547
Total minimum lease payments	**2,261,972**	**1,904,572**	3,016,008	2,438,941
Less finance costs	**(357,400)**	**–**	(577,067)	–
Present value of minimum lease payments	**1,904,572**	**1,904,572**	2,438,941	2,438,941

The Company has leases of temporary land use and other equipment (servers).

	31 December 2019		31 December 2018	
In thousands of tenge	Minimum payment	Present value of payments	Minimum payment	Present value of payments
Within one year	**54,791**	**42,256**	–	–
More than 1 year but less than 5 years	**94,978**	**78,584**	–	–
Over five years	**98,654**	**34,911**	–	–
Total minimum lease payments	**248,423**	**155,751**	–	–
Less finance costs	**(92,672)**	**–**	–	–
Present value of minimum lease payments	**155,751**	**155,751**	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. EMPLOYEE BENEFIT OBLIGATIONS

The Company has defined benefit plans, mainly consisting of pension supplementary payments and anniversary payments, covering all of its employees. These payments are unsecured.

These employee benefit liabilities are as follows:

In thousands of tenge	**31 December 2019**	31 December 2018
Post-employment benefits	**1,262,355**	1,326,110
Other long-term benefits	**713,929**	397,480
Short-term payments	**342,759**	305,177
Total employee benefit liabilities	**2,319,043**	2,028,767
Current portion of employee benefit liabilities	**(342,759)**	(305,177)
Long-term portion of employee benefit liabilities	**1,976,284**	1,723,590

The following tables summarise the components of net benefit expense recognised in the statement of comprehensive income for the respective plans for the years ended 31 December 2019 and 2018:

In thousands of tenge	**2019**	2018
Recorded in cost of sales *(Note 22)*	**513,984**	112,477
Recorded in finance costs *(Note 25)*	**169,605**	152,346
Recorded in general and administrative expenses *(Note 23)*	**112,815**	26,839
Recorded in other comprehensive income	**(55,905)**	297,526
Net benefit expense	**740,499**	589,188

Changes in the carrying amount of the defined benefit obligations at 31 December 2019 and 2018 are as follows:

In thousands of tenge	**2019**	2018
Defined benefit obligation at the beginning of the year	**2,028,767**	1,844,376
The cost of current services and services of previous years	**532,027**	23,124
Interest expenses *(Note 25)*	**169,605**	152,346
Benefits paid during the year	**(450,225)**	(404,797)
Actuarial losses on other long-term benefits	**94,774**	116,192
Actuarial (income)/loss on post-employment benefits	**(55,905)**	297,526
Defined benefit obligation at the ending of the period	**2,319,043**	2,028,767

The principal assumptions used in determining obligations for the Company's employee defined benefit plans are presented below:

In thousands of tenge	**2019**	2018
Discount rate	**8.79%**	8.36%
Expected inflation rate in future years	**7%**	7%
Future salary increase rate	**7%**	7%
Future pension increases	**7%**	7%

18. PROVISIONS

Provisions are as follows:

In thousands of tenge	**31 December 2019**	31 December 2018
Provisions for taxes	**1,317,264**	1,317,264
Total	**1,317,264**	1,317,264

Tax risks

In December 2018, the Company accrued a provision for property tax in the amount of 1,317,264 thousand tenge for objects of the Advanced oil processing plant that were put into operation from capital construction in progress.

19. TRADE PAYABLES

Trade payables comprised the following:

In thousands of tenge	**31 December 2019**	31 December 2018
Non-current accounts payable		
Due to related parties *(Note 27)*	**115,169**	–
Total	**115,169**	–
Short-term trade and other accounts payable		
Due to third parties	**40,019,284**	5,785,718
Due to related parties *(Note 27)*	**1,151,921**	358,177
Total	**41,171,205**	6,143,895

In thousands of tenge	**31 December 2019**	31 December 2018
US dollars	**33,536,340**	99,058
Tenge	**7,106,688**	3,109,667
Euro	**143,562**	2,904,496
Other currencies	**499,784**	30,674
Total	**41,286,374**	6,143,895

As at 31 December 2019 and 2018, trade payables are due within 30-90 days.

Accounts payable of related parties as at 31 December 2019 in the amount of 1,267,090 thousand tenge represent the amount payable to Grace Kazakhstan Catalysts LLP for purchased inventory in the amount of 941,498 thousand tenge; KMG Automation LLP – for technical support and license lease in the amount of 120,912 thousand tenge; KEGOC JSC – for electricity and other services in the amount of 82,897 thousand tenge; Samruk-Kazyna Business Service LLP for intangible assets lease services in the amount of 61,384 thousand tenge; KMG-Security LLP for providing private security services in the amount of 32,760 thousand tenge; and other service providers in the amount of 27,639 thousand tenge.

As at 31 December 2019, the main portion of trade accounts payable represents the amount due to SINOPEC Engineering Co. Ltd in the amount of 33,370,745 thousand tenge for the delivery of inventories and construction and installation works (31 December 2018: nil thousand tenge).

20. OBLIGATIONS UNDER CONTRACTS WITH CUSTOMERS

Liabilities under contracts with customers are presented as follows:

In thousands of tenge	**31 December 2019**	31 December 2018
Advances received from third parties	**9,329,542**	4,767,365
Advances received from related parties *(Note 27)*	**3,202,032**	1,664,242
Total	**12,531,574**	6,431,607

21. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers for the years ended 31 December comprised the following:

In thousands of tenge	**Performance of obligations under contracts with customers**	**31 December 2019**	31 December 2018
Types of services			
Revenue from crude oil refining	At a point in time	**199,706,323**	177,553,119
Revenue from refinery of pentane-hexane fraction	At a point in time	**622,608**	503,530
Revenue from the sale of the main marketable products	At a point in time	**8,617**	–
Other income	–	**48,417**	48,053
Total		**200,385,965**	178,104,702
Geographical regions			
Republic of Kazakhstan		**200,385,965**	178,104,702
Total		**200,385,965**	178,104,702

During the year ended 31 December 2019, the tariff for processing of crude oil was 37,436 tenge per ton of crude oil (2018: the tariff was 31,473 tenge per ton of crude oil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. COST OF SOLD GOODS AND RENDERED SERVICES

Cost of sales of products and rendered services for the year ended 31 December comprised the following:

In thousands of tenge	**2019**	2018
Depreciation and amortisation	**43,187,801**	29,297,831
Materials and fuel	**13,768,725**	7,493,350
Electricity	**10,624,928**	4,812,445
Payroll and related taxes	**10,327,669**	8,610,012
Repair and maintenance	**7,264,905**	3,555,559
Works and services of production nature	**7,247,959**	2,957,020
Environmental preservation expenses	**651,067**	234,611
Employee benefits *(Note 17)*	**513,984**	112,477
Costs of compliance with sanitary and hygienic norms	**99,303**	801,420
Other expenses	**11,183,983**	6,134,399
Total	**104,870,324**	64,009,124
Change in finished goods and WIP	**7,633**	–
Total	**104,877,957**	64,009,124

23. GENERAL AND ADMINISTRATIVE EXPENSES

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

In thousands of tenge	**2019**	2018
Payroll and related taxes	**1,647,053**	2,410,079
Advisory, professional and audit services	**325,735**	141,132
Third party services	**271,214**	257,336
Repair and maintenance	**183,205**	403,019
Depreciation and amortisation	**150,295**	4,030,897
Employee benefits *(Note 17)*	**112,815**	26,839
Taxes other than income tax	**98,324**	459,620
Social payment to labour union	**82,389**	81,679
Trainings	**82,296**	62,576
Business trip expenses	**65,838**	61,834
Transportation services	**46,441**	119,239
Materials	**38,088**	63,460
Communication and security expenses	**35,514**	76,581
Medical insurance of employees	**25,791**	94,043
Bank service expenses	**24,149**	22,478
Costs of compliance with sanitary and hygienic norms	**22,948**	59,882
Support shop services	**22,869**	419,959
Cleaning and administrative services	**14,690**	17,517
Social payments to pensioners	**13,473**	9,813
VAT not allowed for recovery	**4,930**	10,102
Other expenses for children of employees	**1,965**	4,727
Allowance for expected credit losses	**(36,577)**	10,655
Withholding CIT	**–**	511,441
Other	**166,446**	533,842
Total	**3,399,891**	9,888,750

24. FINANCE INCOME

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

In thousands of tenge	**2019**	2018
Income from discounting of loans and borrowings at below-market rates	**7,780,974**	–
Income from interest on cash and cash equivalents, on cash placed with credit institutions	**628,905**	830,748
Other	**107,044**	45,323
Total	**8,516,923**	876,071

25. FINANCE EXPENSES

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

In thousands of tenge	**2019**	2018
Interest on borrowings	**48,243,234**	30,862,886
Commissions for early repayment of loans and CIT at source	**7,766,254**	–
Amortisation of discount on loans from the parent company	**5,551,037**	5,250,423
Interest on debt securities issued	**2,637,609**	–
Finance costs on insurance	**665,667**	501,805
Finance costs on lease	**216,854**	261,217
Fee interest – actuarial valuation *(Note 17)*	**169,605**	152,346
Amortisation of discount for services	**36,851**	–
Impairment of financial assets carried at amortised cost	**13,600**	4,607
Total	**65,300,711**	37,033,284

26. INCOME TAX EXPENSE/(BENEFIT)

The Company is subject to corporate income tax at the prevailing statutory rate of 20% as of 31 December 2019.

The main income tax expense components in the income statement and statement of comprehensive income are as follows:

In thousands of tenge	**2019**	2018
Deferred income tax expenses/(benefit)	**10,905,689**	(5,455,931)
Income tax expense/(benefit)	**10,905,689**	(5,455,931)

The reconciliation of income/(losses) before tax with income tax expenses/(benefits) is as follows:

In thousands of tenge	**2019**	2018
Profit/(loss) before taxes	**42,711,718**	(30,157,010)
Statutory tax rate	**20%**	20%
Income tax expense/(benefit) at the statutory rate	**8,542,344**	(6,031,402)
Income tax benefit relating to the previous period	**–**	(140,305)
Expenses that are not deductible for income tax purposes		
Share in profit of an associate and joint venture	**(347,761)**	(768,475)
Amortisation of fees on loans and borrowings	**990,884**	–
Commission for early repayment of loans	**632,462**	–
Discounting expenses on loans and borrowings	**1,110,207**	1,102,328
Accrual of provisions on legal claims	**–**	(343,480)
Other (non-taxable income)/non-deductible differences	**(22,447)**	725,403
Income tax expense/benefit)	**10,905,689**	(5,455,931)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. INCOME TAX EXPENSE/(BENEFIT) (continued)

In thousands of tenge	31 December 2017	Recorded in the statement of comprehensive income	31 December 2018	**Recorded in the statement of comprehensive income**	**31 December 2019**
Deferred tax assets					
Employee benefits	408,980	37,650	446,630	**(7,264)**	**439,366**
Other reserves	68,054	6,864	74,918	**(7,623)**	**67,295**
Taxes	42,646	5,235	47,881	**105,788**	**153,669**
Benefits	1,252,378	348,110	1,600,488	**(387,084)**	**1,213,404**
Tax loss carry-forward	15,553,592	7,676,059	23,229,651	**(9,030,191)**	**14,199,460**
Deferred tax assets	17,325,650	8,073,918	25,399,568	**(9,326,374)**	**16,073,194**
Deferred tax liabilities					
Finance income from recognition of a discount	–	–	–	**(1,550,326)**	**(1,550,326)**
Property, plant and equipment	(2,593,932)	(2,617,987)	(5,211,919)	**(28,989)**	**(5,240,908)**
Deferred tax liabilities	(2,593,932)	(2,617,987)	(5,211,919)	**(1,579,315)**	**(6,791,234)**
Deferred tax assets	14,731,718	5,455,931	20,187,649	**(10,905,689)**	**9,281,960**

Deferred tax balances are calculated by applying the income tax rates in effect at the respective balance sheet dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. Tax losses carried forward as at 31 December 2019 per tax legislation applied by the Company expire for tax purposes 7 (seven) years from the date they are incurred. Consequently, the majority of the tax losses carried forward by the Company at 31 December 2019 expire for tax purposes in 2020-2025.

27. 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 may enter into transactions that unrelated parties would not and also, transactions between related parties may not be made at the same amounts as between unrelated parties. The Management believes that the Company has appropriate procedures for identification and appropriate disclosure of information on related parties transactions.

During 2019 and 2018, the sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Significant related parties' transactions for the years ended 31 December 2019 and 2018, and balances as of 31 December 2019 and 31 December 2018 are as follows:

Balances on transactions with related parties

In thousands of tenge	**Trade and other accounts receivable**	**Advances paid**	**Loans and borrowings**	**Bonds**	**Accounts payable and obligations under contracts with customers**	**Lease liabilities**
At 31 December 2019						
NC KMG	**3**	**–**	**(53,146,295)**	**–**	**(3,202,032)**	**–**
Joint ventures and associates	**984**	**–**	**–**	**–**	**(25)**	**–**
Development Bank of Kazakhstan JSC	**–**	**–**	**(163,331,122)**	**–**	**–**	**–**
Entities under common control of the Government of RK, NC KMG and NWF Samruk-Kazyna	**308**	**163,047**	**–**	**(52,842,640)**	**(1,267,065)**	**(17,266)**
Total	**1,295**	**163,047**	**(216,477,417)**	**(52,842,640)**	**(4,469,122)**	**(17,266)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. RELATED PARTY DISCLOSURES (continued)

Balances on transactions with related parties (continued)

In thousands of tenge	Trade and other accounts receivable	Advances paid	Loans and borrowings	Accounts payable and obligations under contracts with customers	Lease liabilities
At 31 December 2018					
NC KMG	40	–	(52,509,235)	(1,667,297)	–
Joint ventures and associates	4,453	–	–	–	–
Development Bank of Kazakhstan JSC	–	–	(292,327,949)	–	–
Entities under common control of the Government of RK, NC KMG and NWF Samruk-Kazyna	717	20,680	–	(358.177)	(9,813)
Other related parties	93,206	–	–	–	
Total	98,416	20,680	(344,837,184)	(2,035,287)	(9,813)

In thousands of tenge	**Sales to related parties**	**Purchases from related parties**	**Finance costs**	**Finance income**
2019				
NC KMG	**86,940,902**	**(36,824)**	**(6,240,744)**	**–**
Joint ventures and associates of the Company	**33,435**	**(92)**	**–**	**–**
Development Bank of Kazakhstan JSC	**–**	**–**	**(15,140,797)**	**7,780,974**
Entities under common control of the Government of RK, NC KMG and NWF Samruk-Kazyna	**12,143**	**(4,176,101)**	**(2,659,672)**	**57,144**
Total	**86,986,480**	**(4,213,017)**	**(24,041,213)**	**7,838,118**

In thousands of tenge	Sales to related parties	Purchases from related parties	Finance costs	Finance income
2018				
NC KMG	43,046,645	(52,727)	(5,550,817)	–
Joint ventures and associates of the Company	242,731	(1,314)	–	–
Development Bank of Kazakhstan JSC	–	–	(16,066,460)	7
Entities under common control of the Government of RK, NC KMG and NWF Samruk-Kazyna	35,172,013	(1,173,996)	–	–
Total	78,461,389	(1,228,037)	(21,617,277)	7

Revenue and trade receivables

During the year ended 31 December 2019, the Company provided services to entities under common control of NC KMG and NWF Samruk-Kazyna, which amounted to 43% (2018: 44%) of the scope of all provided services. The services to related parties were provided at prices available to third parties, since pricing policy for such services is set by NC KMG.

As at 31 December 2019, the Company has no provision for expected credit losses on receivables from related parties (31 December 2018: 93,206 thousand tenge). This assessment is undertaken each reporting year through examining the financial position of the related party and the market in which the related party operates.

Compensation to key management personnel

Key management personnel totalled 7 persons as at 31 December 2019 and comprised members of the Management Board (31 December 2018: 7 persons). Total compensation to key management personnel, including payroll taxes, for the year ended 31 December 2019, included in general and administrative expenses in the statement of comprehensive income amounted to 295,301 thousand tenge (31 December 2018: 168,398 thousand tenge).

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. RELATED PARTY DISCLOSURES (continued)

Compensation to key management personnel (continued)

Remuneration to the key management personnel for the years ended 31 December comprised the following:

In thousands of tenge	**2019**	2018
Short-term payments to employees	**252,528**	141,755
Pension deductions	**27,321**	22,635
Other payments	**15,452**	4,008
Total	**295,301**	168,398

28. CONTINGENT AND CONTRACTUAL COMMITMENTS

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 regarding IFRS interpretation of recognition of revenue, expenses and other items of the financial statements. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe. Fines are generally 50-80% of any taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for 5 (five) calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. Because of the 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 31 December 2019. The management believes that as at 31 December 2019 its interpretation of the relevant legislation is appropriate and that the Company's tax positions will be sustained, except as provided for or otherwise disclosed in these financial statements.

Antitrust legislation

The Company's activities are subject to antitrust legislation control. It is possible, with the evolution of the interpretation of antitrust law in Kazakhstan and the changes in the approach of the Antimonopoly Agency, that such transactions could be challenged in future. Currently, the impact of such issues on financial statements cannot be reliably estimated and, therefore, no provision for any liability has been made in these financial statements.

Contingent liabilities

The Company assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that actual events giving rise to liability will occur and the amount of the liability can be reasonably estimated.

As at 31 December 2019, the Company has no contingent liabilities.

Legal issues

In the ordinary course of business, the Company can be subject to legal actions and complaints. The management believes that the Company has no legal proceedings/claims that could have a material impact on the results of operations or financial position as at 31 December 2019.

Contractual commitments

As at 31 December 2019, the Company had contractual obligations in the amount of 928.963 thousand tenge (31 December 2018: 390,970 thousand tenge).

As at 31 December 2019, the Company has raw materials obtained on a tolling basis for further processing in the amount of 327 tons (31 December 2018: 37,438 tons), finished products in the amount of 33,321 tons (31 December 2018: 19,649 tons) and petroleum fractions received as a result of tolling oil processing, for which technological cycle is not completed in the amount of 203,619 tons (31 December 2018: 185,147 tons) in the amount of 823 tons (31 December 2018: 469,130 tons).

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's main financial instruments include non-current financial assets, trade receivables, current financial assets, loans and borrowings, finance leases, cash and cash equivalents. During the year the Company did not undertake trading in financial instruments.

(a) Interest risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term loans with floating interest rates. The Company does not have any hedging instruments to reduce the potential risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity.

	Increase/ decrease in basis points	**Effect on profit before tax**
2019		
US dollars	**+35,00**	**(1,360,191)**
US dollars	**-35,00**	**1,360,191**

	Increase/ decrease in basis points	Effect on profit before tax
2018		
US dollars	+50,00	(1,772,552)
US dollars	-15,00	546,835

(b) Currency risk

Loans and borrowings denominated in foreign exchanges lead to the potential foreign currency risk. The Company does not have any formal arrangements to mitigate foreign exchange risks arising from the foreign currency loans and borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollars to tenge exchange rates, with all other variables held constant, of the Company's loss before income tax expense (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's equity.

	Increase/ decrease in tenge rate	**Effect on loss/profit before tax**
2019		
US dollars	**+12%**	**(72,842,690)**
US dollars	**-9%**	**54,632,017**

	Increase/ decrease in tenge rate	Effect on loss/profit before tax
2018		
US dollars	+14,00%	(103,670,178)
US dollars	-10,00%	74,050,127

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

Financial assets which give rise to the Company's potential credit risk are mainly represented by trade accounts receivable. The Company developed procedures intended to ensure that the goods and services are sold only to the buyers with the appropriate credit history. The Company does not require collateral upon sale of goods and services. The carrying amount of accounts receivable net of provision for impairment represent the maximum amount exposed to credit risk. The Company has no significant concentrations of credit risk. While the collection of receivables is subject to economic factors, the management of the Company believes that there is no significant risk of losses in excess of the amount of created provision for expected credit losses on trade receivables.

In thousands of tenge	Location	Rating 2019	Rating 2018	Balance 31 December 2019	Balance 31 December 2018
Halyk Bank of Kazakhstan JSC	Kazakhstan	**Ba1/stable**	BB/stable	**61,856,094**	72,987,278
SB Sberbank of Russia JSC	Kazakhstan	**Ba1/stable**	Ba3/negative	**33,084,495**	–
ForteBank JSC	Kazakhstan	**B1/positive**	B3/positive	**2,898,436**	301
Other banks	–	–	–	**4**	7
				97,839,029	72,987,586

Cash is placed with financial institutions, which are considered at time of deposit to have minimal risk of default.

(d) Fair value of financial instruments

The fair value of long-term financial assets, loans and borrowings is based on cash flows discounted using the market interest rates. The fair value of cash and cash equivalents, trade accounts receivable and trade accounts payable, and other current liabilities approximates their carrying amount due to the short-term nature of these financial instruments.

	Carrying amount		Fair value	
In thousands of tenge	**31 December 2019**	31 December 2018	**31 December 2019**	31 December 2018
Financial liabilities				
II level				
Loans and borrowings	**722,866,938**	847,206,630	**757,343,465**	875,807,846
Bonds	**52,842,640**	–	**52,842,640**	–
Lease liabilities	**2,060,323**	2,438,941	**2,283,178**	2,718,122
	777,769,901	849,645,571	**812,469,283**	878,525,968

For the years ended 31 December 2019 and 2018 there were no transfers between Levels 1, 2 and 3 of the financial instruments' fair value.

(e) Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. trade accounts receivables, other financial assets) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and borrowings from NC KMG.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2019 and 2018 based on contractual undiscounted payments.

In thousands of tenge	On demand	Less than 3 months	From 3 to 12 months	1 to 5 years	Over 5 years	Total
At 31 December 2019						
Interest-bearing loans and borrowings	65,950,595	–	144,056,018	424,512,459	185,789,882	820,308,954
Accrued interest	2,221,883	483,551	25,394,781	104,543,264	18,087,158	150,730,637
Trade accounts payable	–	41,171,205	–	115,169	–	41,286,374
Lease liabilities	81,696	201,748	596,198	1,540,460	92,051	2,512,153
Other current liabilities	89,751	–	–	–	–	89,751
	68,343,925	41,856,504	170,046,997	530,711,352	203,969,091	1,014,927,869

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

In thousands of tenge	On demand	Less than 3 months	From 3 to 12 months	1 to 5 years	More than 5 years	Total
At 31 December 2018						
Interest-bearing loans and borrowings	69,437,427	–	131,798,655	451,663,579	236,469,474	889,369,135
Accrued interest	2,642,799	328,704	27,379,220	132,159,446	31,342,521	193,852,690
Trade accounts payable	–	6,143,895	–	–	–	6,143,895
Lease liabilities	82,040	186,129	558,388	2,189,451	–	3,016,008
Other current liabilities	40,489	–	–	–	–	40,489
	72,202,755	6,658,728	159,736,263	586,012,476	267,811,995	1,092,422,217

The Company believes that in 2019 it will have sufficient working capital to pay for its obligations timely and fully.

(f) Capital management

The Company manages its equity to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. There were no changes in the Company's approach to capital management as compared to 2018. The structure of the Company's capital consists of debt, which includes loans and borrowings and equity.

(g) Changes in liabilities arising from financing activities

In thousands of tenge	1 January 2019	**Proceeds**	**Disposals**	**Change in foreign currencies**	**Other**	**31 December 2019**
Loans and borrowings	825,940,624	**199,395,500**	**(312,369,696)**	**(4,421,307)**	**(2,430,891)**	**706,114,230**
Interest payable on loans	21,266,006	**–**	**–**	**–**	**(4,513,298)**	**16,752,708**
Bond obligations	–	**56,223,000**	**(5,749,350)**	**1,176,000**	**–**	**51,649,650**
Interest payable on bonds	–	**–**	**–**	**–**	**1,192,990**	**1,192,990**
Obligations under lease agreements	2,438,941	**–**	**(763,405)**	**(9,608)**	**255,911**	**1,921,839**
Dividends payable	13,946	**–**	**(352)**	**–**	**–**	**13,594**
Other finance costs	–	**–**	**(3,846,040)**	**–**	**3,846,040**	**–**
Total liabilities from financing activities	849,659,517	**255,618,500**	**(322,728,843)**	**(3,254,915)**	**(1,649,248)**	**777,645,011**

In thousands of tenge	1 January 2018	Proceeds	Disposals	Change in foreign currencies	Other	31 December 2018
Loans and borrowings	757,161,315	89,883,100	(162,925,401)	107,271,510	34,550,100	825,940,624
Interest payable on loans	18,014,250	–	–	–	3,251,756	21,266,006
Obligations under lease agreements	2,546,806	–	(707,909)	338,827	261,217	2,438,941
Dividends payable	14,261	–	(312)	–	(3)	13,946
Total liabilities from financing activities	777,736,632	89,883,100	(163,633,622)	107,610,337	38,063,070	849,659,517

The "Other" column in 2018 and 2019 includes the amounts received as a result of the recognition and amortisation of the discount and additional costs associated with the loans. The "Other" column also comprised of the amount of accrued but unpaid interest on loans and borrowings, as well as on bonds. The Company classifies interest paid as cash flows from operating activities in the statement of cash flows.

The "Other" column in 2018 includes an amount of received loans from the Export-Import Bank of China (EXIM Bank) and the Japan Bank for International Cooperation (JBIC) through a bank letter of credit in kind (2018: from Export-Import Bank of China and the Japan Bank for International Cooperation amounting to 18,751,157 thousand tenge and 14,465,287 thousand tenge, respectively). During 2019, the Company did not open bank letters of credit to finance capital expenditures for the construction of the project "Advanced oil processing plant".

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. SUBSEQUENT EVENTS

On 15 January 2020, in order to finance the construction of the "Advanced oil processing plant", the Company received a loan from the Development Bank of Kazakhstan JSC in the amount of 46,061,800 thousand tenge with an interest rate of 7.99%. Principal and interest payments will be made from June 2020 as semi-annual payments.

On 16 January 2020, the Company paid principal and coupon interest on the bonds of SWF Samruk-Kazyna in the amount of 5,670,900 thousand tenge and 1,275,953 thousand tenge, respectively.

On 16 January 2020, the Company paid the principal amount and interest for the loan received from the Export-Import Bank of China in the amount of 23,840,633 thousand tenge (equivalent to 62,788 thousand US dollars) and 11,467,960 thousand tenge (equivalent to 30,203 thousand US dollars), respectively.

On 16 January 2020, the Company partially repaid the principal and the commission for early repayment on the loan received from the Export-Import Bank of China in the amount of 41,767,000 thousand tenge (equivalent to 110,000 thousand US dollars) and 835,340 thousand tenge (equivalent to 2,200 thousand US dollars), respectively.

On 17 January 2020, the Company paid interest on the loan from NC KMG in the amount of 152,798 thousand tenge.

On 21 January 2020, the Company paid principal and interest on loans received from DBK JSC in the amount of 12,629,728 thousand tenge and 5,394,721 thousand tenge, respectively.

In January 2020, the Company partially repaid the principal and interest on loans received from Halyk Bank of Kazakhstan JSC in the amount of 5,661,900 thousand tenge (equivalent to 15,000 thousand US dollars) and 1,484,791 thousand tenge (equivalent to 3,935 thousand US dollars).

In the period from 10 to 11 February 2020, the Company partially repaid its accounts payable under the contract "Construction of the advanced oil processing plant" to SINOPEC Engineering (Group) Co., Ltd and NGSK KAZSTROYSERVICE JSC in the amount of 21,410,513 thousand tenge (equivalent to 56,486 thousand US dollars) and 5,674,650 thousand tenge, respectively.

In the period from 10 to 19 February 2020, the Company partially repaid the principal and interest on loans received from Halyk Bank of Kazakhstan JSC in the amount of 14,358,100 thousand tenge (equivalent to 38,000 thousand US dollars) and 145,441 thousand tenge (equivalent to 385 thousand US dollars).

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