NOTICE OF APPROVAL

This Notice has been issued in accordance with the AIFC Market Rules (MAR 1.7.5) and AIX Business Rules (PR 6.2) to confirm the approval of the document described below:

Issuer	Joint Stock Company "KEGOC" (Kazakhstan Electricity Grid Operating Company
Type of Document	Prospectus
Securities	Ordinary Shares (ISIN: KZ1C00000959)
Description	Offer of Securities in or from the AIFC and admission of Securities to the Official List and to trading on AIX pursuant to MAR1.1.1(2)
Details of approval of the Document by the Issuer	Resolution of the Management Board dated September 26, 2023
AIX Decision	Approved by AIX in accordance with the AIFC Market Rules (MAR 1.7) and AIX Business Rules (PR 6.2) on October 3, 2023
Conditions or restrictions (PR6.2(4))	None
Valid until	03/10/2024

Please note that pursuant to the AIX Business Rules (PR 6.3)

1) After a Prospectus has been approved by AIX, it must be made available to the public as soon as is reasonably practicable, and in any case, at a reasonable time in advance of, and at the latest at the beginning of, the Offer of Securities and/or trading on AIX, whichever is earlier.
2) An approved Prospectus is deemed to be made available to the public for the purposes of Rule PR 6.3(1) when such a Prospectus is published in an electronic form on the website of any one or more of: (a) the Issuer; and/or (b) AIX.
3) The content and format of the Prospectus made available to the public in accordance with Rule PR 6.3(2) must at all times be identical to the version approved by AIX.

The approved version of the Prospectus is attached to this Notice.

For and on behalf of
Astana International Exchange

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Aray Seitova
Head of Issuers Regulation and Compliance

Joint Stock Company "KEGOC" (Kazakhstan Electricity Grid Operating Company)

(registered in the Republic of Kazakhstan under the Law on Joint Stock Companies with registration number 6801-1901-AO)

Offering up to 15,294,118 ordinary shares
Offer Price: 1,482 Tenge per share

This Offering and the Prospectus contain information regarding the public offer of up to 15,294,118 ordinary shares (the "**Shares**") of joint stock company "KEGOC" (Kazakhstan Electricity Grid Operating Company) ("**KEGOC**" or the "**Issuer**"), a joint stock company registered under the laws of the Republic of Kazakhstan for purchase exclusively in the Republic of Kazakhstan. The Offering was approved by the Resolution of the Government of Kazakhstan No. 814 dated 19 September 2023 and the resolution of KEGOC GMS, pursuant to which the value of one Share is 1,482 Tenge.

This Prospectus, prepared in accordance with AIFC Market Rules No. FR0003 dated 17 October 2017 (AIFC Market Rules No. FR0003 of 2017), as amended and supplemented ("**AIFC MAR**") and applicable Kazakhstan law, has been approved by Astana International Exchange Ltd. (the "**AIX**") as a prospectus for the issue of ordinary shares of the Issuer for offer, listing and admission to trading on the AIX. This Prospectus will be made available to the public in accordance with AIFC MAR on the Issuer's website at https://www.kegoc.kz.

The Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended), including the rules and regulations thereunder (the "**U.S. Securities Act**") and, subject to certain exceptions, may not be offered for sale or sold in the United States of America (the "**U.S.**"). An offer of securities does not constitute an offer to sell or a solicitation of an offer to buy securities in any jurisdiction in which such offer or solicitation would be unlawful. The Shares are being offered and sold in the Republic of Kazakhstan. See "*SUBSCRIPTION AND SETTLEMENT ON AIX AND KASE*".

Investing in the Shares involves certain risks. Prospective investors should read the entire Prospectus, particularly the section headed "*RISK FACTORS*" beginning on page 22, before deciding whether to invest in the Shares.

The Shares have been admitted to the "Premium" category of the "Shares" sector of the "Main" board of the official list of Kazakhstan Stock Exchange JSC (the "**KASE**"). The Issuer has applied to the AIX: (i) for the listing of the Shares to be admitted to the official list of the AIX (the "**Official List**"); and (ii) for such Shares to be admitted to trading under the ticker symbol KEGC. It is expected that trading of the Shares on the AIX will commence immediately 10 November 2023. Admission to the official list of the AIX (the "**AIX Listing**") is expected to take place after the Allocation Date on 9 November 2023. See "*SUBSCRIPTION AND DISTRIBUTIONS ON AIX AND KASE*". No application has been made to register the Shares or to admit them to trading on other stock exchanges and no such application is currently contemplated.

AIX and its related companies and their respective directors, officers and employees accept no responsibility for the contents of this Prospectus, including the accuracy or completeness of any information or statements contained herein. The Prospectus is the responsibility of the Prospectus Issuer and other persons whose views are included in this Prospectus with their consent. Neither AIX nor any of its officers or employees has made an assessment of the securities to which this Prospectus relates as to their suitability for the purposes of any particular investor or type of investor. If you do not understand the contents of this Prospectus or are unsure whether the securities are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

Joint coordinators and bookrunners
Freedom Finance JSC **Halyk Finance JSC** **Skybridge Invest JSC**
Co-operative bookrunners
BCC Invest JSC **Jusan Invest JSC**

Prospectus dated 3 October 2023

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INFORMATION ON THE PROSPECTUS AND RESTRICTIONS OF THE OFFERING

This Prospectus is being distributed in the Republic of Kazakhstan in connection with the Offering. To read this Prospectus or to make a decision with respect to the purchase of the Shares, you must be a person who, in your jurisdiction of incorporation and jurisdiction of operation or in which you access this Prospectus, is permitted under applicable laws and regulations to access this Prospectus, regardless of where you are resident or incorporated.

This Prospectus complies with the requirements of Article 69 of the AIFC Financial Services Framework Regulation (AIFC Regulation No. 18 of 2017) and Annexes 1 and 2 of AIFC MAR. Except as otherwise provided herein, the Issuer accepts responsibility for the information presented in this Prospectus and, having taken reasonable care and made reasonable enquiries to ensure that the information presented in this Prospectus is in accordance with the facts as known to the Issuer and does not contain material omissions likely to affect its meaning.

Copies of the documents below will be available for long as the Issuer’s Shares are being listed in the AIX from the date of publication of this Prospectus on the Issuer's website at https://www.kegoc.kz/:

- this Prospectus;
- Charter;
- Dividend Policy;
- Relationship Agreement;
- Financial Statements.

Legal address of the Issuer: Kazakhstan, Z00T2D0, Astana city, Almaty district, Tauelsizdik Avenue, building 59. Telephone numbers: +7 (7172) 69 02 98, +7 (7172) 69 02 93, +7 (7172) 69 02 92.

No person is authorised to give any information or make any representations other than those contained in this Prospectus. If such information or representations are provided to investors by any person, investors should not rely on such information or representations as having been authorised by the Issuer or any of their affiliates. The publication of this Prospectus or the consummation of any sale or purchase of the Shares made pursuant to this Prospectus does not in any circumstances imply that there has been no change in the Issuer's business since the date hereof or that the information contained herein will continue to be correct at any time after the date hereof.

The contents of this Prospectus should not be construed as legal, financial or tax advice. Each potential investor should consult its own legal, financial or tax advisor for legal, financial or tax advice. The Issuer, the underwriters represented by Freedom Finance JSC, Halyk Finance JSC, Skybridge Invest JSC, BCC Invest JSC and Jusan Invest JSC (together the "**Underwriters**") and Zan Hub Law Firm (the "**Legal Adviser**") make no representation to the addressee of the offer or purchaser of the Shares as to the legality of their investment. Underwriters are acting on "best efforts" arrangements and have no obligation to buy any unplaced Shares. Each prospective investor should read the Prospectus in its entirety and determine for itself the relevance and sufficiency of the information to make a decision to purchase the Shares. The decision to subscribe for the Shares is based entirely on the prospective investor's own research. In making an investment decision, potential investors should rely on their own research into the Issuer and the terms of this document, including the risks involved.

The information contained in this Prospectus has been provided by the Issuer and has been obtained from the other sources referred to herein. This Prospectus does not constitute a recommendation to subscribe for or purchase the Shares by the Issuer, the Underwriters or the Legal Adviser to any recipient of this Prospectus. Nor does this Prospectus constitute an advertisement within the meaning of the Advertising Law unless such advertisement is in full compliance with the laws of the Republic of Kazakhstan and AIFC laws.

The distribution of this Prospectus and the offer or sale of the Shares in certain jurisdictions may be restricted by law. The Issuer has not taken any action to authorise the public offering of the Shares or possession of this Prospectus or the publication or distribution of this Prospectus in any jurisdiction in which certain actions are required for such purposes, other than Kazakhstan. Persons who may obtain this Prospectus should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any jurisdiction.

This Prospectus does not constitute an offer to subscribe for the Shares or an offer to purchase the Shares in any jurisdiction in which it is unlawful to offer or sell the Shares. For further information regarding restrictions on the offer or sale of the Shares, see "*SUBSCRIPTION AND SETTLEMENT ON AIX AND KASE*".

The definitions used in this Prospectus with a capital letter have the meaning given to them in the glossary, see "*GLOSSARY*", unless otherwise follows from the text of the Prospectus.

An important warning to investors

Persons receiving this Prospectus should examine and observe any restrictions imposed by applicable laws and regulations in the relevant jurisdictions on the distribution of this Prospectus. No action has been taken to obtain permission to issue any offering of securities in any jurisdiction other than the Republic of Kazakhstan.

Financial information

The Issuer announces that the financial statements for the nine months ended 30 September 2023 are not presented in this Prospectus and will not be presented in amendments or supplements to this Prospectus. See "*RISK FACTORS*" risk factor "*The Prospectus does not contain financial statements for the nine months ended 30 September 2023*".

The audited financial statements of the Issuer as at and for the periods ending 31 December 2020, 2021 and 2022 and 30 June 2023 (the "**Financial Statements**") included in this Prospectus have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Certain historical financial data presented in this Prospectus has been extracted from the Financial Statements without material adjustment.

Independent auditors

The financial statements of the Issuer as at and for the periods ending 31 December 2021 and 2022 and 30 June 2023 were audited by the Issuer's current independent auditor, RSM Qazaqstan LLP.

The financial statements of the Issuer as at and for the period ending 31 December 2020 were audited by the Issuer's then current independent auditor, Ernst & Young LLP.

Presentation of non-IFRS measures

As used in this Prospectus, "EBITDA" means operating income less costs of services excluding depreciation and amortisation, general administrative expenses, excluding depreciation and amortisation and selling expenses. EBITDA is an additional measure of the Issuer's performance and liquidity that is not required or presented under IFRS. Furthermore, EBITDA should not be considered as an alternative to income after tax, income before income taxes or any other means of measuring performance derived in accordance with IFRS or as an alternative measure of cash flows from operating activities, as a measure of the Issuer's liquidity or as a measure of the cash available to the Issuer to invest in the development of its business.

The Issuer presents EBITDA because it believes that it is a measure frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present EBITDA when reporting their results. However, EBITDA has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, analysing the Issuer's performance. As a measure of the Issuer's performance, EBITDA has certain limitations for the following reasons:

- it does not reflect the Issuer's cash expenditure or future capital expenditure commitments or contractual obligations;
- it does not reflect changes in the Issuer's working capital or the Issuer's working capital cash requirements;
- it does not reflect significant interest expense or the need for cash to service interest payments or principal repayments by the Issuer;
- it does not reflect income tax differences, which can be significant even for companies operating in the same sector or country;
- although depreciation and amortisation is a non-cash expense, depreciable and depreciable assets are expected to be replaced frequently in the future and EBITDA does not reflect any cash requirements for such replacement;
- it does not recognise foreign exchange gains or losses;
- other companies in the industry in which the Issuer operates may calculate these indicators in a manner different from that of the Issuer, limiting its usefulness as a means of comparison.

Rounding

Certain figures and percentages shown in this Prospectus are presented in rounded form. As such, the figures and percentages shown as totals in some tables may differ from the values obtained by adding up all the amounts that precede them.

Currency

The Issuer's functional currency is the Kazakhstan Tenge. Accordingly, transactions in currencies other than the Issuer's functional currency are converted into Tenge at the exchange rate prevailing on the date of the relevant transaction.

Unless otherwise stated, all references to "**Tenge**" are to the official currency of Kazakhstan, all references to "**USD**" or "**U.S. Dollars**" are to the official currency of the United States of America, all references to "**EUR"** or "**Euro**" are to the single currency of the European Union and all references to "**RUB**" or "**Ruble**" are to the Russian Rouble, the official currency of the Russian Federation.

Information on Kazakhstan, the market and industry of the Issuer

Statistical data and information used in this Prospectus with respect to Kazakhstan and its electricity industry, unless otherwise stated, have been derived from documents and other publications released by the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, the Ministry of Finance of Kazakhstan, the NBK and other publicly available sources in Kazakhstan, including the NBK's annual report published on the NBK's official website "http://www.nationalbank.kz/". Certain of the market data and competitive position data set forth herein have been obtained from publications of U.S. Government agencies and other third-party sources, including publicly available data from the World Bank and the International Monetary Fund, as well as press reports in Kazakhstan and published decisions of the Government of the Republic of Kazakhstan (the "**Government**"). With respect to the statistical information presented, similar statistics may be obtained from other sources, although the underlying assumptions and methodology, and subsequently the resulting data, may differ from source to source.

The above information has been accurately reproduced and, so far as the Issuer is aware and so far as the Issuer has been able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information is used in this Prospectus, the sources of such information have been identified.

Forward-looking statements

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". Such forward-looking statements can be identified by the use of "forward-looking" terminology, including, but not limited to, terms such as "believe", "estimate", "expect", "anticipate", "may", "should" or the negative forms of such terms, or other variations or comparative terms, or by discussions of strategies, plans, objectives, future events and intentions. Forward-looking statements include all matters that are not historical facts and they are frequently referred to in this Prospectus. Forward-looking statements include, among other things, statements about:

- the Issuer's intentions, views and statements of current expectations regarding, among other things, the Issuer's performance, financial condition, liquidity, prospects, growth and strategies;
- the Issuer's expectations of future tariff changes;
- development of the industry in which the Issuer operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to future events and circumstances that may not occur. Forward-looking statements are not guarantees of future performance. The Issuer's actual results of operations, financial condition and liquidity and the development of Kazakhstan and the industry in which the Issuer operates may differ materially from the forward-looking statements contained in this document. Important factors that could cause actual results to differ materially from KEGOC's expectations are listed in cautionary statements in this document and include, among others, the following:

- operational constraints, including equipment failure and labour disputes;
- the Issuer's failure to enforce rights under the Relationship Agreement which was entered into between the Issuer and the Fund to regulate certain aspects of the relationship between them;
- assumptions underlying the financial estimates of KEGOC's operations;
- changes in the Government decrees, including tariff policy and the Government actions, which may affect the Issuer's operations or stated investment programme;
- the scope and nature of KEGOC's strategy and business development in the future;
- vector of further development of Kazakhstan's energy sector;
- KEGOC's expectations regarding the possibility of significant impact of risks on the Issuer's business;
- unfavourable changes in economic or political conditions in Kazakhstan;
- unplanned events or occurrences that affect the Issuer's operations or its production facilities; and
- KEGOC's Dividend policy.

These and other factors are discussed in more detail in the chapters entitled "*RISK FACTORS*", "*Extracts from the Consolidated Financial and Operating Statements of the Issuer Group — Principal Factors Affecting the Issuer's Results of Operations*" and "*Description of the Issuer's Business*". Many of these factors are beyond the control of the Issuer. If one or more of these risks or uncertainties materialise, or if the underlying assumptions prove incorrect, actual results could differ materially from those described herein as predicted, estimated, calculated or anticipated. Except as required by law or relevant authorised body, the Issuer does not intend, and does not undertake any obligation, to update the industry information or forward-looking statements set out in this Prospectus.

Any forward-looking statements in this Prospectus reflect the Issuer's current views with respect to future events and are subject to certain risks, uncertainties and assumptions relating to the Issuer's business, financial condition, operating results, growth strategy and liquidity.

Any forward-looking statements actual only as at the date of this Prospectus. Subject to any obligations imposed by laws, rules or regulations, the Issuer undertakes no obligation to update publicly or to revise any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or persons acting on behalf of the Issuer should be considered only in their entirety on the basis of the information contained therein. Before making an investment decision, prospective investors should pay particular attention to those factors set out in this Prospectus that could cause actual results to differ.

INTRODUCTION AND SUMMARY OF THE PROSPECTUS

In considering this Prospectus, investors should note that the price of the Shares may fall and investors may lose all or part of their investment and, if an investor's liability is not limited to the amount invested in the Shares, an investor may lose more than the amount invested, and the Shares do not offer guaranteed income or capital protection.

This section should be read as an introduction to the more detailed information set out in this Prospectus. Prospective investors should carefully read the entire Prospectus, including the Financial Statements, before making a decision to invest in the Shares. In particular, prospective investors should carefully consider the factors set out under "RISK FACTORS". This summary does not contain all of the information that may be important to investors and any decision by a potential investor to invest in the Shares should be based on a review of the entire Prospectus and not just this summary information.

Civil liability applies only to those persons who have provided a summary description, including a translation thereof, but only if the summary description is misleading, inaccurate or inconsistent when read in conjunction with other parts of this Prospectus or where it does not provide, when read in conjunction with other parts of this Prospectus, contain key information that may assist investors in deciding whether to invest in the Shares.

Investors agree and acknowledge that when investors submit a request for an application for subscription (purchase) of the Shares, in the Offering on the KASE and/or the Offering on the AIX ("Application"), including Applications submitted under Direct Subscription ("Bids"), personal data of investors and other information about them, including the amounts of Applications from investors, may be disclosed to Samruk-Kazyna and/or the Issuer by brokerage companies admitted as members in trading on the AIX or the KASE, which must obtain investor consents necessary to disclose such information to Samruk-Kazyna and/or the Issuer.

Who is the Issuer of the Shares?

The legal and commercial name of the Issuer of the Shares is joint stock company "KEGOC" (Kazakhstan Electricity Grid Operating Company), having the business identification number 970740000838, certificate of state re-registration No. 6801-1901-AO, issued by the Astana Department of Justice of the Ministry of Justice of the Republic of Kazakhstan on 21 October 2004.

The Issuer is a joint stock company with registered office is located at: Kazakhstan, Z00T2D0, Astana city, Almaty district, Tauelsizdik Avenue, Building 59, telephone numbers: +7 (7172) 69 02 98, +7 (7172) 69 02 93, +7 (7172) 69 02 92. Contact e-mail of the Issuer in relation to investor relations: ir@kegoc.kz.

KEGOC is a company established in Kazakhstan providing electricity transmission services (including services for the use of the national electricity grid), technical dispatching of electricity supply to the grid and consumption of electricity and services for organising the balancing of electricity production-consumption in Kazakhstan. The Issuer was formed in 1997 as part of the Government's initiative to restructure the management of Kazakhstan's energy system. The Issuer currently has 3,938 employees. As of the date of this Prospectus, 90%+1 share of the Issuer's ordinary shares are owned by the Fund and the rest of the Issuer's ordinary shares have been traded on the KASE since 18 December 2014. Following the Offering, it is expected that the Fund will own at least 85 % of the voting shares of the Issuer.

As the state-appointed System Operator, the Issuer operates the Unified electric power system (the "**UES**") of Kazakhstan. As at the date of the Prospectus, the UES consists of (a) the National Electric Grid (the "**NEG**"); (b) 138 power plants (including 8 power plants of national importance); (c) 21 electricity distribution grid companies; and (d) 324 wholesale customers. KEGOC owns and operates the NEG assets consisting of 26,854 kilometres of 35-1150 kV high-voltage transmission lines and 82 substations and maintains and repairs these assets. KEGOC provides transmission of electric power through interstate and interregional transmission lines, linking power plants with regional power grid companies and large consumers. The remaining assets of the UES of Kazakhstan are owned by third parties.

The Issuer's main role is to ensure the uninterrupted operation of the UES of Kazakhstan and to control the NEG in accordance with current technical, economic and environmental requirements.

For the first six months of 2023, the Issuer generated revenue of 114,350,128 thousand Tenge from its principal activities (for the year ended 31 December 2022: 217,255,548 thousand Tenge), of which: 80,024,067 thousand Tenge was received from the Issuer's activities on transmission of electricity through KEGOC's networks, 16,802,884 thousand Tenge from dispatching of electricity supply to the grid and consumption, 10,617,571 thousand Tenge from organisation of balancing of electricity production-consumption. The rest of the main income was derived from:

- sales of electric power to compensate for hourly volumes of deviations of the actual interstate balance of electric power flows from the planned one;
- sales of purchased electricity to compensate for unplanned overflows.

The Issuer's Board of Directors includes:

Full name	Date of birth	First appointed	Term expires	Current position
Yernat Kudaybergenovich Berdigulov	3 September 1987	24 November 2021	2024	Chairman of the Issuer's Board of Directors
Nurlan Zamanbekovich Akhanzaripov	17 December 1965	26 June 2020	2024	Member of the Issuer's Board of Directors, Senior Independent Director
Marat Turganbekovich Dulkairov	4 June 1947	31 July 2023	2024	Member of the Issuer's Board of Directors, Independent Director
Damir Serkbayevich Suyentayev	15 January 1984	18 July 2022	2024	Member of the Issuer's Board of Directors, Independent Director
Almat Kunzholovich Zhamiyev	8 November 1979	10 March 2022	2024	Member of the Issuer's Board of Directors
Kanysh Tanirbergenovich Moldabayev	23 October 1963	27 April 2021	2024	Member of the Issuer's Board of Directors
Nabi Yerkinovich Aitzhanov	11 September 1980	1 August 2023	2024	Member of the Issuer's Board of Directors, Chairman of the Issuer's Management Board

The most significant recent trends affecting the Issuer and the industries in which the Issuer operates are as follows:

1. Introduction of the institution of the Single Purchaser of Electricity;
2. Switching the balancing electricity market from simulated to real-time mode.

The Issuer is a 100 % shareholder of Energoinform JSC, and it owns 20% of Batys Transit. The Issuer's independent auditor is RSM Qazaqstan LLP, Almaty, Kazakhstan, 43 Dostyk Avenue, office 302. The Issuer's current credit ratings have been reviewed and rated "BB+" (stable outlook) by S&P, "Baa2" (stable outlook) by Moody's and "BBB-" (stable outlook) by Fitch.

Risk factors

An investment in the Issuer's Shares involves risks associated with the Issuer's business, the industrial, political, social, economic and legal risks associated with Kazakhstan and the risks associated with the nature of the Shares, including, among other things, risks associated with the following matters:

What are key risks relevant to the Issuer?

1. A change in the Issuer's status as a System Operator would have a material adverse effect on the Issuer's operations and prospects.
2. The Issuer's revenue and profitability depend on its current tariff policy, which in turn depends on legislation, including that adopted by the regulator, its interpretation of the tariff regulation system and its calculation of tariffs.

3. The Issuer is subject to (and may continue to be subject to) undesirable regulatory developments and is subject to a highly regulated operating environment.
4. The shortage of maneuverable capacities in the UES of Kazakhstan, as well as the planned increase in electricity production from renewable energy sources, leads to instability of operation of NEG system.
5. The structure of long-term tariffs may not provide the Issuer with the necessary level of profit in case of significant deviations of actual volumes of services and their cost from the planned ones.
6. Violations of the agreed regime of parallel operation with the UES of neighbouring countries may cause mass blackouts and damage to power equipment.
7. The interests of the Fund as the principal shareholder of the Issuer may differ from the interests of the Issuer and from the interests of the holders of its Shares.
8. KEGOC may not be able to enforce its rights under the Relationship Agreement.
9. The capacity of the Issuer's transmission lines may be disrupted, which could result in the imposition of substantial penalties.
10. The Issuer may be held liable for loss and damage to third parties as a result of the disruption of its transmission lines and interruptions or disturbances that may be unrelated to any identifiable third party.
11. The Issuer is dependent on the knowledge and expertise of management and the loss of competent management could adversely affect the Issuer's business, financial condition and results of operations.
12. Fluctuations in the exchange rate of the U.S. Dollar and other currencies against Tenge may adversely affect the Issuer's business, financial condition and results of operations.
13. Adverse rulings in litigation and other proceedings involving the Issuer or its subsidiaries could adversely affect the Issuer's business and its financial condition and results of operations.
14. Kazakhstan's economy may be adversely affected by developments in the economies of other countries.
15. All of the Issuer's operations are conducted in Kazakhstan. Accordingly, it is continually subject to the economic, political and social conditions prevailing in Kazakhstan.

What are the key risks that are specific to the Shares?

- An active trading market for the Shares may not develop.
- Kazakhstan has a less developed securities market than the United States, the United Kingdom and other Western European countries, which may hinder the development of an effectively functioning market for the Shares.
- The price of the Shares may fluctuate significantly.
- The payment of the Issuer's dividends depends on a variety of factors.
- Future offerings of debt or equity securities by the Issuer could adversely affect the market price of the Shares and weaken existing shareholders.
- Individuals' income from the Shares may be subject to tax.

This list is not exhaustive and does not contain a detailed description of the risks and uncertainties inherent in the Issuer and associated with the Offering.

What is the key financial information regarding the Issuer?

Consolidated income statements

	As at 31 December			As at 30 June	
(*in thousands of Tenge*)	2020(1)	2021	2022	2022	2023
	(*audited*)	(*audited*)	(*audited*)	(*audited*)	(*audited*)
Gross profit.....................................	**83,602,583**	**65,760,234**	**50,899,663**	**24,255,538**	**35,046,733**
Operating profit.............................	**74,909,620**	**48,895,152**	**37,993,902**	**20,446,660**	**30,153,846**
Net income.......................................	**53,465,271**	**52,635,912**	**26,747,609**	**14,012,400**	**23,017,358**

Note: (1) The financial information for 2020 presented in the table above includes the income from discontinued operations of the Group in connection to the activities of RFC for RES LLP. Please see further section "*EXTRACTS FROM CONSOLIDATED STATEMENTS ON FINANCIAL AND OPERATING INFORMATION OF THE ISSUER'S GROUP – Basis for consolidation*".

Consolidated statements of financial position

(*in thousands of Tenge*)	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	(*audited*)	(*audited*)	(*audited*)	(*audited*)
Total assets....................................	**812,012,626**	**1,093,217,334**	**986,612,189**	**981,832,737**
Total capital..................................	**502,556,470**	**737,136,817**	**653,565,164**	**663,429,192**
Total commitments.......................	**309,456,156**	**356,080,517**	**333,047,025**	**318,403,545**

Consolidated statements of cash flows

(*in thousands of Tenge*)	As at 31 December			As at 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	(*audited*)	(*audited*)	(*audited*)	(*audited*)	(*audited*)
Net cash flows from operating activities.......................................	**96,701,950**	**83,868,968**	**80,678,722**	**38,071,654**	**38,169,789**
Net cash flows used in investing activities.......................................	**(65,795,180)**	**(62,321,093)**	**(31,208,604)**	**(788,309)**	**(18,778,348)**
Net cash flows used in financing activities…...................................	**(30,689,649)**	**(31,345,871)**	**(33,057,639)**	**(20,823,730)**	**(18,135,176)**
Net change in cash and cash equivalents...................................	**217,120**	**(9,797,996)**	**16,412,479**	**16,459,615**	**1,256,265**
Cash and cash equivalents for the reporting period..................	**21,867,205**	**11,933,828**	**27,563,092**	**28,095,504**	**28,901,077**

There are no reservations in the Financial Statements.

The Issuer's net profit for the first half year 2023 was 23,017 million Tenge, which is higher than the same period in 2022 by 9,005 million Tenge (*30 June 2022: 14,012 million Tenge*). The increase resulted from the following factors: (i) 10,061 billion Tenge – due to increase in revenues from regulated services due to volume by 7,771 million Tenge, due to tariff by 2,290 million Tenge; (ii) 6,937 million Tenge – decrease in depreciation charges as a result of revaluation of fixed assets; (iii) 1,239 million Tenge – increase in revenues from financial operations; (iv) 1,239 million Tenge – increase in income from financial operations due to increase in interest rate on operations with cash on savings accounts and deposits; (v) 929 million Tenge – decrease in tax expenses, including property tax due to revaluation of fixed assets. Comparing the results as at 31 December 2022 and 2021, net consolidated profit from continuing operations of the Issuer for the 12 months of 2022 decreased by 31% or 12,416,837 thousand Tenge to 26,747,609 thousand Tenge (*2021: 39,164,446 thousand Tenge*). Comparing the results as at 31 December 2021 and 2020, net consolidated profit from continuing operations of the Issuer for the 12 months of 2021 decreased by 19% or 9,333,788 thousand Tenge to 39,164,446 thousand Tenge (*2020: 48,498,234 thousand Tenge*).

For the 6 months ended 30 June 2023 and 30 June 2022, the Issuer’s EBITDA was 54.4 billion Tenge and 52.4 billion Tenge, respectively. The Issuer’s EBITDA for the years ended 31 December 2020, 2021 and 2022 was equal to 103.0 billion Tenge, 93.9 billion Tenge and 102.5 billion Tenge, respectively.

There has been no significant change in the financial position or financial performance of the Group since 30 June 2023, the end of the last financial period for which financial information has been published. In the opinion of the Issuer, the working capital available to the Issuer is sufficient for the Issuer’s present requirements, that is, for at least the next 12 months following the date of this Prospectus.

What are the main features of the Shares?

This Prospectus relates to the offer of the Shares which is seeking admission to the Official List of the AIX and to trading on the AIX.

Securities Identification Number on the Shares (ISIN) KZ1C00000959. The AIX ticker symbol – KEGC and the KASE ticker symbol – KEGC. Currency of the Shares is Tenge. The Issuer will sell up to 15,294,118 Shares.

As at the date of this Prospectus, the Issuer's authorised capital consists of 260,000,000 Shares, of which 259,998,610 Shares have been issued, allotted and paid up. As at the date of this Prospectus, there are

1,390 Shares in treasury. As at 30 June 2023, the Issuer's authorised share capital was 126,800 million Tenge. The Shares have different nominal values. All of the Issuer's shares are in book-entry form.

The holder of the Shares shall have the right to, among other things:

(1) participate in the management of the Issuer in the manner prescribed by law and/or the Issuer's Charter approved on 30 November 2022 (as amended) (the "**Charter**");
(2) when owning, alone or jointly with other shareholders, five per cent or more of the Issuer's voting shares, make proposals to the Issuer's board of directors (the "**Board of Directors**") to include additional items on the agenda of the Issuer's general meeting of shareholders (the "**General Meeting of Shareholders**") in accordance with the Law on Joint Stock Companies;
(3) to receive dividends;
(4) to receive information on the Issuer's activities, as well as information on affiliated companies, including confidential information, no later than ten days after the Issuer receives the request, unless otherwise specified in the request, as well as to examine the financial statements of the Issuer, in accordance with the procedure established by law or the Charter;
(5) receive extracts from the Issuer's registrar or nominee holder certifying the title to the Issuer's securities;
(6) nominate candidates to the General Meeting of Shareholders for election to the Board of Directors;
(7) challenge in court the decisions made by the Issuer's bodies;
(8) make written enquiries to the Issuer about its activities and receive reasonable responses within the prescribed time limit;
(9) to receive a part of the property in case of liquidation of the Issuer;
(10) exercise the pre-emptive right to purchase the Issuer's shares or other securities convertible into its shares in accordance with the procedure established by the Law on Joint Stock Companies, except for cases established by law;
(11) demand, in accordance with the Law on Joint Stock Companies, to convene an extraordinary General Shareholders' Meeting or file a lawsuit with the court to convene it if the Board of Directors refuses to convene the General Shareholders' Meeting;
(12) require, in accordance with the Law on Joint Stock Companies, to convene a meeting of the Board of Directors;
(13) require, in accordance with the Law on Joint Stock Companies, that the Issuer be audited by an auditing firm at its own expense;
(14) take the initiative to make decisions on issues within the competence of the General Meeting of Shareholders; and
(15) participate in making decisions on specifying the number or type of the Issuer's shares in accordance with the procedure established by law at the General Meeting of Shareholders.

Restrictions on the free transfer of the Shares

Shares sold in the Offering are freely transferable, subject to restrictions on sale and transfer under relevant laws in certain jurisdictions applicable to the transferor or transferee, including Kazakhstan and other jurisdictions, and pursuant to contractual non-alientation arrangement of the Issuer (please see *"TERMS AND ORDER OF SUBSCRIPTION TO SHARES - Non-alienation of Shares"*). The Shares have not been and will not be registered under the U.S. Securities Act or the applicable securities laws of any state of the United States or any other jurisdiction and may not be offered, sold or transferred, directly or indirectly, within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act or in a transaction not subject to such law.

Dividend policy

The Issuer's dividend policy was approved by Fund's Management Board Minutes No. 17/13 on 9 April 2013 and amended by the General Meeting of Shareholders on 26 September 2023. The Dividend policy is available on the Issuer's website at the following link: https://www.kegoc.kz/ru/for-investors-and-shareholders/dividendnaya-politika/.

Decisions on dividend payments are made in accordance with the basic principles set out in the Issuer's Dividend policy and are subject to the recommendations of the Board of Directors and approval by the General Meeting of Shareholders, which are made taking into account the requirements of applicable law, market conditions, oil prices, the Issuer's debt structure, the investment programme and capital expenditure, positive profitability and free cash flow, as well as other material circumstances that may arise and affect the Issuer's ability to pay dividends in amounts indicated below.

For the years 2020, 2021 and 2022, the Issuer paid dividends to Samruk-Kazyna, UAPF, other minority shareholders in the amount of 32,747 million Tenge (48.86 and 77.09 Tenge per share), 41,530 million Tenge (75.01 and 84.72 Tenge per share), 30,235 million Tenge (50.85 and 65.44 Tenge per share), respectively.

Where will the Shares be traded?

The Shares have already been admitted to the official list of the KASE and will continue to be traded on the KASE following the Offering. Address and contact information of the KASE: Kazakhstan, Almaty, 280 Baizakov Street, 8th floor, North Tower of Almaty Towers Multifunctional Complex, phones: +7(727) 237 53 00, 237 53 11, e-mail: world@kase.kz, Internet resource: www.kase.kz.

This Prospectus relates to the admission to listing of the Shares on the official list of the AIX. Listing is expected to take place on or around 9 November 2023 and trading on the AIX is expected to commence on or around 10 November 2023. Identification and contact details of the Person seeking admission to trading on the AIX: KEGOC, registered at the address: Kazakhstan, Z00T2D0, Astana city, Almaty district, Tauelsizdik avenue, building 59. Telephone numbers, e-mail address: +7 (7172) 69 02 98, +7 (7172) 69 02 93, +7 (7172) 69 02 92, ir@kegoc.kz, www.kegoc.kz.

The AIX's address and contact information: Kazakhstan, Astana, Mangilik El Avenue 55/19, Block C 3.4, phone number: +7 (717) 223 53 20, e-mail: markets@aix.kz, Internet resource: www.aix.kz.

Under which conditions and timetable can I invest in these Shares?

This Prospectus was approved by the Issuer's Management Board on 26 September 2023 and the AIX on 3 October 2023.

The Shares are being offered by the Issuer to institutional and/or retail investors who are residents and non-residents in Kazakhstan.

The Offer Price is 1,482 Tenge per Share. The Offer Price was approved by the General Meeting of Shareholders of the Issuer on 26 September 2023. The Issuer is offering the Shares to (i) institutional and/or retail investors who are residents or non-residents of Kazakhstan through the AIX pursuant to the AIFC MAR and the AIX Business Rules (the "**AIX Offering**") and the KASE in accordance with the Securities Market Law and its rules and settlement procedures (the "**KASE Offering**") and (ii) Kazakhstani and foreign retail investors via direct subscription through the Tabys application or at Kazpost offices pursuant to the AIFC MAR (the "**Direct Subscription**"). AIX Offering, the KASE Offering, and the Direct Subscription together referred to as the “Offering”. Admission of the Shares to the Official List of the AIX is expected to take place on or about 9 November 2023 under the ticker symbol KEGC.

The Shares are being offered in the AIX Offering, the KASE Offering and the Direct Subscription Offering, in each case at the same price of 1,482 Tenge per Share.

Pursuant to the Government Resolution dated 19 September 2023 No. 814, the Issuer is entitled to sell up to 15,294,118 Shares, representing in aggregate approximately 5.6 % of the total number of ordinary shares that the Issuer intends to offer on the local stock exchanges in Kazakhstan. It is expected that the final number of the Shares to be sold in the Offering (together with the price and structure of the Offering) will be approved by the Board of Directors of the Fund on or around the Allocation Date, followed by approval by Resolution of the Government of the Republic of Kazakhstan (as the sole shareholder of the Fund) in accordance with the laws of the Republic of Kazakhstan.

In order to receive the Shares, investors must pay funds for them, which they may dispose of on the same day on which they are credited, on or before the Closing Date, and must have a matching securities account.

The Subscription Period is expected to commence on 16 October 2023 (the "**Opening Date**") at 12:00 noon (Astana time) and Applications may be submitted (a) until 2 November 2023, 18:00 (Astana time) for institutional investors and (b) until 2 November 2023, 18:00 (Astana time) for retail investors (the "**Subscription Period**").

The Issuer offers the Shares (i) to Kazakhstani and foreign retail and institutional investors through the book building system on the AIX and KASE; and (ii) to Kazakhstani and foreign retail investors by direct subscription through the Tabys application or Kazpost branches.

Satisfaction of Applications (in whole or in part) shall be at the sole discretion of the Issuer (and, if applicable, Samruk-Kazyna) as a whole on the basis of the following principles:

1. Priority of satisfaction of Applications of the citizens of Kazakhstan. According to this principle:
   a. Applications of citizens of Kazakhstan are satisfied in priority order (before all Applications of investors of other categories) in the maximum possible number of the total number of placed the Shares;
   b. Applications of other investors (including institutional investors-residents of Kazakhstan, non-resident retail and institutional investors) are satisfied in the second turn in the maximum possible number of the total number of the Shares to be placed less the number of the Shares necessary to fully satisfy all Applications of citizens of Kazakhstan.
2. The unqualified right of the Issuer (and, as applicable, Samruk-Kazyna) to reject, in its sole discretion, any Application (in whole or in part) if, in the opinion (however accurate and/or reasonable) of the Issuer (and, as applicable, Samruk-Kazyna), such rejection results or is likely to result in: (1) a high concentration of the Shares held by one person or a group of related persons; and/or (2) a breach of applicable legal requirements and/or applicable compliance procedures.

The table below sets out certain information about the Issuer's shareholdings prior to the Offering, adjusted to take into account the sale of the Shares by the Issuer under the Offering (assuming that all the Shares are sold under the Offering, as appropriate).

	Shares prior to the Offering		**Shares after the Offering**		**Shareholdings subject to disclosure[(2)]**
Shareholder	Quantity	Percentage[(1)]	Quantity	Percentage[(1)]	Yes/No
Samruk-Kazyna....................	234,000,001	90% + 1 share	234,000,001	at least 85%	**Yes**
UAPF………………..............	18,856,931	7.25%	18,856,931	at least 6.85%	**Yes**
Other minority shareholders..	7,141,678	2.75%	22,435,796	at least 8.15%	**No**[(3)]

Note:
(1) Ownership of ordinary shares on a percentage basis, approximately.
(2) Based on the Law on Joint Stock Companies, the Charter and the AIX Business Rules.
(3) Subject to that no single shareholder is a Connected Person of the Issuer.

The Issuer will receive the entire net proceeds of the Offering, which will be approximately 21,000,000 thousand Tenge if all the Shares are sold in the Offering. The Issuer plans to use cash raised to finance the project Strengthening of the power grid of the Southern Zone (Phase 1). The total commissions, fees and expenses payable in connection with the Offering will be approximately 500,000 thousand Tenge. These amounts include, among other things, financial advisers' and legal advisers' fees, listing and admission fees, bookbuilding fees and sales commissions. Fees and commissions payable to the Bookrunners in connection with the Offering shall be paid by the Issuer. The Issuer shall bear all of its own costs and expenses incurred in connection with the Offering. No commissions, fees or expenses will be charged to investors by the Issuer or the Bookrunners in connection with the Offering, except for brokerage and other applicable fees/commissions payable when the Bookrunners or other banks provide brokerage or payment processing services to investors.

The Bookrunners are acting on "best efforts" arrangements under underwriting agreements between the Issuer and the Bookrunners dated 21 July 2021 and 31 August 2023 (the "**Bookrunners Underwriting Agreement**") and have no obligation to buy any unplaced Shares.

There are no material conflicts of interest related to the Offering or admission to bidding.

SHARE OFFERING

Issuer.............................	Full Name:

Issuer.............................

Full Name:

in the state language: "Электр желілерін басқару жөніндегі Қазақстан компаниясы" (Kazakhstan Electricity Grid Operating Company) "KEGOC" акционерлік қоғамы;

in Russian: акционерное общество "Казахстанская компания по управлению электрическими сетями" (Kazakhstan Electricity Grid Operating Company) "KEGOC";

in English: KEGOC joint stock company (Kazakhstan Electricity Grid Operating Company).

Abbreviated Name:

in the state language: "KEGOC" АҚ;

in Russian: АО "KEGOC";

in English: KEGOC JSC.

The Issuer is a joint stock company established and first registered on 11 July 1997 under the laws of Kazakhstan through the transfer of a portion of the assets of the former National Energy System "Kazakhstanenergo" pursuant to the resolution of the Government of the Republic of Kazakhstan No. 1188 dated 28 September 1996 "On Certain Measures on Structural Reorganisation of Management of the Energy System of the Republic of Kazakhstan". The Issuer operates in accordance with the Law on Joint Stock Companies, the Law on the NWF and the Law on the Electric Power Industry, which are the primary legislation for the Issuer. The business identification number of the legal entity is 970740000838. Legal address of the Issuer: Z00T2D0, Republic of Kazakhstan, Astana city, Almaty district, Tauelsizdik Avenue, building 59. Telephone numbers: +7 (7172) 69 02 98, +7 (7172) 69 02 93, +7 (7172) 69 02 92.

Offering........................

The Offering includes up to 15,294,118 ordinary shares authorised and issued by the Issuer, representing approximately 5.6 % of the total number of ordinary shares. In accordance with the Resolution of the Government of the Republic of Kazakhstan No. 814 dated 19 September 2023, the Issuer is entitled to sell up to 15,294,118 shares, which is up to 5.6 % of the total number of ordinary shares of the Issuer.

The Shares are offered to (i) institutional and/or retail investors, who are resident or non-resident of Kazakhstan, on the AIX and the KASE and (ii) Kazakhstani and/or foreign retail investors via Direct Subscription.

The price of the share on offering on the AIX, the KASE and Direct Subscription will be 1,482 Tenge per share.

The Issuer has entered into an Underwriting Agreement with the Bookrunners to, among other things, obtain underwriting services for the Issuer in relation to the listing and public offering of the Shares on the AIX and the KASE prior to the Allocation Date. The Bookrunners are acting on "best efforts" arrangements and have no obligation to buy any unplaced Shares.

The Offering realisation schedule may change upon occurrence of events and circumstances beyond the control of the Issuer or the Bookrunners. Information on changes to the Offering realisation schedule will be announced to investors with the amendment of the Prospectus, if necessary.

Bookbuilding on AIX

Bookrunners will begin the bookbuilding process on the AIX trading platform, with access available exclusively to AIX Trading Members who have entered into a valid AIX Member Agreement with AIX ("**AIX Trading Member**"). Accordingly, investors must have an open account with any AIX Trading Member to purchase shares on the AIX.

The AIX will publish Market Notices ("**Market Notice**") on the principal terms and conditions of the bookbuilding and settlement procedures in connection with the Offering on the AIX (including the obligation of the AIX Trading Member to disclose the ultimate investors), time frame and share static data.

At the start of the bookbuilding process, the shares will be set up in the AIX and AIX CSD platforms.

The AIX and Bookrunner intend to enter into a Bookbuilding Service Agreement on or around the date of this Prospectus which will set out the terms and conditions for the use of the AIX trading platform to carry out the bookbuilding procedure in respect of the AIX Offering.

Prospective purchasers of shares are required to specify the number of shares they would like to purchase. Such number of shares will be recorded in the AIX trading system and made available to Bookrunner and the Issuer. On the Allocation Date or such other date as Bookrunner may determine, shares will be distributed to investors.

The Fund and/or Issuer may, at its discretion, refuse to honour certain and/or any applications in the allotment of shares.

At 18:00 (Astana time) 2 November 2023 the bookbuilding will end for institutional and retail investors.

If the Shares are held or will be held by two or more investors through an omnibus account (either domestic or foreign) opened with AIX Trading Member or non-trading AIX CSD Participant ("**Participant**"), the investors, by submitting a bid to purchase shares, thereby unconditionally consent to the disclosure by Participants to the Issuer, AIX and AIX CSD of any information about them required for identification of ultimate investors (retail and institutional investors) registered in the omnibus account opened with Participant (including information about the ultimate beneficial owner of the ultimate investors).

Direct Subscription

Concurrently with the AIX Offering, the Issuer is offering the Shares by direct subscription to Kazakhstani and/or foreign retail investors via the Tabys application or Kazpost branches. AIX Central Securities Depository Ltd. (the "**AIX CSD**") and Bookrunner, acting as agent for and on behalf of the Issuer, intend to enter into a Services Agreement on or around the date of this Prospectus for the use of Tabys for the purpose of collecting Bids from potential purchasers in connection with the Direct Subscription. The procedures for Direct Subscription are set out in Tabys' documentation, which is available in the Tabys application itself or at www.tabysapp.kz. The Tabys application can be downloaded from the App Store or Google Play, see www.tabysapp.kz.

The collection of share purchase orders via Tabys or Kazpost offices will be conducted simultaneously with the bookbuilding process on the AIX and will commence on 16 October 2023. To do so, Direct Subscription participants must first open a custody account with the AIX CSD when registering in the Tabys application or at the Kazpost branches. Applicants wishing to purchase shares will be required to indicate the number of shares they wish to purchase and prepay the bids. Prepaid bids will be registered in the Tabys application and provided to the Bookrunner and the Issuer.

Concurrently with the allotment of shares under the AIX Offering, the allotment of shares under the Direct Subscription will take place on or around the Allocation Date. The Issuer may, at its discretion, refuse to honour certain and/or any Bids in the allotment of shares.

Bookbuilding on KASE

The process of bookbuilding through subscription to the Shares will start from 12:00 (Astana time) 16 October 2023 also on the trade platform of the KASE. Access to subscription is granted only to participants having the status of a participant at the KASE ("**KASE Member**").

The KASE will issue a Market Notice including, among other things, the main terms and conditions of the bookbuild process, settlement procedures and the related responsibilities of the KASE Members, obligation to disclose ultimate beneficial owners submitting Applications.

Buyers of the Shares on the KASE need to have an open brokerage account with a member of the KASE. Bookbuilding will be carried out by Bookrunners.

Buyers of the Shares submit applications to the KASE Members, with information about the number of the Shares they wish to purchase at the Offer Price. The specified number of the Shares will be recorded on the KASE trading platform and provided to the KASE bookrunner and the Issuer. On 3 November 2023, the availability of the necessary funds of potential purchasers will be checked, including in their accounts with the KASE Members.

	Application of buyers with insufficient funds will be cancelled on the trading platform of the KASE. By participating in the bookbuilding process, prospective purchasers agree that the Fund and/or Issuer may, in its sole discretion, refuse to allocate the Shares under any Application for any reason. The bookbuild process on the KASE will close at 18:00 (Astana time) 2 November 2023 for retail and institutional investors.
Minimum amount..................	One Share.
Shares........................	The Issuer's authorised capital totaled 260,000,000 ordinary shares in issue of which 259,998,610 shares were placed and fully paid up for a total amount of 126,799,554 thousand Tenge, 1,390 ordinary shares were repurchased by the Issuer. The authorised share capital amounts to 126,799,554 thousand Tenge and is divided into ordinary shares, which entitle their holders to certain rights, including voting rights. See description under *DESCRIPTION OF THE CHARTER, AUTHORISED CAPITAL AND APPLICABLE LAW OF KAZAKHSTAN*. The Issuer's Shares are in book-entry form and ownership of the Shares is confirmed by an extract from the Issuer's shareholder register.
Price and currency	1,482 Tenge per share.
Bookbuilding Opening Date........................	Scheduled for 16 October 2023 at or around 12:00 (Astana time), on or about that date
Bookbuilding End Date	2 November 2023 at 18:00 (Astana time)
Allocation Date	Planned for 7 November 2023, on or about that date
Closing Date	Expected on 9 November 2023, or about that date
Refund in the event that the Offering is not successful.	If the Issuer decides to cancel the Offering, funds received from applicants for purchase of the Shares shall be returned, subject to the written instruction of the applicant, by its broker or the Issuer (via the AIX CSD, the Central Depository or Kazpost offices) to such applicant in the amount of funds received from the applicant when applying for the purchase of the Shares, less any banking, brokerage and other third party fees for payment processing.
Right to withdraw applications..	Institutional and retail investors are permitted to withdraw their Applications until 6:00 p.m. (Astana time) on 2 November 2023.
Financial Advisor and Underwriter.........................	Halyk Finance JSC, SkyBridge Invest JSC, Freedom Finance JSC, Jusan Invest JSC, BCC Invest JSC acting as joint coordinators and joint bookrunners to provide advisory and underwriting services to the Issuer.

Share Exclusion Period	The Issuer has agreed with Underwriters that until the expiration of a 180-day period after the Closing Date, it will not, subject to certain exceptions, without the prior written consent of the Underwriters, offer to allot, dispose of, encumber (including pledge) or otherwise dispose of any Shares. For further details please see *"TERMS AND ORDER OF SUBSCRIPTION TO SHARES - Non-alienation of Shares"*
Use of proceeds...........	The Issuer plans to use the raised funds to finance the project Strengthening of the power grid of the Southern Zone (Phase 1). Until the funds are utilised for the stated purposes, the funds will be placed on deposit accounts with second-tier banks in Kazakhstan.
Preemptive right…………	For a description of pre-emptive rights to acquire the Issuer's Shares, see *"RISK FACTORS"*, *"TERMS AND ORDER OF SUBSCRIPTION FOR SHARES"*.
Restrictions on sale.................	No action has been or will be taken in any jurisdiction outside Kazakhstan (including AIFC) that would permit a public offering of the Shares or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertising in connection with the Shares may be distributed or published in any country or jurisdiction outside Kazakhstan (including AIFC) except in circumstances that would result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should be aware of and observe any restrictions on the distribution of this Prospectus and on the offer and sale of the shares offered in the Offering, including in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or purchase any shares offered in the Offering to any person in any jurisdiction in respect of which such offer or application in respect thereof is unlawful in such jurisdiction. See *"SUBSCRIPTION AND SETTLEMENT ON AIX AND KASE"* section.
Payment and settlement...................	**AIX Offering and Direct Subscription** Payment and settlement of the AIX Offering and the Direct Subscription will be made through the AIX CSD settlement system in accordance with the AIX CSD Rules and Procedures. The allotment of the Shares to purchasers in the AIX Offering to be made through the AIX CSD system and payment for the Shares by the purchasers to be made through the AIX CSD settlement banks and are expected on the Closing Date. In order to participate in the allotment and trading of the Shares on the AIX, investors must have an account with AIX Trading Member. The Shares of such investors will be held in the nominee account of such Trading Member with the AIX CSD. The retail investors must make prepayment for the subscribed Shares on the date of the

	Application/Bid and institutional investors must make prepayment for the subscribed Shares by 31 October 2023 (inclusive) or on the date of the Application/Bid submitted after 31 October 2023.
	Retail investors participating in the Direct Subscription open a personal custody account with the AIX CSD via the Tabys application or through a Kazpost branch. This account is for the safekeeping of securities only. In order to trade Shares on the AIX, investors must transfer the Shares to their account opened with an AIX Trading Member.
	KASE Offering
	To make settlements the Issuer before the beginning of their realisation ensures the necessary amount of securities on the Seller's sub-account in the KASE section in the Central Depository. The Buyer ensures sufficient amount of money on his bank accounts in the Central Depository or in KISC before the time of settlements. After formation of the register of satisfied bids, settlements on the deals are made in accordance with internal documents of the KASE. On the day of settlements on the deals the KASE forms and transfers to the Issuer and Buyers exchange certificates on the deals, as well as publishes on its Internet resource a notice on the results of subscription.
	The retail investors must make prepayment for the subscribed Shares on the date of the Application/Bid and institutional investors may make prepayment for the subscribed Shares by 31 October 2023 (inclusive) or on the date of the Application/Bid submitted after 31 October 2023.
Dividend policy...............	The Regulations on KEGOC's Dividend Policy were approved by the Fund's Management Board Minutes No. 17/13 on 9 April 2013.
	The decision to pay dividends on the Issuer's ordinary shares based on the results of the year is made by the annual GMS after the approval of the annual financial statements and relevant recommendation by the Issuer's Board of Directors. The payment of dividends by the Issuer will be primarily driven by the Issuer's investment needs and will be adjusted in light thereof. The procedure for declaring and paying dividends is governed by Kazakhstan law and the amount of dividends depends on, among other things, the Issuer's net income, financial position, capital requirements and contractual and other obligations. If declared, dividends will be paid in Tenge or, subject to shareholder approval, in securities of the Issuer.
	For more detailed information on Dividend policy, see *"DIVIDENDS AND DIVIDEND POLICY"*
Listing and trading of the Shares..	Application has been made to AIX for the Shares to be admitted to listing and trading on AIX under the ticker symbol KEGC. Subject to relevant AIX Market Notice, the planned date of admission of the Shares to the Official List of the AIX is 9 November 2023 and planned date of admission to trading on the

	AIX is 10 November 2023. Since 2014, KEGOC shares were in the official list of the KASE under ticker symbol KEGC.
Subscription and mutual settlements..	See *"SUBSCRIPTION AND SETTLEMENT ON AIX AND KASE"*.
The right to vote……….	Each Share entitles the holder to one vote at General Meetings of Shareholders. See "*DESCRIPTION OF THE CHAPTER, AUTHORISED CAPITAL AND APPLICABLE LAWS OF KAZAKHSTAN*".
Risk factors…………….	Any investment in the Shares involves risk. Potential investors should carefully analyse the risks relating to the Issuer and the Shares discussed under "*RISK FACTORS*" and elsewhere in this Prospectus.
General information……	ISIN: KZ1C00000959 Address of the Issuer: Republic of Kazakhstan, Astana, Z00T2D0, Almaty district, Tauelsizdik Ave, building 59 The Issuer's Internet resource: www.kegoc.kz

RISK FACTORS

*Before making any investment decision in respect of the Shares, prospective investors should carefully consider the risks set out below and the other information contained in this Prospectus, including the risk factors described below. The risks set out below could have a material adverse effect on the business, financial condition, results of operations or prospects of the Issuer and its consolidated subsidiaries and joint ventures taken as a whole (the "**Group**"), which in turn could have a material adverse effect on the value of the Shares. Potential investors should note that the risks described below are not the only risks faced by the Group. The Issuer has described only those risks that it considers material to the Group. There may be additional risks that the Issuer currently considers immaterial to the Group or of which it is not currently aware and any of these risks may have the consequences set out above.*

The risks set out below have been categorised as follows: risks relating to the Issuer's business, risks relating to the region in which the Issuer operates, risks relating to taxation and risks relating to the Shares and the market on which they are traded. This categorisation is provided for convenience only and it should not be assumed that any particular category contains all the risks associated with that category.

Risks related to the Issuer's activities

The Issuer is subject to (and may continue to be subject to) undesirable regulatory developments and is subject to a highly regulated operating environment

The Issuer operates in a highly regulated industry and, accordingly, the Issuer's results of operations are subject to the application of regulations by the relevant supervisory and regulatory authorities, namely the Ministry of National Economy of the Republic of Kazakhstan ("**MNE**") and the Committee for Nuclear and Energy Supervision and Control of the Ministry of Energy of the Republic of Kazakhstan ("**MoE**").

The Issuer is included in the state register of natural monopolies in accordance with the Law on Natural Monopolies. This means that, subject to certain exceptions, the Issuer is prohibited from engaging in activities other than regulated activities. Accordingly, the Issuer has limited commercial flexibility or diversification and, in general, is required to operate only in the electricity industry in Kazakhstan. In other words, the Issuer is substantially dependent on developments in the Kazakhstan electricity market, which could have an adverse effect on its profitability if there is a downturn in that market.

Governmental authorities that regulate the Issuer's business or exercise control over the Issuer's business may from time to time adopt new legal regulations, change their position on regulatory matters, slow down or accelerate reforms in the electricity industry and any such factor could materially adversely affect the Issuer's business, financial condition, results of operations and prospects.

The Issuer's revenue and profitability depend on its current tariff policy, which in turn depends on legislation, including that adopted by the regulator, its interpretation of the tariff regulation system and its calculation of tariffs

All income generated by the Issuer from its core regulated activities is subject to regulation in accordance with the requirements of the Law on Natural Monopolies and is limited to the level of approved tariffs. In accordance with the Law on Natural Monopolies, natural monopolies include services provided by KEGOC for: (i) transmission of electricity through the NEG networks, (ii) technical dispatching of electricity supply to the grid and consumption of electricity (iii) organisation of balancing of electricity production-consumption.

In 2013, KEGOC switched to approval of tariff ceilings. The principles of calculating tariff ceilings are similar to the calculation of annual tariffs, except that tariff ceilings are approved for a period of several consecutive years. In the case of tariffs, they are approved for a period of 5 years. Direct costs are recovered from the relevant activity and indirect costs are allocated between activities based on an allocation base. KEGOC has approved tariffs for 2021-2026.

However, there are facts of unscheduled tariff reductions. For example, for the period from 1 August to 31 December 2018, the tariff ceilings for the services of technical dispatching of grid supply by 5% and for the organisation of balancing of electricity production-consumption by 3.4% were reduced.

In 2019, there was a reduction in the approved tariff ceilings for consumers to 2018 levels. From 1 January 2021 to 30 September 2021, temporary tariffs were set, which are 12-14% lower than the previous year's tariffs.

In August 2021, the MNE Natural Monopolies Regulatory Committee (the "**NMRC**") approved a tariff increase for KEGOC's services with effect from 1 October 2021. The tariffs were increased to 2020 levels, i.e., by 14%-16%. In April 2022, the NMRC introduced temporary compensatory tariffs for the period from 1 June 2022 to 31 May 2023. The said tariffs were 6%-7% lower than the tariffs approved in August 2021. KEGOC appealed to the court challenging the NMRC order to impose the temporary compensatory tariffs. Currently the execution of the NMRC order is suspended pending the court's decision. This order of the NMRC was found to be lawful in the courts of first and appeal instance, however, the decision of the cassation instance of 13 June 2023 No. 6001-23-00-6ap/128 of 9 November 2022 of the Astana City Court Judicial Collegium for Administrative Cases on this case was cancelled and sent for a new consideration to the court of appeal instance with a different composition. This dispute is still in a state of judicial resolution with no clear predictions of its outcome. If the dispute is resolved in favour of the Issuer, the NMRC order approving the temporary compensatory tariff ("**TCT**") will be cancelled with the Issuer retaining approximately 12 billion Tenge. 670 million Tenge. If the court finds the NMRC order in favour of the Issuer, the TCT will become mandatory, which may have the effect of reducing the Issuer's net income in the current or next year, depending on when the final court decision is made and becomes effective.

Unplanned tariff reductions in 2019 and 2021 and the risk of such situations recurring could adversely affect the Issuer's financial condition. The level of tariff growth pledged for 2021-2026 is conservative and lower than the rate of tariff growth approved in the last tariff period. Ongoing litigation with the NMRC on tariffs may also adversely affect the Issuer's financial condition.

It is possible that regulated tariffs could be set at a level that would prevent the Issuer from maintaining its ability to make the same level of investment while achieving an acceptable level of return on capital invested in its transmission facilities.

In addition, the current tariff regulation system may be expanded or amended, and new tariff schemes and methods may be introduced. In this situation, there can be no assurance that the tariff structure will not change in the future in a manner unfavourable to the Issuer, which could have an adverse effect on the Issuer's business, financial condition and results of operations and prospects in general.

Interim adjustments to the existing tariffs during the period for which they are set may be approved by the regulator only due to the occurrence of certain events, the list of which is effectively reduced to certain extraordinary circumstances beyond the Issuer's control. Such circumstances include the occurrence of force majeure events, deviations of actual service volumes from the approved ones, the need to take actions to prevent technological failures or the fulfilment of orders of state authorities. In addition, the regulator may also adjust the current tariff as an extraordinary regulatory measure to protect the life, health of citizens, property of individuals and legal entities, environmental protection, as well as to compensate a natural monopolist for higher electricity prices and taxes. The regulator also has the right to independently determine whether and to what extent the tariff is subject to adjustment in each specific case.

Given that the tariff period is 5 years, the Issuer currently bears a greater risk if the Issuer's actual costs are higher than the approved reasonable costs, as reasonable costs are subject to approval at the beginning of the 5-year tariff period. The Issuer's ability to adjust the tariff within five years will be significantly limited by the grounds listed above, and there can be no assurance that the Issuer's applications for interim tariff adjustments will be granted. It also remains unclear how the MNE will address construction costs and other events that may increase the Issuer's costs over a multi-year tariff period.

The possible formation of an ordinary electricity market under the Eurasian Economic Union Treaty may also entail further reforms (including revision of the Issuer's tariff calculation methodologies) and may directly or indirectly affect the Issuer's revenues.

The structure of long-term tariffs may not provide the Issuer with the required level of profit in case of significant deviations of actual volumes of services and their cost from the planned ones

The Issuer is seeking approval of tariff ceilings for a five-year period. There is a risk that the regulator will refuse to approve a tariff ceiling proposed by the Issuer or that the regulator will delay an increase in tariff ceilings due to an increase in the Issuer's costs of providing services, as the current tariff ceilings can only be adjusted due to the limited set of circumstances listed above (i.e. circumstances beyond the Issuer's control) and, in any event, must be approved by the regulator. The regulator's refusal to increase the long-term tariff ceilings against the background of rising costs of services will result in a decrease in the Issuer's profits.

Although the Offering is structured in accordance with the requirements of the legislation of Kazakhstan, it may be interpreted as contradicting the requirement to prohibit privatisation of NEGs

The Offering will be part of the Comprehensive Privatisation Plan for 2021-2025 approved by the Government and will include the sale of KEGOC shares. The Offering will not include the sale, disposal or encumbrance by the Issuer of its NEG structure assets. Pursuant to the definition of the NEG contained in the Law on Electric Power Industry, the assets comprising the NEG (i.e. the aggregate of substations, distribution facilities, inter-regional and/or inter-state transmission lines and transmission lines supplying electric energy of electric power stations with a voltage of 220 kilovolts and above) are not subject to privatisation and are transferred to the national company in accordance with the procedure and on the terms and conditions determined by the Government.

Also, under the Law on Electric Power Industry by the national company, alienation of the NEG to individuals and (or) legal entities, as well as its encumbrance with third party rights, is prohibited. In accordance with the Law on State Property, the Government defines a list of objects, including strategic objects, owned by quasi-state sector entities that are not subject to alienation. This list of objects includes the NEG.

In addition to prohibiting the privatisation of certain facilities, the Republic of Kazakhstan also controls the alienation of a number of facilities of particular importance for the sustainable development of Kazakhstan. Objects categorised as strategic may be in both private and state ownership but may not be alienated without an appropriate governmental decision. The state also has a priority right to acquire strategic objects in case of their alienation. According to the Resolution of the Government of the Republic of Kazakhstan No. 651 dated 30 June 2008, the NEG and 90.000000001% of the Issuer's Shares were classified as strategic assets. In preparing the Offering, the Issuer obtained the Government resolution authorising the Offering and approving the number of shares to be placed under the Offering. Pursuant to amended Resolution of the Government of the Republic of Kazakhstan No. 651 dated 30 June 2008, 85% of the Issuer's Shares are classified as strategic objects owned by the national holdings, national companies, their affiliates or other legal entities with state ownership, while 15% of the Issuer's Shares are classified as strategic objects owned by legal entities non-affiliated with the state, and physical persons. However, the broadly worded prohibition on privatisation or alienation of certain assets, including the NEG assets, provided for in the Law on Electric Power Industry and the Law on State Property still remains in force. KEGOC believes that the Offering does not constitute a privatisation or divestiture of the NEG assets that is prohibited, as KEGOC will continue to be the sole owner of the NEG after the Offering.

In order to strengthen the State's control over strategic facilities, on 2 July 2014, the Law "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Issues of State Management" was adopted, which amended the Law on Electric Power Industry. In particular, the national management holding company (i.e., the Fund) was prohibited from disposing of shares in a national company (i.e. KEGOC) that would result in the Fund owning less than 90 per cent plus one of the voting shares of KEGOC. Effective 19 April 2023, the Law on Electric Power Industry was amended to lower the threshold for the Fund's ownership of the Issuer's shares from "90% plus one voting share" to "85%" of KEGOC's voting shares.

The Fund and KEGOC have jointly taken steps to structure the Offering so that the Fund owns at least 85 per cent of KEGOC. However, there is a risk that the Offering will be criticised, receive negative publicity and may be challenged. Although the current Government supports the Comprehensive Privatisation Plan for 2021-2025 and the Offering, subsequent Governments may not support them. Any criticism by governmental authorities or future members of the Government of Kazakhstan could adversely affect KEGOC's business, operating results and financial condition in the future. However, there can be no assurance that laws relating to the privatisation of the NEG will not be amended in the future, which could adversely affect the Offering.

A change in KEGOC's status as System Operator would have a material adverse effect on KEGOC's operations and prospects

In accordance with the Law on Electric Power Industry, the System Operator is a national company that performs centralised operational dispatch management, ensures parallel operation with power systems of other states, maintains balance in the power system, provides system services and purchases auxiliary services from wholesale electricity market entities, as well as transmits electricity through the NEG, maintains its maintenance and operational readiness.

As the System Operator appointed by the MoE, KEGOC has the exclusive right to operate the NEG, provide technical dispatch services and organise the balancing of electricity generation and consumption. However, the right to appoint the System Operator belongs to the MoE. Any change by the MoE of KEGOC's status as System Operator could have a negative impact on KEGOC's position as the country's leading electricity transmission company, which could adversely affect KEGOC's financial condition and prospects.

KEGOC relies on third party services

The Issuer relies on its own labour and material resources and, to a certain extent, external contractors to organise the maintenance and repair of its own assets and infrastructure. The Issuer also relies on external contractors for the implementation of its own investment projects, including for construction, reconstruction and rehabilitation work and for the purchase of equipment and spare parts. Certain of the services required by the Issuer in the conduct of its business and in connection with a number of its projects are currently available on commercially reasonable terms only from a limited number of suppliers. Any failure or delay in providing such services at a quality level satisfactory to the Issuer's requirements could result in disruptions or other adverse effects on the Issuer's business and projects. Such delays or failures could have a material adverse effect on the Issuer's business, results of operations and financial condition. In addition, the Issuer is subject to the rules governing the procedure for procurement of goods, works and services adopted in respect of the Fund and legal entities in which the Fund directly or indirectly owns on the basis of ownership or trust management 50 per cent or more of voting shares (participatory interests), approved by the Board of Directors of the Fund on 3 March 2022 (the "**Samruk-Kazyna Procurement Procedure**"). The Samruk-Kazyna Procurement Procedure provides for various procurement methods. However, the majority of goods, works and services are procured by the Issuer through open tender. Under the Samruk-Kazyna Procurement Procedure, the Issuer is required to prepare detailed tender documentation for each tender and to place an announcement of the procurement at least 15 days prior to the deadline for submission of bids. For each tender, the Issuer establishes a tender commission, which is responsible for determining the winner. As a rule, procurement contracts are concluded for one financial year. However, in certain cases, it is allowed to conclude long-term contracts for longer periods of time, as well as to extend contracts on an exceptionally narrow list of grounds. Accordingly, for the majority of purchases, the Issuer conducts a significant number of tenders for the procurement of goods, works and services, which results in delays, increased costs and increased time to perform procurement-related management functions. The Issuer's low ability to attract suppliers and contractors in a timely manner and to establish long-term commercial relationships with preferred third parties due to the need to comply with Samruk-Kazyna's Procurement Procedure may adversely affect the Issuer's operations (including the timing of project implementation) and result in increased operating costs. If the Issuer is forced to replace a contractor or supplier, there can be no assurance that such replacement can be made in a timely manner and without significant additional costs.

Following the Offering, the Issuer's controlling shareholder Samruk-Kazyna will still be able to exercise significant influence over the Issuer, its management and its operations

Immediately following the release of the Offering, Samruk-Kazyna will continue to beneficially own, in the aggregate, approximately at least 85 per cent of all the Shares in the Issuer. As a result, Samruk-Kazyna will have sufficient voting power to control all matters requiring shareholder approval, including the ability to appoint and remove, or influence the appointment and removal of, members of the Issuer's Board of Directors and management and the approval of major transactions (subject to applicable law), including major transactions between related parties and counterparties outside the Samruk-Kazyna Group. See "*Risks Relating to the Region in which the Issuer Operates – The Group is highly dependent on the political, economic and geopolitical conditions prevailing in Kazakhstan*". Samruk-Kazyna's interests may not always be aligned with other shareholders and, therefore, decisions made by Samruk-Kazyna with respect to KEGOC may not reflect the interests of all shareholders and may affect the Group's business, prospects, financial condition and other results of operations.

Although the Fund and KEGOC have entered into a Relationship Agreement which governs certain aspects of the relationship between the Issuer and the Fund, there are certain risks to KEGOC's minority shareholders associated with the control of KEGOC by its majority shareholder, the Fund, and, accordingly, the Government (see *"SHAREHOLDERS AND RELATED PARTIES – Relationship Agreement"*). See also the risk factor "*KEGOC may not be able to enforce its rights under the Relationship Agreement"*.

As a major shareholder of KEGOC, the Fund will have the ability to control decisions on most matters considered at the Issuer's GMS, including dividend payments, appointment of directors, reorganisation, liquidation, mergers and acquisitions and amendments to KEGOC's Charter. The Fund also has significant influence over KEGOC's business strategy and operations through its control over KEGOC's Board of Directors. Such concentrated control will limit the ability of other shareholders to influence corporate matters and, therefore, may result in decisions and actions that minority shareholders may perceive as not being in their best interests or disadvantageous to them.

There can be no assurance that, if KEGOC takes any action that requires shareholder approval, the principal shareholder will approve the action that KEGOC's management believes is appropriate and there is nothing to prevent the principal shareholder from engaging in activities that compete with KEGOC's business and operations. The interests of the Government, as the principal shareholder of the Fund, and therefore of KEGOC, may not be aligned with the interests of other shareholders and the Government may make decisions that have a material adverse effect on KEGOC's business, financial condition, results of operations and prospects. Some such decisions may not be taken solely for commercial reasons or, even more likely, may be driven by the Government's political, economic or social objectives. In such cases, this could have a material adverse effect on KEGOC's business, financial condition, results of operations and prospects.

In view of the above, KEGOC is entitled to assume certain social responsibilities, such as the construction of social and recreational infrastructure, charitable activities and other tasks traditionally associated with governmental and quasi-state social expenditure and the implementation of social, economic and industrial policies. As a regulated entity and as a company controlled by the Fund, KEGOC believes that its social orientation, as well as its involvement in activities related to social, economic and industrial development, is an important part of KEGOC's business reputation in Kazakhstan, as well as an integral part of its operations in Kazakhstan.

KEGOC, like other state-controlled companies in Kazakhstan, has supported the development of Astana by locating its own administrative and management staff and its own head office in that city and by implementing a number of social projects. The Issuer has undertaken the construction of a kindergarten at its own expense and provides various types of sponsorship. These activities entail capital expenditure that would otherwise be utilised for the development of its own business or for business expenses. Whilst such expenditures are not contrary to the requirements of applicable law, they may be significant. KEGOC believes that these projects are consistent with the public and social objectives that KEGOC pursues in Kazakhstan as a company with high civic and social responsibility.

The Government, acting through the Fund, may also make decisions relating to or affecting the Issuer which may reflect the internal and external policies of the Government, such decisions being different from those that would be made by a private company operating in the electricity industry whose purpose is solely to make a profit and to act in the interests of its shareholders.

Due to the existence of the Eurasian Economic Union between the Russian Federation, the Republic of Belarus and the Republic of Kazakhstan, KEGOC, as a System Operator, participates in the work of the Advisory Committee on Electric Power Industry under the Board of the Eurasian Economic Commission and the Subcommittee on the Formation of the Common Electric Power Market of the Eurasian Economic Union. Whilst such activities undoubtedly have a positive effect in terms of doing business in the economic and political environment of the Eurasian Economic Union, the Issuer is guided by the interests of the Republic of Kazakhstan and makes decisions primarily reflecting various aspects of Kazakhstan's domestic and foreign policy rather than the interests of the Issuer itself.

The Issuer has also engaged and may continue to engage in transactions with affiliates and other persons, including the Government, the Fund and other companies controlled by the Government or in which the Government holds a majority of shares. Conflicts of interest may arise as a direct or indirect result of the Issuer's participation in transactions on terms that are not market determined or that are less favourable to the Issuer than if such transactions had been entered into with an unaffiliated third party.

KEGOC may not be able to enforce its rights under the Relationship Agreement

The Issuer and the Fund entered into a Relationship Agreement dated 6 October 2014 to regulate certain aspects of the relationship between the Issuer and the Fund. Samruk-Kazyna, as the controlling shareholder of KEGOC, has assumed certain restrictions in order to balance the management of the Issuer with the interests of the Fund and minority shareholders. Although entering into relationship agreements is not contrary to Kazakhstan law, there is no established practice in Kazakhstan for entering into such agreements. There can be no assurance that a Kazakhstan court would fully accept the legal concept and underlying principles of the Relationship Agreement. In addition, Kazakhstan law prohibits the restriction of certain fundamental rights and entitlements on the basis of a concluded agreement, except as expressly permitted by law. The Issuer believes that the Relationship Agreement will not restrict the Fund's fundamental rights and entitlements. However, there can be no assurance that a Kazakhstan court will uphold this position and decide to enforce the provisions of the Relationship Agreement in favour of the Issuer. Even if a court recognises the validity of the rights and obligations under the Relationship Agreement, there can be no assurance that a court will decide to order certain actions, as enforcement of a court order to do or refrain from doing certain actions is complicated in practice.

KEGOC may face the need to implement personnel reduction policies or problems with voluntary redundancies

In 2013 and 2014, the Issuer took a number of measures to implement its personnel reduction policy, pursuant to which the Issuer's staff structure was optimised and the Issuer began to purchase certain services on a contractual basis from third parties (outstaffing services). The 2015-2019 KEGOC Development Plan did not envisage any staff and personnel reductions.

In January 2022, the Fund announced the approval of a new organisational structure with a 50 per cent reduction in staff numbers. After that, KEGOC started the practical implementation of the "Action Plan in Pursuance of the Instructions of the President of the Republic of Kazakhstan on the Issues of Reforming Samruk-Kazyna", and working out the optimisation of KEGOC's organisational structure, reduction of general and administrative expenses.

KEGOC's Development Plan (Strategy) for 2023-2032 does not provide for a reduction in the number of staff and personnel, however, the said Plan is not protected from subsequent changes and thus there is no guarantee that the Issuer will be able to maintain the current number of staff.

The Issuer's staff turnover generally does not exceed 5% and is characterised by a stable situation. At the same time, there is a constant outflow of employees to KEGOC's Zapadnye IEG branch due to high competition in the western region with oil and gas companies for professional staff.

Reductions in the number of KEGOC's personnel are also taking place due to the optimisation of business processes and the reduction of management levels. Although the Issuer believes that its current headcount is sufficient to effectively conduct its business, there can be no assurance that any reductions will not have an adverse effect on the Issuer's operations and financial performance.

Any further reduction in KEGOC's headcount, for one reason or another, could adversely affect its business, financial condition, results and prospects.

The capacity of the Issuer's transmission lines may be disrupted, which could result in the imposition of substantial penalties

The Issuer's business depends on its ability to transmit electricity over long distances via the NEG. If natural disasters, accidents, terrorist acts, human error or other shocks cause a material reduction in the transmission capacity of the NEG, the Issuer's financial condition and results of operations would be adversely affected.

The condition of certain of the Issuer's assets may limit the level of its operating standards and/or require major modernisation and expansion works

A significant portion of the Issuer's assets are severely depreciated. The Issuer's obsolete assets limit the Issuer's operational activity, which may adversely affect the Issuer's efficiency and/or lead to significant losses in the volume of electricity transmitted, which in turn may have a negative impact on the Issuer's operations and performance due to the significant costs of repairing and replacing such assets and ultimately adversely affect the Issuer's profitability. In order to improve the condition of the assets, the Issuer has intensified its efforts towards a comprehensive refurbishment programme. The investment budget formed for the implementation of the investment programme until 2025 is dominated by expenditures on the construction of new network facilities and equipment upgrades. Successful implementation of investment projects for construction and reconstruction of transmission lines will significantly contribute to ensuring reliable and efficient operation of the NEG and, accordingly, to the Issuer's profit. Nevertheless, the risk of significant additional costs to repair or replace existing assets may affect the Issuer's profitability. In addition, the costs of investment programmes are approved by the MNE and there is a risk that if the actual costs of investment programmes exceed the envisaged costs, this could adversely affect the Issuer's profitability. In the case of a tariff ceiling approved for several years in advance, the Issuer will be required to submit an investment programme for approval in advance, i.e., prior to the commencement of the relevant tariff period. Due to the forward-looking nature of the tariff regime, uncertainty may arise as to the reasonableness of the investment programme and revenue forecasts, which in turn may have a material impact on costs. It also remains unclear how investment costs will be accounted for in a tariff period if investments are expected to be made in future tariff periods.

In addition, modernisation of the transmission system through investments in new equipment should improve the operational performance of the system and reduce losses in the grid. Losses in the NEG are caused not only by old equipment, but also by the significant length of the NEG, as well as by the historical configuration of the unified energy system, in which most of the generating capacity is located in the north of Kazakhstan and electricity consumption is concentrated in the south of Kazakhstan. Thus, the possibility of reducing network losses by upgrading existing transmission equipment and optimising its operation is partially limited, as such upgrades will not affect network losses in long distance transmission.

While the Issuer has an emergency reserve of materials and spare parts, it does not have a mandatory spare parts reserve. However, there is no statutory requirement to hold such a spare parts reserve. If the Issuer is unable to obtain spare parts at a favourable price on a timely basis, the Issuer's ability to repair or replace its assets could be severely impaired, which could have an adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer's inability to implement its investment programme on time and within budget may affect the Issuer's operations

The Issuer's investment programme is approved by authorised bodies, namely the MNE and the MoE. In order to prevent the actual costs of implementing the investment programme from exceeding the approved costs, the Issuer will be forced to abandon part of the investment programme or postpone its implementation to a later date, which may result in a reduction in the efficiency of the investment programme. Both factors may adversely affect the Issuer's business, financial condition, results and prospects.

The Issuer may be held liable for loss and damage to third parties as a result of the disruption of its transmission lines and interruptions or disturbances that may be unrelated to any identifiable third party

Under Kazakhstan law, the Issuer may be held liable for damages caused to third parties as a result of a failure of its equipment or transmission facilities causing interruptions or disturbances in the distribution systems of such third parties.Under applicable Kazakhstan law, the Issuer is entitled to claim compensation for the full amount of the damage caused from the third party at fault, but such action does not eliminate the risk of the Issuer being held liable in the first instance. The Issuer does not maintain insurance against civil liability that may arise as a result of damage caused to third parties and failure of its equipment, which could adversely affect the Issuer, its business, its results of operations, financial performance and, accordingly, the ability of the Issuer to pay dividends.

The Issuer's insurance coverage may be insufficient to cover damages

The Issuer insures its assets annually against accidental, sudden and unforeseen direct physical impact (e.g., storms, hurricanes, fires, earthquakes and floods). As of 30 June 2023, the Issuer insured production assets worth 542,5 billion Tenge. In 2022, assets were insured for 264.7 billion Tenge. In accordance with standard industry practice, the Issuer's poles and transmission lines are excluded from such coverage and the Issuer does not have additional insurance coverage for poles and transmission lines. The Issuer is also not insured against business interruption or suspension of operations. There can be no assurance that significant damage to transmission towers and lines will not occur or that the subsequent cost of their replacement will not have a material adverse effect on the Issuer's financial condition.

The Issuer is dependent on the knowledge and experience of management and the loss of competent management could adversely affect the Issuer's business, financial condition and results of operations

The Issuer's current and future business and results of operations depend to a significant extent on the continued contribution of the Issuer's middle and senior management and highly skilled team of engineers and other key employees. The Issuer's current and future business and results of operations are also dependent on the Issuer's ability to attract, train, motivate and retain key management and commercial and technical personnel with the necessary skills and experience. The Issuer's existing shareholder, the Fund, has a rotation policy with respect to key management in the companies it owns, including KEGOC. As a result, the Issuer cannot guarantee that it will have the same mix of executives in the future or that, if new executives are brought in to replace previous executives, they will have the same skills and experience. The Issuer's business may be adversely affected by the replacement of such executives and may take a long time. The Issuer does not currently have "key management" insurance and may incur significant costs in connection with the replacement of any of its key management. The Issuer is highly dependent on its engineering and labour staff. Continued competition for personnel may result in additional increases in labour costs, the amount of which is currently limited by current tariff mechanisms, or an inability to attract or retain necessary personnel. Labour costs are currently limited by existing tariff mechanisms. Each such factor could materially and adversely affect the Issuer's business, financial condition, results of operations and prospects.

The Issuer's business may be affected by slowdowns, stoppages, strikes and other disruptions related to labour relations issues

The vast majority of the Issuer's employees are members of trade unions. The Issuer has established good relations with its labour unions and has a high level of employee satisfaction, but there can be no assurance that work slowdowns, work stoppages or strikes will not occur before or after the expiry of the Issuer's current employment contracts. Work slowdowns, work stoppages, strikes and other labour-related events could adversely affect the Issuer's business, financial condition, results and prospects.

The Issuer may have difficulty financing capital expenditures through borrowing or issuing its own shares

The Issuer has undertaken a number of large-scale capital expenditure programmes in the past and intends to continue its capital expenditure programme in the future. The Issuer anticipates that its capital expenditure programmes will be funded from its own cash resources as well as through the raising of additional debt capital and/or the issue of its own shares. Whilst the Issuer has been successful in raising third party funding to date, it is likely that such funding will be more difficult to raise in the future. This may prevent the Issuer from achieving its capital expenditure targets, which could adversely affect its business results and, as a result, affect the trading of the Shares in the market. Although the Fund, acting as a major shareholder of the Issuer, has previously provided additional capital to the Issuer, there can be no assurance that the Fund will be willing or able to provide such support in the future. Furthermore, by holding a majority of the voting shares of the Issuer, the Fund may block any decision to increase the Issuer's capital and there can be no assurance that, if the Issuer requires a capital increase, the Fund will approve such an increase or participate in the subscription of any new shares or other forms of equity financing or otherwise provide financing to the Issuer. Any failure to obtain sufficient financing may limit the Issuer's ability to increase the size of its asset base, finance its capital expenditure or fulfil its debt obligations. In addition, any issue of new shares would dilute the interests of those existing shareholders who would not be able to participate in such capital increase (See also the risk factor "*Future offerings of debt or equity securities of the Issuer may adversely affect the market price of the Shares and weaken existing shareholders*").

The Issuer's debt-to-equity ratio may adversely affect its profitability

As at 31 December 2022, the total consolidated indebtedness of the Issuer and its subsidiary (the "**Group**") under loans and other borrowings denominated in U.S. Dollars, Euros, RUB and Tenge is approximately 162.42 billion Tenge (approximately 352.718 million U.S. Dollars). The Issuer's gearing ratio may adversely affect its ability to repay its debts, obtain additional financing in the future, withstand adverse economic conditions or take advantage of emerging business opportunities.

Fluctuations in the exchange rate of the U.S. Dollar and other currencies against the Tenge may adversely affect the Issuer's business, financial condition and results of operations

The Issuer's revenues are denominated in Tenge, while most of the Issuer's borrowings and interest expense are denominated in U.S. Dollars and Euros and Rubles. The ratio of the Issuer's profits to the Issuer's interest expense for financing provided is such that an appreciation of the market exchange rate of the U.S. Dollar and/or Euro and/or Rubles against the Tenge could reduce the Issuer's profits relative to its expenses and affect its results of operations. In addition, the Issuer does not hedge its foreign currency transactions, in part because hedging costs are not covered by the Issuer's tariffs approved by the MSE. As a result, an appreciation in the market exchange rate of the U.S. Dollar and/or Euro and/or Ruble against the Tenge could adversely affect the Issuer's financial condition and its ability to service its U.S. Dollar and/or Euro and/or Ruble denominated debt. For further details, see *"EXHIBITS FROM CONSOLIDATED FINANCIAL AND INDUSTRIAL STATEMENTS OF THE EMITENT GROUP – Currency Risk"*.

The Issuer is subject to environmental legislation and environmental emission permit requirements that affect its operations, which may result in costs, liabilities, obligations, responsibilities or restrictions

The Issuer is required to obtain environmental emission permits from local executive authorities in order to carry out its activities and provide its services. In certain situations, the authority issuing such permits may amend, update or revoke environmental permits that have been issued to the Issuer. The Issuer's core business (electricity transmission) does not have a significant impact on the environment. The impact of the Issuer's standard activities on water bodies or on the atmosphere is assessed as insignificant. The volume of water consumption by the Issuer is insignificant, as it is not used in the technological process. The impact on atmospheric air is assessed as insignificant. The technological process does not involve the generation of specific waste. In order to reduce environmental risks in accordance with the industrial environmental control programmes, specialised organisations annually monitor the state of the environment using laboratory and calculation methods, including atmospheric air. To date, the Issuer has not incurred any significant costs associated with its environmental protection responsibilities. The Issuer has taken measures to mitigate the risk of such liability, including, among other things: complying with applicable waste disposal procedures; co-operating with relevant governmental authorities to assist in their inspections; implementing an environmental management system that is certified under the ISO 14000 certification system; submitting its investment projects to state environmental expertise and providing quarterly reports to multilateral financial institutions (such as the State Environmental Expertise Committee); and providing quarterly reports to multilateral financial institutions (such as the State Environmental Expertise Committee). However, there can be no assurance that the Issuer will always successfully comply with its environmental obligations. Also, future environmental laws, regulations and permits may require the Issuer to incur additional costs in order to bring transmission lines into compliance with future requirements and to maintain them in good order. In particular, with respect to infrastructure located adjacent to or directly in an urban area, the Issuer's ability to expand its infrastructure and meet increased demand may be limited by such future requirements. Consequently, the Issuer's future costs, liabilities, obligations, responsibilities and limitations with respect to environmental matters may adversely affect its business, financial condition and results of operations. This could adversely affect its profitability and the Issuer's ability to create shareholder value.

Health and safety violations and emergencies could disrupt the Issuer's operations and increase operating costs

A breach of health and safety legislation or failure to comply with the instructions of the relevant health and safety authorities could result in, among other things, the temporary shutdown of all or part of the Issuer's transmission facilities and the enforcement of costly compliance procedures. If Kazakhstan health and safety authorities suspend all or part of the Issuer's electricity transmission facilities or require costly compliance measures, the Issuer's image, results and prospects could be materially and adversely affected. In addition, while the costs of compliance with laws, including health, safety and environmental laws, would be included in the relevant reasonable cost component of the tariff calculation, the amounts of fines and additional costs to remedy violations would likely not be included by the regulator in the tariff calculation. This follows from the NMRC regulations defining the cost structure for tariff setting purposes, as well as the definition of types of costs that cannot be included in the tariff.

The nature of KEGOC's business involves the risk of industrial accidents and fatalities among its employees. Although KEGOC has insurance coverage for such risks, fatal or permanent disablement (disability) accidents related to operations could result in KEGOC having to pay compensation to eligible employees or relatives, which in turn could have an adverse effect on KEGOC's image, results and prospects.

The Issuer's rights to real estate as well as its pre-emptive rights may be challenged

A substantial portion of the NEG is located on land plots to which the Issuer has acquired rights based on easements. Although the Issuer believes that all easements have been prepared, obtained and registered in substantial compliance with applicable laws, legal disputes may arise as to the form, priority or registration of these documents or as to the Issuer's compliance with the terms of the easements.

The Group is subject to legal proceedings and other disputes from time to time

Like many large companies, the Group is subject to legal proceedings, regulatory investigations and audits, and other forms of third party litigation, including civil, administrative, environmental, labour and tax claims. These claims may relate to a wide range of matters for which, in some cases, significant amounts have been or may be claimed. See *"LEGAL REGULATIONS AND LEGAL MATTERS"*. Due to the nature of these proceedings, the Issuer cannot predict or determine the final outcome of such proceedings. Judgments in such matters against the Group could result in the Group having to pay significant fines, judgments or settlements which, if uninsured or if the fines, judgments and settlements exceed insured levels, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

The Government, Samruk-Kazyna, indirect and direct shareholders of the Issuer, are also involved in litigation from time to time, which in turn may adversely affect the Issuer's business.

The Issuer is exposed to risks associated with concentration of cash on accounts and deposits

As at 30 June 2023, the majority of KEGOC's deposits were placed in Kazakhstan with local banks (65 % of the total amount). 16.9 billion Tenge held in Kazakhstan are placed with four Kazakhstan banks with a Moody’s credit rating of at least B1. While the Issuer regularly analyses banks for their credit risks and the need to change the allocation of cash and deposits with banks, if the Kazakhstan banking sector, and in particular any of the banks in which the Issuer has deposits, encounters difficulties, it could result in the freezing of all or part of the Issuer's cash, which would adversely affect the Issuer's liquidity and ability to pay its liabilities, which could have a material adverse effect on the Issuer's business, prospects, financial condition and results of operations, financial condition and prospects.

The Group's operations depend on the reliability and security of its IT systems

Information and data processing systems are critical to the Issuer's ability to monitor its transmission facilities and the NEG operations, to perform its dispatch and balancing functions, to bill its customers, to achieve operational efficiencies and to meet the Issuer's objectives and standards. The inaccuracy or failure of such systems could adversely affect the Issuer's financial condition and results of operations. Any future failures, irregularities or malfunctions could result in significant costs or reputational consequences and could adversely affect the Issuer's business, prospects, financial condition, cash flows and results of operations.

The Group's operations are dependent on electricity, internet and telecommunications infrastructure and if any of these systems are disrupted or unavailable, the Group's business could be adversely affected

The Group is highly dependent on electricity, internet, telecommunications and other infrastructure operated by third parties. The Group's operations are increasingly dependent on information systems and computer programmes, including for electronic data processing and accounting data. If any such infrastructure, systems or programmes were to fail, become unavailable or disrupted, or feed erroneous information into the Group's hardware or software network infrastructure, the Group's ability to safely and effectively conduct its business would be limited and any such consequences could have a material adverse effect on its business.

In Kazakhstan, a series of accidents occurred in 2022. For example, Petropavlovsk CHP-2, Stepnogorsk CHP due to accidents there was a decrease in electricity generation. In connection with major accidents in November 2022 at Ridder CHP in the city of Ridder, and Ekibastuz CHP in the city of Ekibastuz, a state of emergency was declared. In 2023, a series of accidents continued at Stepnogorsk CHP (April 2023), Ridder CHP (February, April 2023), Ekibastuz CHP (February 2023).

In February 2023, the 500 kV L-5170 Ekibastuzskaya-Agadyr 500 kV transmission line was disconnected under the action of technological protections. This resulted in power supply restrictions in the Almaty, Zhambyl, Zhetysu, Turkestan, Kyzylorda and Karaganda regions of about 600 MW (about 10% of consumption). In July 2023, there was a shutdown of the TPS unit of the Mangistau Nuclear Power Plant. The total volume of restrictions at the time of shutdown was about 18% of the total electricity consumption – 271 MW (158 MW at Atyrau power unit, 113 MW at Mangistau power unit). A recurrence of an emergency or an increase in the consequences of such an emergency could have a material adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer is dependent on senior management and key personnel

Although the Issuer currently has a strong senior management team, such senior management and key personnel may voluntarily resign or leave their positions for reasons beyond the Issuer's control. The Issuer's success depends on its ability to identify, recruit, develop, motivate and retain highly qualified senior management and key personnel. If the Issuer is faced with a large number of retirements or departures of its power industry experts in a relatively short period of time, attracting and retaining sufficient new employees may be problematic. If the Issuer is unable to recruit and retain senior management and key personnel with the necessary skills and knowledge, the Issuer's business, prospects, financial condition or results of operations could be materially adversely affected.

Certain of the Issuer's customers and business partners are subject to US and EU sanctions, the Issuer may be subject to sanctions in the future and the current or future impact of such sanctions may have an adverse effect on the Issuer

The U.S. government imposes economic sanctions and trade embargoes on certain countries in support of its foreign policy and national security objectives. These laws and regulations are administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC") and, in some cases, the U.S. Department of State. U.S. economic sanctions impose restrictions on U.S. citizens and, in certain circumstances, non-U.S. citizens from engaging in activities or transactions with certain countries, governments, entities or individuals subject to applicable U.S. economic sanctions. Under the applicable U.S. economic sanctions, U.S. persons are also prohibited from facilitating such activities or transactions, and non-U.S. persons are prohibited from causing others to violate the applicable prohibitions. The UK, the EU and a number of other countries (e.g., Australia, Canada, Japan and Switzerland), as well as the United Nations, have also taken measures aimed at prohibiting or restricting participation in financial and other transactions with sanctioned countries, entities and individuals. In 2014, the U.S. and the EU (and other countries such as Canada, Switzerland, Australia and Japan) imposed sanctions on certain Russian individuals and entities, including certain sanctions restrictions. In 2022, the list of sanctioned persons was expanded to include Boris Yuryevich Kovalchuk, Chairman of the Management Board of Inter RAO PJSC.

The scope of sanctions restrictions may potentially change in the future. The Group has business relationships with companies of Inter RAO PJSC, Federal Grid Company of Unified Energy System JSC, System Operator of Unified Energy System JSC. Although the Issuer does not believe that the Issuer itself is subject to sanctions as at the date of this Prospectus, there is a risk that this may change in the future if the sanctions regime changes. Although the Issuer has not been sanctioned by any relevant authority, there can be no assurance that the Issuer will not be sanctioned in the future.

In accordance with the Agreement between the Governments of the Republic of Kazakhstan and the Russian Federation on measures to ensure parallel operation of the energy systems of the parties dated 20 November 2009, KEGOC and Inter RAO PJSC annually conclude a contract for the purchase of electricity from the Russian Federation to compensate for hourly deviations in the actual interstate balance of the UES of Kazakhstan at the border with the UES of the Russian Federation. Under conditions of deficit in the UES of Kazakhstan, frequency maintenance and coverage of imbalances in the UES of Kazakhstan is ensured, including through interaction within the framework of parallel operation with the UES of the Russian Federation in accordance with the concluded agreement on compensation of deviations. The Issuer purchases electricity from Russia as necessary during periods of peak consumption to cover the deficit in Kazakhstan's energy system. During off-peak periods, KEGOC sells excess electricity to Russia. If KEGOC ceases to perform its functions due to sanctions pressure, KEGOC's business, prospects, financial condition or results of operations could be adversely affected.

KEGOC has a West Zone, which includes the following regions: Atyrau, West Kazakhstan and Mangistau. This zone is not connected to the South and North zones across the Republic. West Kazakhstan, Atyrau and Mangistau regions are connected by a long transit single-circuit line (approximate length 1,400 km) with a voltage of 220 kW·h. In turn, the Atyrau substation is connected to the Astrakhan substation in the Russian Federation by a 110 kW·h transmission line. West Kazakhstan region also has outputs to the energy system of the Middle Volga regions of Russia by means of three 220 kW·h transmission lines. If restrictions are imposed on maintaining interconnections with substations in the Russian Federation, this could have a material adverse effect on KEGOC's business, prospects, financial condition or results of operations.

If the Issuer were to be sanctioned in the future, trading and liquidity of the Shares could be significantly impaired because certain parties may be required or may decide, for reputational reasons or otherwise, to terminate their business relationships with the Issuer, certain of the Issuer's investors in the United States, the EU and other jurisdictions where sanctions similar to U.S. economic sanctions apply may be required (whether by law or regulation or in accordance with internal investment policies or both) to refuse to deal with the Issuer, the Issuer's investors in the United States, the EU and other jurisdictions where sanctions similar to U.S. economic sanctions apply, the Issuer's investors in the United States and other jurisdictions where sanctions similar to U.S. economic sanctions apply, the Issuer's investors in the EU and other jurisdictions where sanctions similar to U.S. economic sanctions apply may be required (whether by law or regulation or by internal investment policies or both) to refuse to deal with the Issuer. Furthermore, in such circumstances, other counterparties of the Issuer, such as U.S. and non-U.S. counterparties, including various suppliers of equipment, technology or financial institutions providing sources of financing to the Issuer, may be required or may decide, for reputational reasons or otherwise, to terminate their business relationships with the Issuer or to decline to invest in the Issuer. Any of these factors could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows or results of operations. In addition, the EU and the United States have imposed sectoral sanctions on entities operating in certain sectors of the Russian economy, particularly in the financial, oil and gas, defence and related sectors. With respect to the financial sector, pursuant to these sectoral sanctions, the EU and the US have imposed prohibitions on transactions by or within the EU or the US on persons in the EU and the US with respect to transactions, financing or other dealings in maturing debt or equity if that debt or equity is issued on or after specified dates or on behalf of, or for the benefit of, the named persons, their property or their interests in property. As a result of sanctions imposed on certain Russian financial institutions, the Issuer's ongoing and future access to financing from Russian banks may be limited (should the Issuer choose to borrow from such banks) as such banks may not be able to offer funds, particularly in U.S. Dollars, to companies at an acceptable price, if at all. Accordingly, the Issuer's available sources of financing may become more limited and there can be no assurance that the Issuer will be able to find alternative available financing on the same or better terms, if at all. The Issuer's current total debt and the Issuer is not dependent on the Russian debt capital markets. See "*Risks Relating to the Issuer's Region of Operations – The Group's business and results of operations may be adversely affected by the ongoing armed conflict between Russia and Ukraine*". The imposed sanctions against Russia and persons associated with Russia, as well as further possible sanctions in response to Russia's continued military activity, could have an adverse effect on the Group's business.

The shortage of maneuverable capacities in the UES of Kazakhstan, as well as the planned increase in electricity production from renewable energy sources, leads to instability of operation of NEG system

For stable and reliable operation of the power grid it is necessary to ensure compliance of production and consumption of electric energy in the energy system of the country. Currently, the available volume of regulating capacities in the UES of Kazakhstan is insufficient. According to the forecast balances of electricity and capacity for 2023-2029 approved by the MoE, the deficit of regulating capacity exceeds 1000 MW. The need to balance the unstable generation of wind and solar power plants increases the need for maneuverable power plants and energy storage systems. Operation of a power system with a significant share of wind and solar power plants requires additional reserves of baseload and maneuverable generation, as well as changes in the basic principles of power system regulation. KEGOC, which is the NEG operator and System Operator, plays a key role in this issue. Although the potential increase the share of maneuverable capacity due to auctions for maneuverable capacity are being introduced at the country level in 2021 and Samruk-Kazyna's plan to significantly increase investments in construction of maneuverable capacities (CCGT and HPP), including RES with energy storage systems, the restrictions on gas-fired power plants for fuel, on hydroelectric power plants for water regimes, on thermal power plants for thermal regime may lead to limited participation of many power plants, even if there is a reserve of available capacity, in regulating the power balance in the power system for technological reasons.

Violations of the agreed regime of parallel operation with the UES of neighbouring countries may cause mass blackouts and damage to power equipment

The UES of Kazakhstan operates in parallel with the energy systems of the Russian Federation and Central Asia. The conditions of parallel operation with the abovementioned systems are regulated by international agreements.

The Uzbek power system allows systematic violations of the agreed regime of parallel operation with the UES of Kazakhstan, resulting in unscheduled power withdrawals from the UES. Such unbalanced operation of the Uzbek power system creates a risk of overloading and disconnection of power transmission lines of the North-South transit of Kazakhstan.

On 25 January 2022 at 11:59 in Uzbekistan, six units at the Syrdarya TPP shut down due to a short circuit, with a total generation loss of more than 1,500 MW. The resulting power shortage in the Uzbek energy system led to unauthorised withdrawal of power from the Kazakhstan energy system, which is connected to parallel operation with the energy systems of Uzbekistan and Kyrgyzstan. As a result, there was a "surge" of power to the 500 kV North-East-South Kazakhstan 500 kV transit with its subsequent overloading. To prevent damage to power equipment and complete disconnection of the southern regions of the country, the automation separated the transit with the transfer of Almaty, Zhambyl, Turkestan and Kyzylorda regions to isolated operation. At this time, the power systems of Uzbekistan and Kyrgyzstan went completely out, with all power plants and consumers shut down.

Disturbance of regimes in power systems of UES of Central Asia affects the electric regime in UES of Kazakhstan. At the same time in 2022-2023 there are no significant disturbances of regimes on the part of power systems of Uzbekistan and Kyrgyzstan. Cases similar to the accident on 25 January 2022 are isolated, occurring once in several years, and liquidation of the consequences of such accidents takes only a few hours, which cannot affect the functioning of KEGOC. KEGOC is also working to strengthen the South Zone network, which will improve reliability and reduce the impact of the Central Asian UES power systems on Kazakhstan's UES regimes.

Risks Relating to the Region in which the Issuer Operates

The Group is largely dependent on the political, economic and geopolitical conditions prevailing in Kazakhstan

The Group's assets and operations are located in Kazakhstan. As a result of this geographical concentration, the Group is particularly sensitive to any changes in the political environment in Kazakhstan as well as any weakness in the economy.

Since 1992, Kazakhstan has actively pursued a programme of economic reform aimed at establishing a free market economy through privatization of state-owned enterprises and deregulation, and it is more advanced in this respect than certain other countries of the former Soviet Union. However, as with any transition economy, there can be no assurance that such reforms will continue or that such reforms will achieve all or any of their intended objectives.

On 1 January 2022, a new LPG trading platform was launched, aimed at transition from state regulation of LPG pricing to market-based pricing. As a result, LPG prices increased by 50-60%. After the LPG price hike, mass demonstrations and rallies began in West Kazakhstan, which gradually became political and spread to other cities. The Government of Kazakhstan deployed police and armed forces to deal with the unrest. On 5 January 2022, a state of emergency was declared in the Mangistau region and Almaty, and assistance was requested from the Collective Security Treaty Organization ("CSTO").

In accordance with the decision of the CSTO Collective Security Council adopted on 6 January 2022, a CSTO collective peacekeeping force has been deployed to Kazakhstan for a limited period of time to stabilize and normalize the situation. They include units of the armed forces of the Republic of Armenia, the Republic of Belarus, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan. After the situation in the country had been stabilised, the CSTO peacekeepers completely left the territory of Kazakhstan on 19 January 2022.

Although the events of January 2022 have not had a material adverse effect on the Group's business, any future policy changes that may affect the political and economic situation in Kazakhstan and its geopolitical relations more generally could have an impact on the investment climate in Kazakhstan and the Group's business, financial condition, results of operations or prospects.

In January 2022, Samruk-Kazyna developed a roadmap of internal reforms to be implemented, including, among other things, privatization of assets, improvement of corporate governance, cost optimization and revision of the fund's dividend policy. Samruk-Kazyna announced a potential increase in the minimum guaranteed annual dividend payable to the Government from 25 billion Tenge to 400 billion Tenge with a mandatory increase to 100 % of free cash flow generated by portfolio companies to be paid to Samruk-Kazyna as dividends. See *"Following the Offering, the Issuer's controlling shareholder, Samruk-Kazyna, will still be able to exercise significant influence over the Issuer, its management and its operations"*.

In June 2022, a referendum was held and proposed amendments to the Constitution of Kazakhstan were introduced, providing for, among other things, limiting the powers of the elected president, reforming the Constitutional Council and strengthening the role of local representative bodies (maslikhats). In September 2022, President Kassym-Jomart Tokayev proposed an extraordinary presidential election, which was held on 20 November 2022. As a result of the elections, Kassym-Jomart Tokayev was elected President of Kazakhstan for a term of 7 years. Taking into account that the term of office of Kassym-Jomart Tokayev expires in 2029, and the Constitution of Kazakhstan provides a limitation on re-election of the President more than once, in the future election of another person to the post of President of the Republic of Kazakhstan may destabilize the political and macroeconomic situation in Kazakhstan for a certain period. In turn, this could result in a change in the investment climate in the country and, ultimately, have a material adverse effect on Kazakhstan's economy.

Kazakhstan depends on its neighboring states for access to world markets for a number of its major export commodities, including oil, natural gas and grain. Thus, Kazakhstan depends on good relations with its neighbors to ensure its export capacity. If access to these export routes is significantly restricted, Kazakhstan's economy could be adversely affected. Moreover, adverse economic factors in regional markets could adversely affect Kazakhstan's economy, which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Government may also from time to time be subject to legal proceedings, including, for example, the Stati case, which could affect its reputation or impact the economy and political conditions in Kazakhstan. See also "*Risks Relating to the Issuer's Business – The Group is subject to litigation and other disputes from time to time*".

In addition, any interruption of electricity generation or transmission in Kazakhstan for any reason, including as a result of terrorism, natural disaster, industrial accident, public health threats and global pandemics or changes in government policy, could have a material adverse effect on the Issuer's business, financial condition or results of operations. See also *"Risks Relating to the Issuer's Business – The Group's operations are dependent on electricity, internet and telecommunications infrastructure and if any of these systems are disrupted or unavailable, the Group's business could be adversely affected"*.

On 2 December 2021, the Government approved the budget for 2022-2024, which provides funds for the implementation of key government projects and economic reform programs.

Kazakhstan's economy and finances are still showing lower levels of growth after the global financial crisis that started in 2008. According to government statistics, real GDP growth amounted to (2.6) % in 2020, 4% in 2021 and 3.3% in 2022, while in January-March 2023 GDP growth amounted to 4.9%. The International Monetary Fund forecasts real GDP growth of 4.3% in 2023.

In March 2023, S&P affirmed Kazakhstan's sovereign credit rating at "BBB-/A-3" (outlook from "negative" to "stable"); in September 2022, S&P downgraded the outlook from "stable" to "negative" due to risks associated with Kazakhstan's ability to use the CPC pipeline to export its crude oil and the rising cost of debt financing. On 26 May 2023, Fitch Ratings affirmed Kazakhstan's sovereign credit rating at "BBB" (stable outlook) and on 21 July 2023, Moody's affirmed Kazakhstan's sovereign credit rating at "Baa2" (stable outlook).

Any future negative outlook changes or downgrades are likely to result in a downgrade of the Issuer's ratings. Similarly, any future downgrade of Kazakhstan's sovereign credit rating and liquidity problems in Kazakhstan's economy could adversely affect its economic development, which could, in turn, materially and adversely affect the Issuer's prospects, business, financial condition and results of operations.

The Group's business and operating results may be adversely affected by the ongoing armed conflict between Russia and Ukraine

On 24 February 2022, Russia announced the commencement of a special military operation in Ukraine and Russian troops entered Ukraine. The situation in Eastern Europe and the retaliatory sanctions imposed by the governments resulted in significant instability and disruptions in the global credit and commodity markets and the global economy. Specifically, on 8 March 2022, the U.S. banned imports of Russian oil, liquefied natural gas and coal. In September 2022, the UK announced a ban on maritime services related to the transportation of Russian oil. In November 2022, G7 member countries announced that they had agreed on a ceiling price for Russian oil. See "*Risks Relating to the Issuer's Business - Certain of the Issuer's customers and business partners are subject to U.S. and EU sanctions, the Issuer may be subject to sanctions in the future and the current or future impact of such sanctions may have an adverse effect on the Issuer*".

In February 2022, Tenge depreciated significantly against major foreign currencies on the back of the external geopolitical situation due to the escalation of tensions in the region. Although Tenge has since appreciated, the devaluation has had a certain negative impact on the Group, which is required to repay foreign currency denominated borrowings (as of 30 June 2022, the Group had borrowings totaling 80,236,378.85 U.S. Dollars; 17,251,797.26 Euros denominated in currencies other than Tenge and Rubles), as well as increased payments for services and goods denominated in foreign currencies. See "*Risks Relating to the Issuer's Business – Fluctuations in the exchange rate of the U.S. Dollar and other currencies against the Tenge may adversely affect the Issuer's business, financial condition and results of operations*".

In addition, the Group is directly connected to Russia and Russian companies as follows:

In accordance with the Agreement between the Government of the Russian Federation and the Government of the Republic of Kazakhstan on measures to ensure parallel operation of the UES of the Russian Federation and the Republic of Kazakhstan (dated 20 November 2009), agreements were concluded between the Issuer and Russian business entities regulating the main technical and financial obligations of the parties during parallel operation of energy systems:

- Agreement on parallel operation of electric power systems of the Republic of Kazakhstan and the Russian Federation (KEGOC, Rosseti, and SO UES);
- Contract for the provision of services for the transmission (transit) of Russian electric power through Kazakhstan's NEG (KEGOC, Rosseti PJSC);
- Contracts for purchase and sale of electricity to compensate for deviations of actual hourly interstate balance of electricity flows of the UES of Kazakhstan on the border with the UES of Russia from the planned ones (KEGOC – Inter RAO PJSC).

In accordance with the concluded agreements, within the framework of parallel operation, the power system of Russia maintains frequency in the UES of Kazakhstan compensating hourly deviations between production and consumption in the UES of Kazakhstan, the Issuer provides transit of Russian electricity through the NEG of Kazakhstan.

Exchange control laws affect the Issuer's foreign currency transactions

The Law of Kazakhstan "On Currency Regulation and Currency Control" dated 2 July 2018, as amended, authorizes the Government, through special actions and in circumstances where the economic stability of Kazakhstan is threatened, to introduce a special currency regime that (i) requires the mandatory sale of foreign currency received by residents of Kazakhstan; (ii) requires a certain portion of funds received as a result of currency transactions to be placed in a non-interest bearing deposit with an authorised bank or the NBK; and (iii) restricts the use of foreign currency. In addition, the Government may impose other requirements and restrictions on currency transactions when the economic stability of Kazakhstan is threatened.

In order for Kazakhstan to continue to meet its membership obligations under the statute of the International Monetary Fund, the foreign exchange regime may not restrict residents from repaying their foreign currency obligations. As at the date of this Prospectus, the Government has not implemented the above legislative provisions. Accordingly, it is unclear how the implementation of the new currency regime will ultimately affect the Issuer. However, any imposition of significant restrictions on the Issuer's foreign currency transactions could have a material adverse effect on the Issuer's business, prospects, financial condition or results of operations.

Any changes in the laws, regulations and permit requirements with which the Issuer is required to comply could require significant costs or expose the Issuer to material liability or other sanctions

The Issuer must regularly obtain and maintain in force the authorizations required under Kazakhstan law. Failure to do so could materially and adversely affect the Issuer's business, operations, financial condition and results of operations.

The Issuer cannot guarantee the accuracy of official statistics and other data in this Prospectus published by governmental authorities

Official statistics and other data published by government agencies may not be as complete and reliable as those of more developed countries. Official statistics and other data may also be derived on a basis that differs from that used in more developed countries. The Issuer has not independently verified such official statistics and other data and, therefore, any discussion of matters relating to Kazakhstan in this Prospectus may be uncertain because of questions as to the completeness or reliability of such information. In particular, investors should be aware that certain statistical information and other data contained in this Prospectus has been obtained from official Government sources and has not been prepared in connection with the preparation of this Prospectus. In addition, certain information contained in this Prospectus is based on the knowledge and research of the Issuer's management using information obtained from unofficial sources. The Issuer has accurately reproduced such information and, so far as the Issuer is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Nevertheless, potential investors are advised to treat this data with caution. This information has not been independently verified and therefore contains uncertainty as to the completeness or reliability of such information, which has not been prepared in connection with the preparation of this Prospectus.

Risks related to taxation

The tax system in Kazakhstan is subject to frequent changes

The Kazakhstan tax system is constantly evolving and is subject to frequent and sometimes controversial changes, which may have an adverse effect on the Group. In addition, the Code of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget (Tax Code)" (25 December 2017 No. 120-VI) (the "Tax Code") has been in force for a short period of time compared to tax laws and regulations in more developed market economies and therefore the risks of additional taxation in its jurisdiction are more likely than in countries with more developed tax systems. The Group's operations are located in Kazakhstan and, therefore, deficiencies in the Kazakhstan tax system may adversely affect the Group.

Historically, the tax collection system in Kazakhstan has been complex and unpredictable, resulting in ongoing changes to tax legislation, which at times have been short lived and have included changes to provisions establishing rules for tax administration as well as other provisions such as tax base and tax rates. In addition, Kazakhstani tax legislation is amended on a regular basis. These changes create tax uncertainties that may result in unfavorable tax consequences for the Group.

The interpretations of the tax authorities cannot be considered legally binding, and the tax authorities are not responsible for any incorrect interpretation of the Tax Code. Such differing interpretations increase the level of uncertainty and, therefore, tax risks and potentially lead to inconsistent application of these laws and regulations. Official pronouncements and court decisions are often unclear and contradictory and tax disputes may result in significant legal costs for the Group. For example, clarifications by the tax authorities of certain clauses of the Tax Code are not legally binding for either taxpayers or the tax authorities themselves and may not be considered in resolving tax disputes. In addition, the liability of tax authorities for incorrect interpretation of articles of the Tax Code of the year is not established by the legislation. Thus, the tax authorities may change their position regarding the application of a particular article. In addition, judges considering court cases related to the resolution of tax disputes sometimes issue decisions that can be recognised as controversial. The appointment in 2016 of the Supreme Court and the Astana City Court as courts of first instance for investment disputes, including tax disputes of investors, did not lead to a significant improvement in the quality of tax disputes and significant positive changes in the resolution of tax disputes.

As it is difficult to provide an accurate legal description of the taxation mechanism, legal technical deficiencies and existing gaps and contradictions in tax legislation, taxpayers and tax authorities often have varying interpretations of tax legislation. Consequently, taxation in Kazakhstan is often unclear or inconsistent and may give rise to unexpected tax charges and liabilities, which could have a material adverse effect on, among other things, the Group's business, financial condition, results of operations or prospects.

The President of Kazakhstan Kassym-Jomart Tokayev stated in his message to the nation on 1 September 2022 that in order to reset fiscal regulation, a new Tax Code will be prepared in 2023. The drafting of the new tax code has already started, and it is planned that the new tax code will be enacted from 2025. The new tax code is expected to be substantially different from the Tax Code, which may result in unexpected tax liabilities and consequently a material adverse effect on the Group's financial position and prospects.

Dividends on shares included in the official lists of the KASE and the AIX may be subject to income tax if active trading criteria are not met.

On 11 July 2022, a law was adopted to amend the Tax Code with respect to the procedure for payment of dividends on shares included in the official lists of stock exchanges operating in Kazakhstan (the KASE and the AIX).

From 1 January 2023, dividends paid on securities will be exempt from corporate income tax provided that such securities are included in the official list of securities of the AIX or the KASE at the time of accrual of dividends and if they meet the trading sufficiency criteria established by the Government of Kazakhstan.

According to the Resolution of the Government active trading criteria are (1) the volume of executed deals in such securities should be at least 25 million Tenge per calendar month and (2) the number of executed deals in such securities was at least 50 deals per calendar month, and the criteria are satisfied only on the basis of executed deals. By agreement, the KASE and the AIX are required to publish quarterly on their Internet resources information about the securities that meet these criteria. There can be no assurance that these active trading criteria will be met for the Shares and that income tax will not be applied to dividends that may be paid on the Issuer's Shares, nor that the criteria for sufficient trading will not be revised to adversely affect the value of the Shares.

Risks related to Shares and Trading Market

An active market for trading in Shares may not develop

The Shares will only be listed on local exchanges on the KASE (already registered) and the AIX. The Issuer has appointed Market Maker on KASE and plans to appoint one or more market makers on AIX. There can be no assurance that an active trading market in the Shares will develop and continue on the AIX and the KASE following the Offering. If an active trading market for the Shares does not develop, the liquidity and market price of the Shares could be materially adversely affected and investors may not be able to sell the Shares they acquired under the Offering at the Offer Price, or at all. As a result, investors who purchase the Shares in the Offering may lose all or part of their investment in the Shares. The Offer Price of the Shares may not reflect the market price of the Shares following the release of the Offering.

In addition, the market price of the Shares may also be subject to significant volatility as a result of at least the following factors: (i) changes in the analysis and recommendations of securities analysts; (ii) announcements made by the Issuer or its competitors; (iii) changes in the perceptions of the Issuer's investors; (iv) the macro-investment environment; (v) changes in the liquidity of the markets for the Shares; and (vi) general economic factors.

The Astana International Exchange, or the AIX, was launched in July 2018 and therefore has a relatively short operating history. Since its launch, the AIX's technology and infrastructure have proven sufficient and reliable to continuously facilitate trading and post-trade operations, including during times of high volatility and market turmoil caused by the COVID-19 outbreak and recent geopolitical events in Kazakhstan and globally. In general, the domestic capital markets in Kazakhstan face a lack of liquidity, which is a common aspect of frontier markets. Liquidity risk may materially affect the pricing of the Shares.

The Kazakhstan Stock Exchange, or the KASE, was launched in November 1993. There can be no assurance that the KASE will attract sufficient market participants and issuers to ensure acceptable trading volumes for the foreseeable future or in general. Accordingly, market participants, issuers and other stakeholders may experience technical difficulties with various aspects of operations on the KASE, such as quotations, trade information and settlement. Any of these events could adversely affect the price of the Shares.

The issue or sale of additional Shares following the release of the Offering may result in a decrease in the price of Shares.

The Issuer has agreed that until the expiration of a 180-day period after the Closing Date, it will not, subject to certain exceptions, without the prior written consent of the Bookrunners, offer to allot, dispose of, encumber (including pledge) or otherwise dispose of any Shares (the "**Share Exclusion Period**"). For further details please see *"TERMS AND ORDER OF SUBSCRIPTION TO SHARES - Non-alienation of Shares"*. After the expiration of the Share Exclusion Period, the issuance or sale of a substantial number of the Shares, or any other securities representing the Shares, or the suggestion that such issuances or sales may occur, may materially and adversely affect the market price of the Shares and may impede the Issuer's ability to raise capital through the issuance of equity securities in the future.

In addition, the Issuer may in the future issue new Shares or any other securities convertible or exchangeable into the Shares. Any such issuance could result in effective dilution to investors purchasing the securities. Any of these events could adversely affect the price of the Shares. As a result, investors purchasing the Shares may lose all or part of their investment in those Shares.

Future offerings of debt or equity securities by the Issuer could adversely affect the market price of the Shares and weaken existing shareholders

Future attempts by the Issuer to obtain financing to further increase its capital resources by issuing additional shares or offering debt or equity securities, or the anticipation of such events, may adversely affect the market price of the Shares. The issuance of additional shares or the offering of other equity securities could adversely affect the rights of KEGOC shareholders (including the amount of dividend payable per Share) and/or reduce the market value of the Shares. See the risk factor "*The Issuer may experience difficulties in financing capital expenditures by raising debt capital or issuing its own shares*".

Application of the provisions of the Law on Joint Stock Companies to the Shares

Given that the Issuer is a joint stock company, the provisions of the Law on Joint Stock Companies apply to it and the Shares. This law contains a number of provisions that affect the rights of minority shareholders. For example, if in the future the Fund decides to increase its ownership of the Issuer and, alone or in aggregate with its affiliates, acquires on the secondary securities market Shares representing in aggregate at least 10% of the voting shares of the Issuer, as a result of the acquisition of which the Fund, alone or in aggregate with its affiliates, will own 95% or more of the voting shares of the Issuer, the Fund is entitled to require the other shareholders of the Issuer to sell to it the voting shares owned by them on a conditional basis.

As part of the implementation of the provisions of the Law on Joint Stock Companies on the right of pre-emptive purchase, the Issuer, in case of its intention to place authorised shares or other securities convertible into ordinary shares of the Issuer, as well as to sell the previously repurchased said securities, is obliged to offer its shareholders to purchase securities on equal terms in proportion to the number of shares they hold at the placement (sale) price set by the Issuer's body that made the decision on placement (sale) of securities. However, according to the amendments to the Law on Joint Stock Companies adopted in July 2022, the right of pre-emptive purchase does not apply, if the Issuer's Board of Directors, on the basis of a resolution of the General Meeting of Shareholders or the Issuer's Charter, decides to place (sell) the Issuer's shares or other securities convertible into the Issuer's ordinary shares in certain cases. Such cases include initial public offering of the Issuer's shares or depositary receipts, the underlying asset of which is these shares, on a stock exchange operating in Kazakhstan and (or) a foreign country.

A qualified majority (a majority of at least three quarters) of the total number of the Issuer's voting shares is sufficient to adopt a decision on the non-application of the pre-emptive right, thus the Fund has the right to independently ensure the adoption of this decision on the non-application of the pre-emptive right of the Issuer's shareholders. This situation may lead to the fact that the Issuer's shareholders will participate on equal terms with other investors in their intention to purchase additionally issued shares of the Issuer. All this in aggregate may adversely affect the expectations of investors and shareholders and, accordingly, the value of the Shares in the future.

The issuer may decide not to pay dividends in the future

If the Issuer declares and pays dividends on the Shares, holders of the Shares on the relevant Record Date will be entitled to receive dividends payable in respect of the Shares. In general, decisions to declare and pay dividends are subject to applicable laws and commercial considerations (including, among other things, applicable regulations, restrictions, the Group's results of operations, financial condition, cash requirements, contractual restrictions, the Group's future projects and plans and capital adequacy requirements and limitations). The Issuer cannot guarantee that it will pay any dividends in the future. As a result, the holders of the Shares may not receive any return on their investment in the Shares unless they sell their Shares at a price in excess of what they paid for them.

The Issuer cannot guarantee that it will pay these or any future dividends. As a result, Shareholders may not receive any return on their investment in the Shares unless they sell their Shares at a price in excess of what they paid for them.

It may be difficult to serve summonses and enforce judgments obtained outside Kazakhstan against the Issuer and its management, and judgments in Kazakhstan are difficult to predict

The Issuer is an entity organised under the laws of Kazakhstan and its business, assets and operations are located and conducted in Kazakhstan. As a result, it may not be possible to effect service of process upon the Issuer outside Kazakhstan. Kazakhstan does not have treaties providing for mutual recognition and enforcement of court judgments with the United States, the United Kingdom and many other countries. Although Kazakhstan law provides for the enforcement of foreign court judgments on a reciprocal basis, there is no guidance or practice in this regard, and it is currently unclear whether Kazakhstan courts will enforce foreign court judgments on such a basis. The procedures followed by the relevant Kazakh officials may not be in full compliance with procedural laws or court rules. This could delay enforcement proceedings in Kazakhstan. As a result, the recognition and enforcement in Kazakhstan of judgments rendered by foreign courts with respect to any matter may be difficult.

The independence of Kazakhstan's judiciary is not protected from social, economic and political influences. The judicial system is often inefficient and time-consuming, and some judges are inexperienced in commercial and corporate law matters. Some court decisions may not be consistent with each other. In addition, claims arising out of the use of the AIX infrastructure in connection with the listing and trading of the Shares on the AIX will be heard by the newly established AIFC Court, which operates on principles of English law. However, due to its very limited history, the outcome of any such proceedings is difficult to predict. These uncertainties make court decisions in Kazakhstan difficult to predict and effective redress unclear and could have a material adverse effect on the price of the Shares.

If securities analysts or industry analysts do not or cease to publish research or reports on the Issuer, its business or markets, or if they adversely change their recommendations with respect to the Shares, the price and trading volume of the Shares may decline

The trading market for the Shares may be affected by research and reports that industry or securities analysts may publish on the Issuer, its business, its markets or its competitors. If any of the analysts who cover the Issuer change their recommendations regarding the Shares unfavorably or provide more favorable relative recommendations regarding the Issuer's competitors, the price of the Shares is likely to decline. If any analyst who may cover and analyze the Issuer ceases to analyze the condition of the Issuer or does not regularly publish reports on the Issuer, the Issuer may lose visibility in the financial markets, which in turn could result in a decline in the price or trading volume of the Shares.

The trading price of the Shares may fluctuate depending on various factors, many of which are beyond the Issuer's control

There can be no assurance that the Offer Price will reflect the future price of the Shares. Following the release of the Offering, the price of the Shares may not always accurately reflect the underlying value of the business. The price and value of the Shares may decrease as well as increase, so that investors may receive less than the amount originally invested. The value of the Shares may, in addition to being affected by actual or projected results of operations, fluctuate significantly as a result of a large number of factors, some of which are specific to the Issuer and its business and some of which are beyond the Issuer's control and include, among other things: changes in the financial performance of the Issuer or its peers or industry; changes in laws, rules and regulations applicable to the Issuer and its operations in Kazakhstan and other regions in which the Group operates; general economic

USE OF PROCEEDS

The placement is carried out in order to implement the Comprehensive Privatisation Plan for 2021-2025, approved by the Government Decree No. 908 of 29 December 2020 "On Some Privatisation Issues for 2021-2025" (as amended and supplemented).

In accordance with its strategy, the Issuer plans to use the cash raised to finance the project Strengthening of the power grid of the Southern Zone (Phase 1). See description under "*DESCRIPTION OF THE ISSUER'S BUSINESS – Investments of the Issuer*".

The project will be financed by own funds, funds received from the Offering, as well as funds to be borrowed. As of the date of this Prospectus, the source of borrowed funds has not been determined.

Until such time as the Issuer is able to use the raised cash to finance the above project, the Issuer will place the raised cash on bank deposits.

In case of the placement of all Shares under the Offering, the estimated net proceeds of this Offering will be approximately 21,000,000 thousand Tenge after deducting the estimated amount of expenses incurred by the Issuer in connection with the Offering.

The total amount of commissions, fees and expenses payable in connection with the Offering will be approximately 500,000 thousand Tenge, including financial and legal advisers' fees, listing fees, custody costs and selling commissions. Fees and commissions payable to the Bookrunners in connection with the Offering will be paid by the Issuer. The Issuer will bear all of its own costs and expenses incurred in connection with the Offering.

DIVIDENDS AND DIVIDEND POLICY

Since the IPO in 2014, the Issuer has paid dividends to shareholders twice a year. Since 2014, a total of approximately 218 billion Tenge in dividends have been paid to shareholders.

Subject to maintaining supporting volumes of electricity transmission, the Issuer intends to pay semi-annual dividends in the amount of at least 60 % of its net income (in aggregate to all of its shareholders) for the half year of each financial years of the Issuer in 2023, 2024 and 2025 payable in 2023, 2024, 2025 and 2026, respectively.

No.	Date of the protocol or decision	The period for which dividends are paid	The amount of the dividend per share (Tenge)	Payment amount in the issue currency (Tenge)	Start date of dividend payment
1	29.05.20	01.01.19 – 31.12.19	48.86	12,703,532,084.60	09.06.20
2	23.10.20	01.01.20 – 30.06.20	77.09	20,043,292,844.90	30.10.20
3	27.04.21	01.01.20 – 31.12.20	75.01	19,502,495,736.10	12.05.21
4	29.10.21	01.01.21 – 30.06.21	84.72	22,027,082,239.20	18.11.21
5	26.05.22	01.01.21 – 31.12.21	50.85	13,220,929,318.50	20.06.22
6	27.10.22	01.01.22 – 30.06.22	65.44	17,014,309,038.40	20.12.22
7	02.05.23	01.07.22 – 31.12.22	50.59	13,153,329,679.90	15.05.23

The Board of Directors, during the preparation of a proposal on the distribution of the Issuer's net income for the past financial year or half year and the amount of dividends, will proceed on the basis that the amount allocated to dividends on ordinary Shares should be at least 60% of net income, previously this threshold was 40%.

The amount of dividends paid based on the results of the year or half-year may be equal to or exceed 100% of the Issuer's net income for the past financial year or half-year, respectively, if this does not contradict the legislation of the Republic of Kazakhstan, the Issuer's contractual obligations, the requirements of the Dividend policy and other internal documents of the Issuer. If a decision is made to pay dividends in excess of 100% of the Issuer's net income, dividends will be paid from the Issuer's retained earnings.

The amount of dividend per ordinary Share is determined on the basis of funds allocated for dividend payments divided by the number of the Issuer's ordinary Shares placed among the shareholders that are entitled to receive dividends as of the date of drawing up the list of shareholders.

The Issuer's dividend policy was approved by the Minutes of the Management Board of Samruk-Kazyna dated 9 April 2013 No. 17/13, as amended on 3 September 2014, 26 October 2017 and 26 September 2023.

The Policy determines priorities when the Issuer's Board of Directors makes recommendations on the amount of dividends on ordinary Shares, terms and procedure of their payment. The Issuer's Dividend policy is based on observance of the interests of the Issuer and shareholders in determining the amount of dividends, on increasing the investment attractiveness of the Issuer and its capitalization, on respecting and strictly observing the rights of shareholders stipulated by the legislation of the Republic of Kazakhstan.

The Issuer seeks, along with capitalization growth, to increase the amount of dividends paid based on the amount of net income received for the year and the needs of development of the Issuer's production and investment activities.

The main conditions for the payment of dividends are:

- the Issuer has net income for the reporting period or retained earnings;
- absence of restrictions on accrual and payment of dividends stipulated in the Dividend policy;
- adoption of the decision on payment of dividends by the GMS of the Issuer.

Accrual and payment of dividends on the Issuer's Shares is not allowed:

- if the Issuer's own capital is negative or if the Issuer's own capital becomes negative as a result of the accrual of dividends on its Shares;
- if the Issuer meets the signs of insolvency or bankruptcy in accordance with the bankruptcy legislation of the Republic of Kazakhstan or if these signs will appear to the Issuer as a result of accrual of dividends on its Shares.

Dividends shall not be accrued or paid on the Shares that have not been placed or have been repurchased by the Issuer itself, as well as if a court or the GMS of the Issuer decides to liquidate the Issuer.

The Board of Directors shall prepare proposals to the GMS on the procedure for distribution of net income for the past financial year or half year and the amount of dividend for the year or half year per ordinary Share of the Issuer.

The decision to pay dividends on the Issuer's ordinary Shares based on the results of the year shall be made by the annual GMS after the approval of the Issuer's annual financial statements. A resolution on payment of dividends on the Issuer's ordinary Shares based on half-year results shall be made by the Extraordinary GMS within 3 months after the audit of the Issuer's financial statements for the relevant period.

Payment of dividends shall be made not later than 90 (ninety) calendar days after the decision on payment of dividends on ordinary Shares, provided that there is information on the shareholder's current details in the register system shareholder.

In preparing the proposals for the GMS, the Board of Directors may take into account any factors, events and actions it considers appropriate, including but not limited to the amount of the Issuer's earnings, the Issuer's financial position, forecasts regarding the Issuer's financial position, the Issuer's needs for money (including capital expenditures and investment plans), prospects and such other factors as the Board of Directors deems applicable.

The GMS has the right to decide not to pay dividends on the Issuer's ordinary Shares based on the results of the year or half-year, with the mandatory publication of this decision in the mass media and on the Issuer's corporate website within ten (10) working days from the date of the decision.

CAPITALISATION

The table below sets forth information regarding the capitalisation of the Group as at 30 June 2023, based on the audited financial statements of the Issuer included in this Prospectus. This information should be read in conjunction with *"EXTRACTS FROM CONSOLIDATED STATEMENTS ON FINANCIAL AND OPERATING INFORMATION OF THE ISSUER'S GROUP"* and the Financial Statements, including the notes thereto, and other financial data appearing included elsewhere in this Prospectus.

	As at 30 June 2023 (*in thousands of Tenge*)
Authorised capital	126,799,554
Treasury shares	(930)
Asset revaluation reserve	489,229,537
Retained earnings	47,401,031
Total equity	**663,429,192**
Borrowings, long-term portion	10,590,681
Bonds, long-term portion	149,457,511
Borrowings, short-term portion	1,216,719
Bonds, short-term portion	8,083,978
Total borrowings and bonds	**169,348,889**
Total capitalisation(1)	**832,778,081**

(1) Total capitalisation is the sum of total equity, borrowings and bonds.

There has been no material change in the consolidated capitalisation of the Group since 30 June 2023, the end of the last financial period for which financial information has been published.

EXTRACTS FROM CONSOLIDATED STATEMENTS ON FINANCIAL AND OPERATING INFORMATION OF THE ISSUER'S GROUP

The audited financial information set out in this Prospectus with respect to the Issuer has, except where expressly stated otherwise and subject to rounding, has been derived from the Issuer's Financial Statements prepared in accordance with IFRS.

Except as provided otherwise, the consolidated financial information of the Issuer set out in this Prospectus as at and for the year ended 31 December 2020 has been derived from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020, which have been reviewed by Ernst & Young LLP.

The consolidated financial information of the Issuer set out in this Prospectus as at and for the years ended 31 December 2021 and 2022 has been derived from the audited consolidated financial statements of the Group as at and for the years ended 31 December 2021 and 2022, respectively, which have been reviewed by RSM Qazaqstan LLP.

The consolidated financial information of the Issuer presented in this Prospectus as at the six months ended 30 June 2023 has been derived from the audited interim consolidated financial statements of the Group as at the six months ended 30 June 2023, which have been reviewed by RSM Qazaqstan LLP.

The Issuer's independent auditors are RSM Qazaqstan LLP, registered at: Business Center "D43", office 302, 43 Dostyk Ave., Almaty, 050010, the Republic of Kazakhstan, Internet resource: www.rsm.kz.

There are no qualifications in the reports on the Financial Statements.

The financial statements of the Group set forth below for the years ended 31 December 2022, 2021 and 2020 and for the half year periods ended 30 June 2023 and 30 June 2022 (as the context requires) have been extracted from the Financial Statements, including the notes thereto contained in this Prospectus, and should be read in conjunction with the Financial Statements and are given legal effect by reference to the full text of the Financial Statements.

Prospective investors should read the extracts from the Financial Statements together with the information contained in "RISK FACTORS", "DESCRIPTION OF THE ISSUER'S BUSINESS" and the Financial Statements, including the notes thereto, and other financial data appearing in this Prospectus.

Consolidated statement of financial position as at and for the six months ended 30 June 2023, and the years ended 31 December 2022, 2021 and 2020

	As at 30 June	As at 31 December		
	2023	2022	2021	2020
	(*audited*)	(*audited*)	(*audited*)	(*audited*)
		(*in thousands of Tenge*)		
Assets				
Non-current assets				
Property, plant and equipment...............................	853,223,235	859,129,917	976,001,316	652,478,444
Intangible assets...	3,174,437	3,453,791	3,165,491	3,327,999
Advances made for non-current assets..................	10,312,532	6,118,449	5,431,849	4,126,292
Deferred tax assets...	-	-	-	159,652
Investment in associate……………………….…...	2,671,730	2,747,455	2,278,332	2,017,593
Long-term receivables from related parties...........	449,981	514,613	634,192	742,477
Other financial assets, non-current portion............	3,779,200	1,968,564	32,309,237	32,340,094
	873,611,115	**873,932,789**	**1,019,820,417**	**695,192,551**
Current assets				
Inventories……...	4,746,867	3,207,155	2,590,383	2,549,293
Trade account receivables......................................	22,653,859	21,047,390	12,991,260	28,603,307
VAT recoverable and other prepaid taxes..............	301,792	871,258	3,231,654	477,893
Prepaid corporate income tax................................	116,157	128,400	817,245	1,017,708
Other current assets..	2,119,851	1,649,971	974,072	2,945,237
Other financial assets, current portion....................	47,433,813	57,196,672	40,187,573	58,801,720

	As at 30 June	As at 31 December		
	2023	**2022**	**2021**	**2020**
	(*audited*)	(*audited*)	(*audited*)	(*audited*)
		(*in thousands of Tenge*)		
Restricted cash..	1,948,206	1,015,462	670,902	552,586
Cash and cash equivalents......................................	28,901,077	27,563,092	11,933,828	21,867,205
	108,221,622	**112,679,400**	**73,396,917**	**116,814,949**
Assets held for sale...	-	-	-	5,126
Total assets..	**981,832,737**	**986,612,189**	**1,093,217,334**	**812,012,626**
Equity and liabilities				
Equity				
Authorised capital..	126,799,554	126,799,554	126,799,554	126,799,554
Treasury shares………………………..................	(930)	(930)	(930)	(930)
Asset revaluation reserve……………......................	489,229,537	489,297,133	569,845,780	309,836,582
Retained earnings……………………....................	47,401,031	37,469,407	40,492,413	65,921,264
	663,429,192	**653,565,164**	**737,136,817**	**502,556,470**
Non-current liabilities				
Borrowings, non-current portion….......................	10,590,681	11,367,844	35,639,645	49,843,453
Bonds payable, non-current portion…...................	149,457,511	133,394,155	117,142,516	92,717,685
Deferred tax liabilities……………………….......	121,521,599	123,971,284	151,470,158	89,323,835
Long-term accounts payable……………………...	2,163,124	4,146,691	5,972,684	7,651,017
Government grants, non-current portion…............	-	-	-	29,113
Lease liabilities, non-current portion….................	-	-	-	99,406
Deferred income, non-current portion...................	649,517	676,138	-	-
Other liabilities, non-current portion.....................	-	13,522	171,628	102,412
	284,382,432	**273,569,634**	**310,396,631**	**239,766,921**
Current liabilities				
Borrowings, current portion..................................	1,216,719	5,530,813	13,854,307	14,334,439
Bonds payable, current portion..............................	8,083,978	6,058,889	4,562,983	4,138,458
Trade and other accounts payables........................	14,543,690	21,713,025	18,512,531	40,884,883
Dividends payable…………................................	-	17,014,309	-	-
Obligations under the contract...............................	1,175,750	1,669,590	2,064,346	3,336,881
Deferred income, current portion..........................	53,243	53,243	18,325	-
Lease liabilities, current portion............................	-	-	111,895	462,359
Taxes payable, other than corporate income tax....	3,444,280	1,933,096	2,403,728	2,028,506
Corporate income tax payable...............................	806,840	267,335	-	52,818
Other current liabilities..	4,696,613	5,237,091	4,155,771	4,420,431
	34,021,113	**59,477,391**	**45,683,886**	**69,689,235**
Total liabilities..	**318,403,545**	**333,047,025**	**356,080,517**	**309,456,156**
Total equity and liabilities...................................	**981,832,737**	**986,612,189**	**1,093,217,334**	**812,012,626**
Book value per ordinary share (in Tenge)……..	**2,539**	**2,500**	**2,823**	**1,920**

Consolidated statements of comprehensive income as at and for the six months ended 30 June 2023 and 30 June 2022, and the years ended 31 December 2022, 2021 and 2020

	As at 30 June		As at 31 December		
	2023	**2022**	**2022**	**2021**	**2020**
	(*audited*)	(*audited*)	(*audited*)	(*audited*)	(*audited*)
			(*in thousands of Tenge*)		
Revenue and other income					
Revenue from contracts with customers…………………………..	114,350,128	102,777,951	217,255,548	186,443,137	350,659,551
Cost of sales……………………..............	(79,303,395)	(78,522,413)	(166,355,885)	(120,682,903)	(267,056,968)
Gross profit.....................................	**35,046,733**	**24,255,538**	**50,899,663**	**65,760,234**	**83,602,583**
General and administrative expenses………………………….	(4,675,519)	(3,772,577)	(9,020,431)	(8,539,823)	(8,309,669)
Selling expenses..............................	(217,523)	(121,403)	(310,355)	(381,235)	(364,084)

	As at 30 June		As at 31 December		
	2023	2022	2022	2021	2020
	(*audited*)	(*audited*)	(*audited*)	(*audited*)	(*audited*)
			(*in thousands of Tenge*)		
Impairment recovery / (impairment) of property, plant and equipment....	155	85,102	949,895	2,869,512	-
Loss from revaluation of property, plant and equipment........................	-	-	(4,524,870)	(10,813,536)	(19,210)
Operating profit................................	**30,153,846**	**20,446,660**	**37,993,902**	**48,895,152**	**74,909,620**
Finance income...............................	3,752,316	2,513,680	5,726,115	5,368,222	7,146,006
Selling expenses…………...............	(6,891,997)	(5,865,602)	(13,294,934)	(11,670,429)	(11,205,980)
Foreign exchange gain / (loss), net...	489,104	(748,669)	114,963	451,045	(5,309,688)
Share in (loss) / profit of associate...	(75,725)	121,995	469,123	260,739	358,447
Income from sale of an asset held for sale...	-	-	-	2,182,037	-
Other income...................................	2,215,106	1,001,270	2,488,310	1,739,332	930,872
Other expenses................................	(195,473)	(223,120)	(500,704)	(563,892)	(622,600)
Accrual of provision for expected credit losses.....................................	(909,966)	212,195	(528,687)	110,078	(458,445)
Profit before tax……......................	**28,537,211**	**17,034,019**	**32,468,088**	**46,772,284**	**65,748,232**
Corporate income tax expense........	(5,519,853)	(3,021,619)	(5,720,479)	(7,607,838)	(12,282,961)
Profit for the reporting period from continuing operations...........	**23,017,358**	**14,012,400**	**26,747,609**	**39,164,446**	**53,465,271**
Discontinued operations					
Profit after tax for the year from discontinued operations...................	-	-	-	13,471,466	-
Profit for the reporting period......	**23,017,358**	**14,012,400**	**26,747,609**	**52,635,912**	**53,465,271**
Earnings per share					
Basic and diluted profit for the year attributable to ordinary shares holders of the parent (in Tenge)….	88.53	53.89	102.88	202.45	205.64
Earnings per share from continuing operations					
Basic and diluted profit for the year attributable to ordinary shares holders of the parent (in Tenge)…	-	-	102.88	150.63	-

Consolidated statements of cash flows as at and for the six months ended 30 June 2023 and 30 June 2022, and the years ended 31 December 2022, 2021 and 2020

	As at 30 June		As at 31 December		
	2023	2022	2022	2021	2020
	(*audited*)	(*audited*)	(*audited*)	(*audited*)	(*audited*)
			(*in thousands of Tenge*)		
Operating activities					
Profit before tax…………………......	28,537,211	17,034,019	32,468,088	46,772,284	65,748,232
Adjustments to reconcile profit before tax to net cash flows					
Depreciation and amortisation.............	25,473,092	32,446,065	61,202,463	36,867,809	34,076,993
Finance costs………………..............	6,891,997	5,865,602	13,294,934	11,681,665	11,205,980
Finance income....................................	(3,752,316)	(2,513,680)	(5,726,115)	(7,562,497)	(7,146,006)
Foreign exchange gain, net..................	(489,104)	748,669	(114,963)	(451,045)	5,309,688

	As at 30 June		As at 31 December		
	2023	2022	2022	2021	2020
	(*audited*)	(*audited*)	(*audited*)	(*audited*)	(*audited*)
			(*in thousands of Tenge*)		
Accrual of provision for expected credit losses..	909,966	212,195	528,687	297,853	458,445
Accrual of allowance for obsolete inventories..	(3,482)	59,344	77,931	1,074	-
Losses from disposal of property, plant and equipment and intangible assets..	3,203	41,876	94,956	151,639	372,695
Gain from recovery of loss from revaluation of property, plant and equipment…………….......................	(155)	(85,102)	(949,895)	(2,869,512)	-
Share in loss / (profit) of associate…...	75,725	(121,995)	(469,123)	(260,739)	(358,447)
Loss from revaluation of property, plant and equipment.………..............	-	-	4,524,870	10,813,536	19,120
Income from government grants..........	(26,621)	(13,744)	(42,708)	(30,430)	(30,430)
Working capital adjustments					
Change in inventories..........................	(1,536,230)	(898,737)	(694,703)	(197,629)	(472,164)
Change in trade accounts receivables..	(2,845,617)	(5,426,022)	(8,847,516)	(12,850,642)	(7,404,216)
Change in VAT recoverable and other prepaid taxes..	569,466	1,417,070	2,360,396	(2,753,788)	221,035
Change in other current assets.............	(674,884)	(1,408,239)	(924,897)	2,037,418	(2,325,816)
Change in trade and other accounts payable...	(2,484,371)	273,102	5,505,375	5,894,563	16,526,787
Change in contract liabilities...............	(493,840)	(328,304)	(394,756)	(1,245,578)	1,168,996
Change in taxes payable other than income tax………………....................	1,467,708	892,494	(427,761)	2,400,671	(1,237,193)
Change in other current liabilities........	(608,945)	(375,367)	1,189,689	(324,363)	142,312
Change in other non-current liabilities.	(13,522)	-	(158,106)	69,216	102,412
	50,999,281	**47,819,246**	**102,496,846**	**105,947,993**	**116,435,541**
Interest and fees paid on loans.............	(414,283)	(456,105)	(1,336,740)	(1,167,132)	(2,093,727)
Coupon interest paid............................	(9,002,500)	(6,627,500)	(12,727,000)	(11,538,332)	(8,460,500)
Lease interest paid...............................	-	-	-	(45,050)	(87,769)
Commissions paid on bank guarantees.	(62,620)	(382,017)	(1,172,412)	(990,818)	(966,986)
Interest received...................................	4,018,258	2,514,833	5,658,863	5,971,573	5,405,063
Corporate income tax paid...................	(7,368,348)	(4,796,803)	(12,240,835)	(14,309,266)	(13,529,672)
Net cash flows received from operating activities.............................	**38,169,789**	**38,071,654**	**80,678,722**	**83,868,968**	**96,701,950**
Investing activities					
Withdrawal of bank deposits…............	7,253,277	26,600,719	44,735,309	97,222,309	40,103,448
Replenishment of bank deposits...........	(59,207)	(17,102,851)	(23,523,047)	(93,421,164)	(48,792,359)
Change in restricted cash......................	(867,526)	-	-	-	4,238,713
Revenue from the sale of fixed assets and intangible assets............................	98,249	1,189,269	2,378,537	203,673	196,498
Acquisition of fixed assets…………...	(25,794,585)	(25,593,896)	(49,476,255)	(40,214,058)	(30,376,834)
Acquisition of intangible assets............	(157,307)	(17,675)	(693,486)	(36,653)	(51,273)
Acquisition of debt securities...............	(46,854,824)	-	(36,933,373)	(66,747,566)	(117,199,634)
Redemption of debt securities………..	47,555,591	14,000,000	32,117,343	78,930,920	85,659,159
Redemption of DSFK bonds by the issuer..	24,108	2,014	12,671	54,453	67,980
Partial return of funds from Kazinvestbank and Eximbank Kazakhstan...	23,876	134,111	173,876	331,697	358,558
Dividends from associate......................	-	-	-	203,095	-
Repayment of loans to employees........	-	-	-	-	564
Cash of disposed company (RFC)........	-	-	-	(38,847,799)	-
Net cash flows used in investing activities...	**(18,778,348)**	**(788,309)**	**(31,208,604)**	**(62,321,093)**	**(65,795,180)**
Financing activities					
Issue of bonds…………......................	16,867,599	-	16,141,100	25,235,121	9,032,407
Dividends paid......................................	(30,167,639)	(13,220,929)	(13,220,929)	(41,529,578)	(32,746,767)
Repayment of borrowings....................	(4,835,136)	(7,490,906)	(35,865,915)	(14,614,808)	(6,574,597)

	As at 30 June		As at 31 December		
	2023	2022	2022	2021	2020
	(*audited*)	(*audited*)	(*audited*)	(*audited*)	(*audited*)
			(*in thousands of Tenge*)		
Principal repayment of lease liability…..	-	(111,895)	(111,895)	(436,606)	(400,692)
Net cash flows used in financing activities…………..............................	**(18,135,176)**	**(20,823,730)**	**(33,057,639)**	**(31,345,871)**	**(30,689,649)**
Net change in cash and cash equivalents..	**1,256,265**	**16,459,615**	**16,412,479**	**(9,797,996)**	**217,120**
Effect of exchange rate changes on cash and cash equivalents.....................	(74,405)	(265,704)	(600,425)	(115,531)	460,732
Effect of accrual of provision on expected credit losses on cash and cash equivalents...	156,125	(32,235)	(182,790)	(19,850)	10,071
Cash and cash equivalents, as at 1 January..	27,563,092	11,933,828	11,933,828	21,867,205	21,179,282
Cash and cash equivalents as at the reporting period.................................	**28,901,077**	**28,095,504**	**27,563,092**	**11,933,828**	**21,867,205**

There has been no significant change in the financial position or financial performance of the Group since 30 June 2023, the end of the last financial period for which financial information has been published.

In the opinion of the Issuer, the working capital available to the Issuer is sufficient for the Issuer's present requirements, that is, for at least the next 12 months following the date of this Prospectus.

Review of operating and financial performance

The following overview of the Issuer's operating and financial performance should be read in conjunction with the Financial Statements and the notes to the Financial Statements set out in this Prospectus. The Financial Statements have been prepared in accordance with IFRS. This Operating and Financial Review contains forward-looking statements that involve certain risks and uncertainties – see "INFORMATION ON THE PROSPECTUS AND RESTRICTIONS OF THE OFFERING – Forward-looking statements". The Issuer's actual future performance may differ materially from that suggested by the forward-looking statements and assertions for several reasons, including the reasons set forth under "RISK FACTORS" and elsewhere in this Prospectus.

The Issuer is a company incorporated in the Republic of Kazakhstan and provides electricity transmission services, technical dispatching of electricity supply to the grid and consumption of electricity, as well as organising balancing of electricity production/consumption in the Republic of Kazakhstan.

As the state-appointed System Operator, the Issuer operates the UES of Kazakhstan. As at the date of this Prospectus, the UES of Kazakhstan consists of (i) the National Electric Grid (NEG); (ii) 138 power plants (including 8 power plants of national importance); (iii) 21 electricity distribution grid companies; and (iv) 324 wholesale market entities contracted to provide system services. The Issuer owns and operates the NEG assets consisting of 26,854 kilometres of 35-1150 kV high-voltage transmission lines and 82 substations and maintains and repairs these assets.

The Issuer provides the transmission of electricity through the interstate and interregional power transmission lines, connection of power plants with regional power grid companies and large consumers. The remaining assets of the Issuer are owned by third parties. The Issuer does not own shares or interests in power plants that produce electricity or in companies that operate the distribution network. In general, the Issuer is responsible for the transmission of electricity from power plants to distribution companies and large consumers. The Issuer does not transmit electricity to residential customers.

For management purposes, the Group's operations are organised according to the type of services rendered into the following operating segments:

- Electricity transmission, technical dispatching of electricity supply to the grid and consumption, organisation of balancing of electricity production and consumption;
- Power regulation services;
- Sales of purchased electricity.

Basis of consolidation

As at 30 June 2023, 31 December 2022, 2021 and 2020, the Issuer owned the following subsidiaries, the financial statements of which are included in the Financial Statements as at the dates indicated:

			Participation interest			
				as at 31 December		
Company	**Activity**	**Country of registration**	**as at 30 June 2023**	**2022**	**2021**	**2020**
Energoinform JSC	Information support of KEGOC activities	Republic of Kazakhstan	100 %	100 %	100 %	100 %
RFC for RES LLP	Centralised purchase and sale of electric power produced by renewable energy facilities and supplied to the power grids of the unified electric power system of the RK; purchase of service to maintain the readiness of electric capacity and centralised provision of service to ensure readiness of electric capacity to carry the load on the electric capacity market capacity	Republic of Kazakhstan	-	-	-	100 %

As at 31 December 2021, due to the transfer of 100 % of participation interest owned by the Issuer in RFC for RES LLP to the republican property, RFC for RES LLP was classified as discontinued operations and disposed from the Group. For more details, please see *"DESCRIPTION OF THE ISSUER'S BUSINESS — Property transactions"*.

The following table summarises the Group's investments in associates as at the dates indicated:

			Participation interest			
				as at 31 December		
Company	**Activity**	**Country of registration**	**as at 30 June 2023**	**2022**	**2021**	**2020**
Batys Transit JSC	Operation of the interregional power transmission line connecting the North Kazakhstan with the Aktobe region and construction and operation of street lighting networks in the city of Atyrau	Republic of Kazakhstan	20 %	20 %	20 %	20 %

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an investee but not control or joint control over those policies. The factors considered in determining whether significant influence or joint control exists are the same as those considered in determining whether control exists over subsidiaries.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, an investment in an associate is initially recognised at cost.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from the Group's transactions with the associate are eliminated to the extent that the Group has an interest in the associate.

The Group's share of profit of the associate is recognised directly in the consolidated statement of comprehensive income. It represents profit attributable to the shareholders of the associate and is, therefore, defined as profit after tax and non-controlling interest in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group's financial statements.

For further information on the Issuer, its subsidiary and associate, see *"DESCRIPTION OF THE ISSUER'S BUSINESS — Issuer Group"*.

Main factors affecting the results of operations of the Issuer

In the course of its business, the Issuer faces a variety of risks associated with uncertainty including, but not limited to, the interest rate risk, credit risk, liquidity risk and currency risk. Further details of the risks to which the Issuer is exposed are set out in *"RISK FACTORS"*.

Reduction of tariff ceilings, including the introduction of a compensatory tariff

To mitigate the risk, the Issuer carries out the following activities:

- Participation in working groups on introducing amendments to legislative acts regulating the activities of natural resource entities;
- Analysis of tariff estimates and investment programme performance and, if necessary, preparation and submission to the NMRC of proposals for adjustment of tariff estimates for regulated services and investment programme (without changing tariff ceilings);
- Submission to the NMRC of reports on the execution of tariff estimates for regulated services and investment programme.

Changes in the tariff setting policy in Kazakhstan, failure to implement tariff estimates for regulated services and investment programmes taken into account when approving tariffs or their ceiling levels may adversely affect the Issuer's business, financial results and condition.

Currency risk

Fluctuations in the exchange rate of the U.S. Dollar and other currencies against the Tenge may adversely affect the Issuer's business, financial condition and results of operations. The Issuer's revenues are denominated in Tenge, while the majority of the Issuer's borrowings and interest expense are denominated in U.S. Dollars and Euros. Therefore, an appreciation in the market exchange rate of the U.S. Dollar and/or the Euro against the Tenge could reduce the Issuer's earnings relative to its expenses and affect its results of operations. However, the Group's exposure to the risk of changes in exchange rates of other currencies is immaterial.

The amount of the Issuer's outstanding borrowings as at 30 June 2023 is 11,807,400 thousand Tenge (as at 31 December 2022 is 16,898,657 thousand Tenge and as at 31 December 2021 is 49,493,952 thousand Tenge).

In order to manage the currency risk, the Issuer has placed an amount of 16.01 million U.S. Dollars (7,406,745 thousand Tenge) on deposit accounts as at 31 December 2022, which provides debt service of about 2 years.

Interest rate risk

The Issuer's exposure to the risk of changes in market interest rates relates primarily to the Issuer's long-term borrowings with floating interest rates. The Issuer does not use hedging instruments to mitigate potential risks as management believes that the interest rate risk on its loans is not critical due to periodic revisions in interest rates.

As at 30 June 2023, the Issuer's borrowings and issued bonds denominated in Tenge, U.S. Dollar and Euro (169,348,889 thousand Tenge and 156,351,701 thousand Tenge as at 31 December 2022;

171,199,451 thousand Tenge as at 31 December 2021) had a floating interest rate and a fixed rate on the second bond issue. The Issuer is exposed to changes in fair value arising from fluctuations in interest rates.

The Issuer's interest earning assets consist of Tenge and U.S. Dollar denominated short-term deposits totalling 7,409,845 thousand Tenge as at 31 December 2022 at a fixed interest rate (26,268,452 thousand Tenge as at 31 December 2021).

In connection with the discontinuation of LIBOR rates from 2022, the International Bank for Reconstruction and Development ("**IBRD**") has determined SOFR to be the new benchmark rate for U.S. Dollar loans (the "benchmark" U.S. Dollar money market interest rate based on observed repo rates – the cost of borrowing overnight cash collateralised by U.S. Treasury Securities).

Seasonal fluctuation

The volumes of system services rendered have a pronounced seasonal character. In autumn and winter periods, the volume of services provided increases due to the growth of electricity consumption. In the summer and spring periods, there is a decrease in consumption and, accordingly, a decrease in the volume of system services provided.

Deficit in the energy system

There is currently a deficit of electricity and capacity in the UES of Kazakhstan due to increased consumption and a shortage of generating capacity to cover the needs of the UES of Kazakhstan, including due to their emergency retirement, which in turn may adversely affect the Issuer's business.

According to the Law on Electric Power Industry, KEGOC fulfils the function of the System Operator of the UES of Kazakhstan to interact with the energy systems of neighbouring countries to manage and ensure the stability of parallel operation modes.

In accordance with the agreement between the Governments of the Republic of Kazakhstan and the Russian Federation on Measures to Ensure Parallel Operation of the Unified Electric Power Systems of the Republic of Kazakhstan and the Russian Federation dated 20 November 2009, KEGOC and Inter RAO PJSC annually conclude a contract for the purchase of electricity from Russia to compensate for hourly deviations in the actual interstate balance of the UES of Kazakhstan at the border with the UES of Russia.

Under conditions of deficit in the UES of Kazakhstan, frequency maintenance and coverage of imbalances in the UES of Kazakhstan is provided, including through interaction within the framework of parallel operation with the UES of Russia in accordance with the concluded Deviation Compensation agreement as mentioned above. In this regard, there is a risk of growth of the Issuer's expenses on compensation of deviations of the UES of Kazakhstan within the framework of fulfilment of functions of the System Operator of the UES of Kazakhstan.

Dividends to shareholders

In 2022, about 30.2 billion Tenge of dividends were paid (*13.2 billion Tenge for the 2nd half of 2021; 17 billion Tenge for the 1st half of 2022*), which is 116.29 Tenge per ordinary share. Dividend payments were made in accordance with paragraph 4 of Article 23 of the Law on Joint Stock Companies.

As at 30 June 2023, since the initial public offering on the KASE, the total amount of dividends paid to shareholders was about 218 billion Tenge, of which to the major shareholder Samruk-Kazyna – 196.2 billion Tenge, to minority shareholders – 21.8 billion Tenge.

For more detailed information on the Issuer's dividends and dividend policy, see "*DIVIDENDS AND DIVIDEND POLICY*".

Results of operations for the six months ended 30 June 2023 compared to the six months ended 30 June 2022

The following table summarises selected historical financial data for the periods indicated. The information below is set out in Tenge, the Issuer's functional currency.

(*in thousands of Tenge*)	For the six-month ended 30 June 2023	2022
Revenue from contracts with customers..................................	114,350,128	102,777,951
Cost of sales…………..	(79,303,395)	(78,522,413)
Gross profit..	**36,046,733**	**24,255,538**
General and administrative expenses……..........................	(4,675,519)	(3,772,577)
Sales expenses..	(217,523)	(121,403)
Impairment recovery / (impairment) of property, plant and equipment………...	155	85,102
Operating profit..	**30,153,846**	**20,446,660**
Finance income...	3,752,316	2,513,680
Finance costs..	(6,891,997)	(5,865,602)
(Negative) / positive foreign exchange loss, net……………...	489,104	(748,669)
Share in (loss) / profit of associate…………………………....	(75,725)	121,995
Income from sale of an asset held for sale...............................	-	-
Other income..	2,215,106	1,001,270
Other expenses...	(195,473)	(223,120)
Accrual of provision for expected credit losses...	(909,966)	212,195
Profit before tax………………………...................................	**28,537,211**	**17,034,019**
Corporate income tax expenses………………………………	**(5,519,853)**	(3,021,619)
Profit for the reporting period from continuing operations	**23,017,358**	**14,012,400**
Discontinued operations		
Profit after tax for the year from discontinued operations activities..	-	-
Profit for the reporting period..	**23,017,358**	**14,012,400**

Consolidated operating profit for the six months of 2023 totaled 30,154 million Tenge, up 47 % or 9,707 million Tenge from the same period of 2022.

The main changes occurred for the following reasons:

- Decrease in depreciation charges by 6,937 million Tenge as a result of revaluation of fixed assets;
- Decrease in property tax expenses by 927 million Tenge due to revaluation of fixed assets;
- Increase in the negative balance of purchase and sale of electricity by 1,502 million Tenge to compensate for imbalances by increasing the volume of purchase and sale of electricity from 593 to 845 million kWh;
- At the same time, the growth of costs was levelled by the increase in revenues on regulated services due to the volume by 7,771 million Tenge, due to the increase of tariffs by 2,290 million Tenge;
- Increase in income from financial operations by 1,239 million Tenge, due to increase in interest rate from operations with cash on savings accounts and deposits.

Revenue

The following table sets out the Issuer's consolidated service revenue figures for the six months ended 30 June 2023 and 2022:

(*in thousands of Tenge*)	For the six months as at 30 June 2023	2022
Electricity transmission	**80,024,067**	71,679,371

(in thousands of Tenge)	For the six months as at 30 June 2023	2022
Services for technical dispatching	**16,802,884**	15,800,830
Services for the organisation of balancing of the production and consumption of electricity	**10,617,571**	9,903,751
Income from the sale of electricity to compensate for the interstate balance of electricity flows	**5,569,286**	4,066,334
Power regulation services	**222,290**	358,482
Income from the sale of purchased electricity	**22,170**	4,704
Other	**1,091,860**	964,479
Total revenues from sales	**114,350,128**	102,777,951

(in MWh volumes)	For the six months as at 30 June 2023	2022
Electricity transmission	**28,093,965**	25,520,558
Services for technical dispatching	**53,512,369**	51,636,699
Services for the organisation of balancing of the production and consumption of electricity	**104,098,429**	101,065,768
Income from the sale of electricity to compensate for the interstate balance of electricity flows	**845,234**	470,565
Power regulation services (MW)	**215**	335
Income from the sale of purchased electricity	**2,817**	629

The major share of the Issuer's revenue is income from the regulated services:

- Income from the sale of electricity transmission services;
- Income from the services for the organisation of balancing of the production and consumption of electricity;
- Income from the sale of services for the use of the NEG;
- Income from the sale of dispatching services.

Income from the electricity transmission services

	Measurement unit	For the six-months as at 30 June 2023	2022	%, var. (*rounded*)
Income from electricity transmission (inclusive of discounts)	thousand Tenge	80,024,067	71,679,371	12
Actual volume of electricity transmission	million kWh	28,094	25,521	10
Average tariff	Tenge/kWh	2.906	2.812	3

For electricity transmission, the increase in revenues for the first half-year 2023 amounted to 8,345 million Tenge (or 12 %) compared to the actual figures for the same period of 2022, due to an increase in tariff from 2.797 to 2.848 Tenge/kWh, which gives an increase in revenues by 1,446 million Tenge.

Thus, the actual volume of the electricity transmission services under the NEG for the six months ended 30 June 2023 was 28,094 million kWh.

Compared to the actual figures for the same period in 2022, the services volume increased by 2,573 million kWh or 10 % (paid volume – by 2,467 million kWh), driven by the growth of electricity transmission volumes for wholesale market entities in Kazakhstan.

Income from the services for technical dispatching

	Measurement unit	For the six-months as at 30 June 2023	2022	%, var. (*rounded*)
Income from technical dispatching	thousand Tenge	16,802,884	15,800,830	6
Volume of the technical dispatching services	million kWh	53,512	51,637	4
Average tariff	Tenge/kWh	0.319	0.308	4

On technical dispatching of supply to the grid and consumption of electricity, the increase in income was 1,002 million Tenge (or 6 %) compared to the actual figures of the same period of 2022, due to an increase in tariff from 0.306 to 0.314 Tenge/kWh, which gives an increase in income by 428 million Tenge.

The actual volume of technical dispatching services for electricity supply to the grid and consumption for the six months ended 30 June 2023 was 53,512 million kWh. Compared to the actual figures for the same period in 2022, there was an increase of 1,875 million kWh or by 4 %.

Income from the service for the organisation of balancing the production and consumption of electricity

	Measurement unit	For the six months as at 30 June 2023	2022	%, var. (*rounded*)
Income from the organisation of balancing the production and consumption of electricity	thousand Tenge	10,617,571	9,903,751	7
Volume of services for the organisation of balancing the production and consumption of electricity	million kWh	104,098	101,066	3
Average tariff	Tenge/kWh	0.080	0.099	-19

On the organisation of balancing the production and consumption of electricity, the increase in income amounted to 713,820 thousand Tenge (or 7 %) compared to the actual figures of the same period of 2022, due to an increase in tariff from 0.098 to 0.102 Tenge/kWh, which gives an increase in income of about 416 million Tenge.

The actual volume of the organisation of balancing the production and consumption of electricity for the six months ended 30 June 2023 was 104,098 million kWh. Compared to the same period of 2022, there was an increase of 3,032 million kWh or by 3 %.

Income from the sale of electricity to compensate for hourly deviations in the interstate balance of electricity flows

	Measurement unit	For the six-months as at 30 June 2023	2022	%, var. (*rounded*)
Income from the sale of electricity to compensate for hourly deviations in the interstate balance of electricity flows	thousand Tenge	5,569,286	4,066,334	37
Volume of the sale of electricity to compensate for hourly deviations in the interstate balance of electricity flows	million kWh	845	471	79

Revenues from the sale of electricity to compensate for hourly volumes of deviations in the interstate balance of electricity flows increased by 1,502,952 thousand Tenge (or about 37 %) compared to the same period of 2022 due to an increase in electricity sales volumes from 471 to 845 million kWh or 79 %.

Income from the sale of power regulation services

	Measurement unit	For the six-months as at 30 June 2023	2022	%, var. (*rounded*)
Income from the sale of power regulation services	thousand Tenge	222,290	358,482	-38
Volume of the sale of power regulation services	MW	215	335	-36

Income from the sale of power regulation services decreased by 136,192 thousand Tenge (or 38 %) compared to the same period of 2022 as a result of a decrease in the power regulation volumes from 335 to 215 MW or by 36 %.

Income from the sale of purchased electricity

	Measurement unit	For the six-months as at 30 June 2023	2022	%, var. (*rounded*)
Income from the sale of purchased electricity	thousand Tenge	22,170	4,704	371
Volume of services for the sale of purchased electricity	thousand kWh	2,817	629	348
Price	Tenge/kWh	7.87	7.48	5

Income from sales of purchased power for the six months ended 30 June 2023 was 22,170 thousand Tenge and increased by 17,466 thousand Tenge (or 371 %) compared to the same period of 2022 (4,704 thousand Tenge) mainly due to an increase in the volume of off-schedule flows between Kazakhstan and the Kyrgyz Republic.

Cost of sales

The following table sets out the Issuer's consolidated cost of sales data for the six months periods ended 30 June 2023 and 2022:

(*in thousands of Tenge*)	For the six months as at 30 June 2023	2022
Depreciation and amortisation	**24,967,478**	31,975,003
Expenses for the purchase of electricity to compensate for the interstate balance	**14,733,831**	10,458,413
Payroll expenses and other deductions related to payroll	**13,291,215**	10,422,598
Technological electricity consumption	**12,826,055**	11,914,878
Taxes	**3,863,175**	4,793,996
Operating and repair expenses	**3,435,738**	3,606,153
For the purchase of services to ensure readiness of power to bear the load	**2,070,021**	2,350,714
Security costs	**761,736**	732,791
Stocks	**666,572**	480,386
Cost of purchased electricity	**22,170**	4,704
Other	**2,665,404**	1,782,777
Total cost of sales	**79,303,395**	78,522,413

The cost of sales for the six months ended 30 June 2023 was 79,303 million Tenge, an increase compared to the same period of 2022 was 781 million Tenge or 1 %. In the structure of the cost of sales for the first half of 2023 compared to the same period of 2022, the following major changes occurred:

- Decrease in depreciation and amortisation of fixed and intangible assets by 7,008 million Tenge;
- Increase in expenses on purchase of electric power to compensate hourly volumes of deviations of actual interstate balance of electric power flows by 4,275 million Tenge;
- Increase in labour costs of production personnel with deductions of 2,869 million Tenge;

- Increase in technological consumption of electric energy by 911 million Tenge.

Depreciation and amortisation

The amount of depreciation expense for the six months ended 30 June 2023 was 24,967,478 thousand Tenge, which is 7,007,525 thousand Tenge lower compared to the same period of 2022 (31,975,003 thousand Tenge).

The decrease in depreciation and amortisation of property, plant and equipment and intangible assets was due to the revaluation of property, plant and equipment.

Expenses on the purchase of electricity to compensate for the interstate balance

Expenses on the purchase of electricity to compensate for hourly volumes of deviations of the interstate balance of electricity flows for the six months ended 30 June 2023 increased by 4,275 million Tenge compared to the same period of 2022.

The change in this indicator was mainly influenced by the growth of volumes from 471 million kWh in the corresponding period of 2022 to 845 million kWh in the six months of 2023.

Payroll expenses and other deductions related to payroll

Payroll expenses for six months ended 30 June 2023 amounted to 13,291,215 thousand Tenge and increased by 2,869 million Tenge compared to the same period of 2022. This increase was due to the annual indexation of the payroll budget, as well as an increase in salaries as part of the implementation of instructions to improve the social conditions of staff.

Technological electricity consumption

For the six months ended 30 June 2023, the cost of technological consumption of electricity increased by 911 million Tenge compared to the same period of 2022, which is due to due to an increase in the average purchase price from 8.48 to 9.38 Tenge/kWh.

General and administrative expenses

The following table shows KEGOC's consolidated figures for general and administrative expenses for the six months ended 30 June 2023 and 2022:

	For the six-months as at 30 June	
(*in thousands of Tenge*)	**2023**	**2022**
Payroll expenses and other deductions related to payroll......................	**2,264,626**	1,978,425
Depreciation and amortisation...	**491,542**	458,374
Support costs…..	**421,988**	260,705
Third-party company services...	**327,369**	239,579
Taxes other than income tax..	**153,957**	98,790
Consulting services..	**104,727**	129,766
Insurance costs...	**55,768**	13,108
Travel expenses..	**43,244**	20,286
Materials..	**33,143**	36,259
Communal expenses...	**32,819**	41,011
Expenses for the maintenance of the Board of Directors.......................	**25,262**	32,115
Trainings and education……..	**17,016**	7,277
Change in provision for obsolete inventory...	**(3,482)**	59,344
Other...	**707,540**	397,538
Total general and administrative expenses	**4,675,519**	3,772,577

General and administrative expenses as at the six months ended 30 June 2023 totaled 4,675,519 thousand Tenge, which is higher by 902,942 thousand Tenge (24 %) compared to the same period of 2022.

Payroll expenses and other deductions related to payroll

Payroll expenses for the six months ended 30 June 2023 amounted to 2,264,626 thousand Tenge and increased by 286,201 thousand Tenge compared to the same period of 2022 mainly due to the annual indexation of the payroll fund, as well as an increase in salaries within the framework of the execution of orders to improve the social conditions of staff.

Depreciation and amortisation of administrative expenses

The amount of depreciation expense for administrative expenses for the six months ended 30 June 2023 was 491,542 thousand Tenge, which is 33,167 thousand Tenge higher compared to the same period of 2022 as a result of the acquisition of fixed assets.

Support costs

Technical support costs for the six months ended 30 June 2023 amounted to 421,988 thousand Tenge, which is higher than such costs for the same period of 2022 by 161,283 thousand Tenge as a result of an increase in the number of information communication systems (automation of activities).

Third-party company services

Expenses on the third-party company services s for the six months ended 30 June 2023 amounted to 327,369 thousand Tenge, which is higher than such costs for in the same period of 2022 by 87,790 thousand Tenge as a result of the transfer of a number of services to outsourcing, to ensure the purchase of services in a competitive market.

Consulting services

Expenses on consulting services for the six months ended 30 June 2023 decreased by 25,039 thousand Tenge compared to the same period of 2022 due to the revision of the cost classification (*first-half 2023: 104,727 thousand Tenge and first-half 2022: 129,766 thousand Tenge*).

Taxes other than income tax

Tax expenses for the six months ended 30 June 2023 was 153,957 thousand Tenge, which is 55,167 thousand Tenge higher than such costs for the same period of 2022 mainly due to growth of the taxable base for the increase in the payroll fund.

Cash flows

The following table summarises the Issuer's operating, investment and financial results for the periods indicated:

	For the six-months as at 30 June	
(*in thousands of Tenge*)	**2023**	**2022**
Net cash flows from operating activities	**38,169,789**	38,071,654
Net cash flows from investing activities	**(18,778,348)**	(788,309)
Net cash flows from financing activities	**(18,135,176)**	(20,823,730)
Net change in cash and cash equivalents	**1,256,265**	16,459,615
Effect of exchange rate changes on foreign currency cash balances	**(74,405)**	(265,704)
Cash and cash equivalents at 30 June	**28,901,077**	28,095,504

As at 30 June 2023, cash and cash equivalents amounted to 28,901,077 thousand Tenge, there was an increase of 805,573 thousand Tenge (2.9 %) compared to the results of the same period in 2022.

Net cash flows from operating activities

Net cash flow from operating activities for the six months ended 30 June 2023 amounted to 38,169,789 thousand Tenge, which is higher than the indicator for the same period in 2022 by 98,135 thousand Tenge.

Net cash flows from investing activities

Net cash outflow from investing activities for the six months ended 30 June 2023 totaled 18,778,348 thousand Tenge and increased by 17,990,039 thousand Tenge compared to the same period of 2022 mainly due to the fact that in the six months of 2022 there were more proceeds from redemption of debt securities (NBK notes and bonds of Development Bank of Kazakhstan JSC and NC KazMunayGas JSC).

Net cash flows from financing activities

Net cash outflow from financing activities for the six months ended 30 June 2023 totaled 18,135,176 thousand Tenge and decreased by 2,688,554 thousand Tenge compared to the same period of 2022 mainly due to that in the six-month period ended 30 June 2022, among other things, the scheduled payment on the IBRD loan in the amount of 2,035,666 thousand Tenge was made.

Results of operations for the year ended 31 December 2022 compared to the year ended 31 December 2021

	For the year ended 31 December	
(*in thousands of Tenge*)	**2022**	**2021**
Revenue……………………………..................................	217,255,548	186,443,137
Cost of sales…………..	(166,355,885)	(120,682,903)
Gross profit...	**50,899,663**	**65,760,234**
General and administrative expenses.......................................	(9,020,431)	(8,539,823)
Selling expenses...	(310,355)	(381,235)
Gain from recovery of loss from revaluation of property, plant and equipment..	949,895	2,869,512
Loss from revaluation of property, plant and equipment...........	(4,524,870)	(10,813,536)
Operating profit...	**37,993,902**	**48,895,152**
Finance income...	5,726,115	5,368,222
Finance costs...	(13,294,934)	(11,670,429)
Positive foreign exchange loss, net...	114,963	451,045
Share in profit of associate..	469,123	260,739
Income from sale of an asset held for sale................................	-	2,182,037
Other income...	2,488,310	1,739,332
Other expenses..	(500,704)	(563,892)
(Accrual) / reversal of provision for expected losses credit losses...	(528,687)	110,078
Profit before taxation...	**32,468,088**	**46,772,284**
Corporate income tax expenses………………………………	(5,720,479)	**(7,607,838)**
Profit for the reporting period from continuing operations	**26,747,609**	**39,164,446**
Discontinued operations		
Profit after tax for the year from discontinued operations activities..	-	13,471,466
Profit for the year..	**26,747,609**	**52,635,912**

Revenue

The following table sets forth the Issuer's consolidated service revenue data for the years ended 31 December 2022 and 2021:

	For the year ended 31 December	
(in thousands of Tenge)	**2022**	**2021**
Electricity transmission	**151,863,107**	129,355,940
Services for technical dispatching	**32,130,461**	28,902,579
Services for the organisation of balancing of the production and consumption of electricity	**20,124,496**	17,958,864
Income from the sale of electricity to compensate for the interstate balance of electricity flows	**10,457,891**	7,067,781

Power regulation services	**645,538**	878,486
Income from the sale of purchased electricity	**27,144**	33,897
Other	**2,006,911**	2,245,590
Total revenues from sales	**217,255,548**	186,443,137

	For the year ended 31 December	
(in MWh volumes)	**2022**	**2021**
Electricity transmission	**53,897,849**	50,824,342
Services for technical dispatching	**104,263,919**	105,042,897
Services for the organisation of balancing of the production and consumption of electricity	**203,123,771**	205,149,438
Income from the sale of electricity to compensate for the interstate balance of electricity flows	**1,294,044**	1,389,803
Power regulation services (MW)	**604**	900
Income from the sale of purchased electricity	**3,628**	5,837

The table below shows the calculation of revenues for regulated services, taking into account the tariffs approved by the NMRC for 2022 and 2021:

Income from the electricity transmission services

		For the year ended 31 December		%, var.
	Measurement unit	**2022**	**2021**	**(*rounded*)**
Income from electricity transmission (inclusive of discounts)	thousand Tenge	151,863,107	129,355,940	17
Actual volume of electricity transmission	million kWh	53,898	50,824	6
Average tariff	Tenge/kWh	2.812	2.545	10

For electricity transmission, the increase in income was 22,507 million Tenge compared to the actual figures for the same period of 2021, due to an increase in tariff by 10 % (from 2.545 to 2.812 Tenge/kWh), which gives, among other things, an increase in income by 14,394 million Tenge.

Thus, the actual volume of the electricity transmission services through the national electricity network for the 12 months of 2022 was 53.898 billion kWh.

Compared to the actual figures of the same period of 2021, the volume of services increased by 3.074 billion kWh or 6 %, which is due to an increase in the volume of electricity transmission services for the wholesale market subjects of Kazakhstan by 2.446 billion kWh, an increase in the volume of interstate transit (Russia-Kazakhstan-Russia) by 2.096 billion kWh, at the same time there was a decrease in the volume of electricity exports by 0.624 billion kWh.

Revenues from the services for technical dispatching

		For the year ended 31 December		%, var.
	Measurement unit	**2022**	**2021**	**(*rounded*)**
Revenue from technical dispatching	thousand Tenge	32,130,461	28,902,579	11
Volume of the technical dispatching services	million kWh	104,264	105,043	-0.7
Average tariff	Tenge/kWh	0.308	0.275	12

On technical dispatching of supply to the network and consumption of electricity, the increase in income was 3,228 million Tenge compared to the actual indicators of the same period of 2021, due to an increase in tariff by 12 % (from 0.275 to 0.308 Tenge/kWh), which gives an increase in income by 3,442 million Tenge. At the same time, due to a decrease in the volume of technical dispatching services, revenues decreased by 214 million Tenge.

The actual volume of technical dispatching services for electricity supply to the grid and consumption for the 12 months of 2022 was 104,264 million kWh. Compared to the actual indicators of the same period of 2021, there was a decrease of 779 million kWh or 0.7 %.

Income from the service for the organisation of balancing the production and consumption of electricity

		For the year ended 31 December		%, var.
	Measurement unit	**2022**	**2021**	**(*rounded*)**
Income from the organisation of balancing the production and consumption of electricity	thousand Tenge	20,124,496	17,958,864	12
Volume of services for the organisation of balancing the production and consumption of electricity	million kWh	203,124	205,149	-1
Average tariff	Tenge/kWh	0.099	0.089	11

On the organisation of balancing the production and consumption of electricity, the increase in income amounted to 2,166 million Tenge compared to the actual figures of the same period of 2021, due to an increase in tariff by 12 % (from 0.089 to 0.099 Tenge/kWh), which gives an increase in income of about 2,005 million Tenge.

The actual volume of the services for the organisation of balancing the production-consumption of electricity for the 12 months of 2022 amounted to 203.124 billion kWh. Compared to 2021, there was a decrease of 2.025 billion kWh or 1 %, which is due to a decrease in the production-consumption of electricity in the wholesale market of Kazakhstan.

Income from the sale of electricity to compensate for hourly deviations in the interstate balance of electricity flows

		For the year ended 31 December		%, var.
	Measurement unit	**2022**	**2021**	**(*rounded*)**
Income from the sale of electricity to compensate for hourly deviations in the interstate balance of electricity flows	thousand Tenge	10,457,891	7,067,781	48
Volume of electricity sales services to compensate for hourly deviations in the interstate balance of electricity flows	thousand kWh	1,294,044	1,389,803	7
Weighted average price	Tenge/kWh	7.38	5.58	32

Income from the sale of electricity to compensate for hourly volumes of deviations in the interstate balance of electricity flows increased by 3,390,110 thousand Tenge (48 %) compared to the same period of 2021 due to an increase in weighted average price for sale from the RK to the RF from 5.58 to 7.38 Tenge/kWh (or by 2,562,441 thousand Tenge).

Revenues from sales of power regulation services

		For the year ended 31 December		%, var.
	Measurement unit	**2022**	**2021**	**(*rounded*)**
Income from the sale of power regulation services	thousand Tenge	645,538	878,486	-27
Volume of the sale of power regulation services	thousand kWh	604	900	-33
Weighted average price	Tenge/kWh	1068.83	976.10	9.5

Income from the sale of power regulation services to non-residents (NEG of Uzbekistan JSC) for 2022 (645,538 thousand Tenge) compared to 2021 (878,486 thousand Tenge) decreased by 27 % or 232,948 thousand Tenge, which is due to a decrease in the volume of services rendered by 296 MW (or by 288,924 thousand Tenge) and an increase in the weighted average price from 976.1 to 1068.83

Tenge/kW (or by 56,014 thousand Tenge) due to an increase in the weighted average exchange rate from 424.39 (for 2021) to 464.71 Tenge/U.S. Dollars (for 2022).

Revenues from the sale of purchased electricity

		For the year ended 31 December		%, var.
	Measurement unit	**2022**	**2021**	**(*rounded*)**
Income from the sale of purchased electricity	thousand Tenge	27,144	33,897	-20
Volume of services for the sale of purchased electricity	thousand kWh	3,628	5,837	-38
Price	Tenge/kWh	7.48	5.81	29

Revenue from sales of purchased electricity for the year ended 31 December 2022 was 27,144 thousand Tenge and decreased by 6,753 thousand Tenge compared to the same period in 2021 (33,897 thousand Tenge), mainly due to a decrease in the volume of planned electricity transfers to the Kyrgyz Republic by 2,209 thousand kWh (from 5,837 to 3,628 thousand kWh) with an increase in price from 5.81 to 7.48 Tenge/kWh.

Cost of sales

The following table presents the Issuer's consolidated cost of sales data for the years ended 31 December 2022 and 2021:

	For the year ended 31 December	
(*in thousands of Tenge*)	**2022**	**2021**
Depreciation and amortisation	60,253,195	35,950,880
Expenses for the purchase of electricity to compensate for the interstate balances	28,394,524	22,157,785
Payroll expenses and other deductions related to payroll	24,612,591	18,320,948
Technological electricity consumption	23,279,882	24,866,088
Taxes	9,283,619	6,185,051
Operating and repair expenses	8,910,057	7,683,172
For the purchase of services to ensure readiness of power to bear the load	4,701,427	-
Security costs	1,475,501	1,292,485
Stocks	1,185,808	1,070,326
Cost of purchased electricity	27,144	30,974
Other	4,232,137	3,125,194
Total cost of sales	**166,355,885**	**120,682,903**

Cost of sales increased by 38 % or 45,672,982 thousand Tenge. In the structure of the cost of sales for 2022 compared to the same period of 2021, the following major changes occurred:

- Depreciation and amortisation increased by 24,302,315 thousand Tenge (68 %);
- Expenses on purchase of electricity to compensate for hourly deviations of interstate balance of electricity flows increased by 6,236,739 thousand Tenge (28 %);
- Labour costs and other deductions related to labour remuneration increased by 6,291,643 thousand Tenge (34 %);
- Costs for technological consumption of electric energy decreased by 1,586,206 thousand Tenge (6 %).

Depreciation and amortisation

The amount of depreciation expense for 2022 was 60,235,195 thousand Tenge, which is 68 % (24,302,315 thousand Tenge) higher compared to the same period of 2021.

The increase in depreciation charges was due to an increase in the book value of property, plant and equipment as a result of the revaluation of the NEG assets as of 1 December 2021, as a result of which the value of the NEG assets increased by 317,800,730 thousand Tenge.

Expenses on the purchase of electricity to compensate for the interstate balance

Expenses on the purchase of electricity to compensate for hourly volumes of deviations in the interstate balance of electricity flows for 2022 increased by 28 % or 6,236,739 thousand Tenge compared to 2021.

The change in this indicator was influenced by the following:

- increase in expenses by 3,641,960 thousand Tenge as a result of increase in weighted average price from 17.48 Tenge to 20.05 Tenge/kWh;
- Increase in expenses by 2,594,779 thousand Tenge as a result of an increase in the volume of electricity purchased from the Russian Federation to compensate for hourly deviations by 148.5 million kWh.

Payroll expenses and other deductions related to payroll

Payroll expenses for 2022 amounted to 24,612,591 thousand Tenge and increased by 6,291,643 thousand Tenge or 34 % compared to the same period of 2021. This increase is due to the following main reasons:

- increases in salary/wage rates effective 1 July 2021 and 1 February 2022;
- transfer from administrative staff to production staff from 1 January 2022 in the amount of 92 units and from 4 April 2022 in the amount of 23 units;
- payment of a lump-sum bonus on KEGOC anniversary and the Republic Day.

Technological electricity consumption

For 2022, the costs of technological consumption of electricity decreased by 6 % or 1,586,206 thousand Tenge compared to the same period of 2021. The decrease in costs is due to a decrease in the volume of technological consumption from 3,029,912 to 2,795,870 thousand kWh.

General and administrative expenses

The following table presents KEGOC's consolidated general and administrative expenses for the years ended 31 December 2022 and 2021:

	For the year ended 31 December	
(*in thousands of Tenge*)	**2022**	**2021**
Payroll expenses and related taxes	5,134,881	5,229,216
Depreciation and amortisation	923,604	878,698
Third-party company services	638,305	465,032
Software maintenance expense	577,552	595,690
Consulting services	251,294	176,264
Taxes other than corporate income tax	163,872	238,204
Materials	80,542	66,149
Communal expenses	76,207	70,873
Expenses for the Board of Directors	67,450	44,587
Business trip expenses	63,847	54,581
Trainings	41,896	46,806
Insurance	26,169	26,027
Charge for obsolete inventories	77,931	1,074
Other	896,881	646,622
Total general and administrative expenses	**9,020,431**	**8,539,823**

General and administrative expenses totaled 9,020,431 thousand Tenge, which is higher by 480,608 thousand Tenge (5.6 %) compared to the same period of 2021.

Payroll expenses and related taxes

Payroll expenses for 2022 amounted to 5,134,881 thousand Tenge and decreased by 94,335 thousand Tenge or 2 % compared to the same period of 2021. Mainly due to:

- reduction in the number of 43 units;
- due to transfer from 30 December 2021 to the state ownership of RFC for RES LLP;
- transfer from administrative staff to production staff from 1 January 2022 in the amount of 92 units and from 4 April 2022 in the amount of 23 units;
- reversal of the provision in 2022 for bonus and performance-based remuneration for 2021.

In addition, salary/tariff rates increases have been implemented with effect from 1 July 2021 and 1 February 2022.

Depreciation and amortisation of administrative expenses

The amount of expenses on depreciation of administrative expenses amounted to 923,604 thousand Tenge, which is 44,906 thousand Tenge or 5 % higher compared to the same period of 2021 as a result of the revaluation of fixed assets.

Third-party company services

Expenses on third-party company services amounted to 638,305 thousand Tenge, which is higher than in the same period of 2021 by 173,273 thousand Tenge or 37 % as a result of outsourcing a number of services to ensure the purchase of services in a competitive market.

Technical support costs

Software maintenance expenses costs amounted to 577,552 thousand Tenge, which is lower than in 2021 by 18,138 thousand Tenge as a result of an increase in the number of information communication systems (automation of activities).

Consulting services

Expenses on consulting services increased by 75,030 thousand Tenge or 43 % compared to the same period last year due to reclassification of a number of expenses on services of rating agencies as consulting services.

Taxes other than income tax

Tax expenses amounted to 163,872 thousand Tenge, which is 74,332 thousand Tenge lower than the same period of 2021 mainly due to a decrease in labour costs.

Cash flows

The following table summarises the Issuer's operating, investment and financial results for the periods indicated:

	For the year ended 31 December	
(*in thousands of Tenge*)	**2022**	**2021**
Net cash flows from operating activities..	80,678,722	83,868,968
Net cash flows from investing activities..	(31,208,604)	(62,321,093)
Net cash flows from financing activities..	(33,057,639)	(31,345,871)
Net change in cash and cash equivalents..	16,412,479	(9,797,996)
Effect of exchange rate changes on foreign currency cash balances.....	(600,425)	(115,531)
Cash and cash equivalents at the beginning of the period..............	**11,933,828**	**21,867,205**

	For the year ended 31 December	
(*in thousands of Tenge*)	**2022**	**2021**
Cash and cash equivalents at the end of the period..........................	**27,563,092**	**11,933,828**

As at 31 December 2022, cash and cash equivalents amounted to 27,563,092 thousand Tenge, an increase of 15,629,264 thousand Tenge (131 %) compared to the same period of 2021.

Net cash flows from operating activities

Net cash flow from operating activities for 2022 was 80,678,722 thousand Tenge, which is lower than the same indicator for 2021 by 3,190,246 thousand Tenge or 3.8 %.

Net cash flows from investing activities

Net cash outflow from investing activities for 2022 amounted to 31,208,604 thousand Tenge and decreased by 31,112,489 thousand Tenge or 50 % compared to the same period of 2021 mainly due to withdrawal of cash from deposit accounts for early repayment of IBRD loan in the amount of 46.3 million U.S. Dollars on the project "Construction of 500 kV substation "Alma" connection to the NEG of Kazakhstan by 500.220 kV lines".

Net cash flows from financing activities

Net cash outflow from financing activities for the year ended 31 December 2022 was 33,057,639 thousand Tenge and increased by 1,711,768 thousand Tenge or 5.5 % compared to the same period of 2021 mainly due to early repayment of the IBRD loan in the amount of U.S. Dollars 46.3 million under the project "Construction of 500 kV Alma substation connected to the NEG of Kazakhstan by 500.220 kV lines".

Results of operations for the year ended 31 December 2021 compared to the year ended 31 December 2020

The financial information for the year ended 31 December 2020 presented in the table below is derived from the consolidated financial statements of the Group as at and for the year ended 31 December 2021 for the purpose of comparison of the results of continuing activities of the Group as at the periods indicated. For more details, please see notes 3 (MATERIAL ACCOUNTING POLICIES – Revenue Recognition) and 26 to the Financial Statements and section "EXTRACTS FROM CONSOLIDATED STATEMENTS ON FINANCIAL AND OPERATING INFORMATION OF THE ISSUER'S GROUP – Basis for consolidation".

	For the year ended 31 December	
(*in thousands of Tenge*)	**2021**	**2020[1]**
Revenue………………………………...................................	186,443,137	179,097,563
Cost of sales……………..	(120,682,903)	(101,920,927)
Gross profit...	**65,760,234**	**77,176,636**
General and administrative expenses.......................................	(8,539,823)	(7,817,094)
Selling expenses..	(381,235)	(364,084)
Gain from recovery of loss from revaluation of property, plant and equipment..	2,869,512	-
Loss from revaluation of property, plant and equipment...........	(10,813,536)	(19,210)
Operating profit...	**48,895,152**	**68,976,248**
Finance income..	5,368,222	5,480,240
Finance costs...	(11,670,429)	(11,200,196)
Positive foreign exchange loss, net..	451,045	(5,309,688)
Share in profit of associate...	260,739	358,447
Income from sale of an asset held for sale.................................	2,182,037	-
Other income...	1,739,332	876,774

(*in thousands of Tenge*)	For the year ended 31 December 2021	2020[1]
Other expenses...	(563,892)	(622,600)
(Accrual) / reversal of provision for expected losses credit losses..	110,078	39,913
Profit before taxation...	**46,772,284**	**58,599,138**
Corporate income tax expenses………………………………	**(7,607,838)**	(10,100,904)
Profit for the reporting period from continuing operations	**39,164,446**	**48,498,234**
Discontinued operations		
Profit after tax for the year from discontinued operations activities..	13,471,466	4,967,037
Profit for the year...	**52,635,912**	**53,465,271**

Notes:
(1) The financial figures for the year ended 31 December 2020 are calculated with relevant adjustments made for the purposes of comparison of the Group's continuing activities in accordance with the financial statements as at and for the year ended 31 December 2021. See Notes 3 and 26 to the Financial Statements and section "*EXTRACTS FROM CONSOLIDATED STATEMENTS ON FINANCIAL AND OPERATING INFORMATION OF THE ISSUER'S GROUP – Basis for consolidation*" of this Prospectus.

Revenue

The following table sets forth the Issuer's consolidated service revenue data for the years ended 31 December 2021 and 2020:

(in thousands of Tenge)	For the year ended 31 December 2021	2020
Electricity transmission	**129,355,940**	121,953,313
Services for technical dispatching	**28,902,579**	30,291,437
Services for the organisation of balancing of the production and consumption of electricity	**17,958,864**	18,649,805
Income from the sale of electricity to compensate for the interstate balance of electricity flows	**7,067,781**	5,101,651
Power regulation services	**878,486**	954,342
Income from the sale of purchased electricity	**33,897**	21,075
Other	**2,245,590**	2,125,940
Total revenues from sales	**186,443,137**	**179,097,563**

(in MWh volumes)	For the year ended 31 December 2021	2020
Electricity transmission	**50,824,342**	41,184,976
Services for technical dispatching	**105,042,897**	98,991,624
Services for the organisation of balancing of the production and consumption of electricity	**205,149,438**	192,856,265
Income from the sale of electricity to compensate for the interstate balance of electricity flows	**1,389,803**	969,385
Power regulation services (MW)	**900**	1,005
Income from the sale of purchased electricity	**5,837**	3,659

The table below shows the calculation of revenues for regulated services, taking into account the tariffs approved by the NMRC for 2021 and 2020:

Income from the electricity transmission services

	Measurement unit	For the year ended 31 December 2021	2020	%, var. (*rounded*)
Income from electricity transmission (inclusive of discounts)	thousand Tenge	129,355,940	121,953,313	6
Actual volume of electricity transmission	million kWh	50,824	41,185	23

	Measurement unit	For the year ended 31 December 2021	2020	%, var. (*rounded*)
Average tariff	Tenge/kWh	2.545	2.797	-9

For electricity transmission, the increase in income was 7,402,627 thousand Tenge compared to the actual figures for the same period of 2021, due to the growth of paid volume of services on electric power transmission by 18 %, despite the decrease in the average tariff by 9 %.

Thus, the actual volume of the electricity transmission services through the NEG for the 12 months of 2021 was 20.824 billion kWh.

Compared to the actual figures of the same period of 2020, the volume of services increased by 9.639 billion kWh or 23 %, which is due to an increase in the volume of electricity transmission services for the wholesale market entities of Kazakhstan by 6.682 billion kWh, an increase in the volume of electricity export by 0.455 billion kWh, at the same time there was a decrease in the volume of interstate transit (RF-RK-RF) by 0.146 billion kWh. In connection with this, revenues from the provision of services increased by 20,208,264 thousand Tenge.

The decrease in the average tariff from 2.797 to 2.545 Tenge/kWh is due to the fact that from 1 January 2021 to 30 September 2021, KEGOC provided electricity transmission services at a tariff of 2.448 KZT/kWh without the investment component due to the absence of a tariff decision for the next regulated period.

Revenues from the services for technical dispatching

	Measurement unit	For the year ended 31 December 2021	2020	%, var. (*rounded*)
Revenue from technical dispatching	thousand Tenge	28,902,579	30,291,437	-5
Volume of the technical dispatching services	million kWh	105,043	98,992	6
Average tariff	Tenge/kWh	0.275	0.306	-10

For the year 2021, on technical dispatching of supply to the network and consumption of electricity, the decrease in income was 1,388,858 thousand Tenge compared to the actual indicators of the same period of 2020, due to a decrease in tariff by 10 % (from 0.306 to 0.275 Tenge/kWh), which gives a decrease in income by 3,240,547 thousand Tenge, despite an increase in the volume of services by 6%.

Decrease in average tariff by 10% (from 0.306 to 0.275 Tenge/kWh) is due to the fact that from 1 January 2021 to 30 September 2021 KEGOC provided services at the tariff of 0.264 Tenge/kWh without investment component due to the absence of tariff decision for the next regulated period.

The actual volume of technical dispatching services for electricity supply to the grid and consumption for the 12 months of 2022 was 105,043 million kWh. Compared to the actual indicators of the same period of 2020, there was an increase for 6,051 million kWh or 6 %, which is due to the increase in electricity generation by energy producing organisations of Kazakhstan.

Income from the service for the organisation of balancing the production and consumption of electricity

	Measurement unit	For the year ended 31 December 2021	2020	%, var. (*rounded*)
Income from the organisation of balancing the production and consumption of electricity	thousand Tenge	17,958,864	18,649,805	-4
Volume of services for the organisation of balancing the production and consumption of electricity	million kWh	205,149	192,856	6
Average tariff	Tenge/kWh	0.089	0.098	-9

On the organisation of balancing the production and consumption of electricity, a decrease in income amounted to 690,941 thousand Tenge compared to the actual figures of the same period of 2020, due to a decrease in tariff by 9 % (from 0.099 to 0.089 Tenge/kWh), which gives the decrease in income of about 1,803,142 thousand Tenge, despite an increase in the volume of services by 6 %.

Decrease in the average tariff by 9 % (from 0.098 to 0.089 Tenge/kWh) is due to the fact that from 1 January 2021 to 30 September 2021 KEGOC provided services at the tariff of 0.086 Tenge/kWh without the investment component due to the absence of a tariff decision for the next regulated period.

The actual volume of services on organisation of balancing of electricity production-consumption for 12 months of 2021 was 205.149 billion kWh. Compared to 2020, there was an increase of 12.293 billion kWh or 6 %, which is due to an increase in generation and consumption of electricity in the wholesale market of Kazakhstan.

Income from the sale of electricity to compensate for hourly deviations in the interstate balance of electricity flows

		For the year ended 31 December		**%, var.**
	Measurement unit	**2021**	**2020**	**(*rounded*)**
Income from the sale of electricity to compensate for hourly deviations in the interstate balance of electricity flows	thousand Tenge	7,067,781	5,101,651	39
Volume of electricity sales services to compensate for hourly deviations in the interstate balance of electricity flows	thousand kWh	1,389,803	969,385	43
Weighted average price	Tenge/kWh	5.58	4.79	16

Income from the sale of electricity to compensate for hourly volumes of deviations in the interstate balance of electricity flows increased by 1,966,130 thousand Tenge (39 %) compared to the same period of 2020 due to an increase in electricity sales volumes from the RK to the RF by 420 million kWh (or by 697,504 thousand Tenge) and weighted average price from 4.79 to 5.58 Tenge/kWh (or by 998,626 thousand Tenge).

Revenues from sales of power regulation services

		For the year ended 31 December		**%, var.**
	Measurement unit	**2021**	**2020**	**(*rounded*)**
Income from the sale of power regulation services	thousand Tenge	**878,486**	954,342	-8
Volume of the sale of power regulation services	MW	**900**	1,005	-10
Weighted average price	Tenge/kWh	976.10	949.59	3

Income from the sale of power regulation services to non-residents (NEG of Uzbekistan JSC) for 2021 (878,486 thousand Tenge) compared to 2020 (954,342 thousand Tenge) decreased by 8 % or 75,856 thousand Tenge, which is due to a decrease in the volume of services rendered by 105 MW and an increase in the weighted average price from 949.59 to 976.1 Tenge/kWh due to an increase in the weighted average exchange rate from 412.87 (for 2020) to 424.39 Tenge/U.S. Dollars (for 2021).

Revenues from the sale of purchased electricity

		For the year ended 31 December		**%, var.**
	Measurement unit	**2021**	**2020**	**(*rounded*)**
Income from the sale of purchased electricity	thousand Tenge	33,897	21,075	61
Volume of services for the sale of purchased electricity	thousand kWh	5,837	3,659	60
Price	Tenge/kWh	5.81	5.76	0.9

Revenue from sales of purchased electricity for the year ended 31 December 2021 was 33,897 thousand Tenge and increased by 12,822 thousand Tenge compared to the same period in 2020 (21,075 thousand Tenge), mainly due to an increase in the volume of planned electricity transfers to the Kyrgyz Republic by 2,178 thousand kWh (from 3,659 to 5,837 thousand kWh) with an increase in price from 5.76 to 5.81 Tenge/kWh.

Cost of sales

The following table presents the Issuer's consolidated cost of sales data for the years ended 31 December 2021 and 2020:

	For the year ended 31 December	
(*in thousands of Tenge*)	**2021**	**2020**
Depreciation and amortisation	35,950,880	33,349,877
Technological electricity consumption	24,866,088	14,709,725
Expenses for the purchase of electricity to compensate for the interstate balances	22,157,785	16,019,937
Payroll expenses and other deductions related to payroll	18,320,948	18,292,955
Operating and repair expenses	7,683,172	5,641,008
Taxes	6,185,051	9,049,154
Security costs	1,292,485	1,206,494
Stocks	1,070,326	1,031,355
Cost of purchased electricity	30,974	19,392
Other	3,125,194	2,601,030
Total cost of sales	**120,682,903**	**101,920,927**

Cost of sales increased by 18.4 % or 18,761,976 thousand Tenge. In the structure of the cost of sales for 2021 compared to the same period of 2020, the following major changes occurred:

- Depreciation and amortisation increased by 2,601,003 thousand Tenge (7.8 %);
- Costs for technological consumption of electric energy increased by 10,156,363 thousand Tenge (69 %);
- Expenses on purchase of electricity to compensate for hourly deviations of interstate balance of electricity flows increased by 6,137,848 thousand Tenge (38 %).

Depreciation and amortisation

The amount of depreciation expense for 2021 was 35,950,880 thousand Tenge, which is 7.8 % (2,601,003 thousand Tenge) higher compared to the same period of 2020 mainly due to revaluation of fixed assets.

Technological electricity consumption

For 2021, the costs of technological consumption of electricity increased by 69 % or 10,156,363 thousand Tenge compared to the same period of 2020. The increase in expenses was due to an increase in the weighted average purchase price of electricity from producers (stations) from 5.32 to 8.39 Tenge/kWh and an increase in the volume of technological consumption from 2,767,863 to 3,029,912 thousand kWh due to an increase in the volume of transmission through the Issuer's grids

Expenses on the purchase of electricity to compensate for the interstate balance

Expenses on the purchase of electricity to compensate for hourly volumes of deviations in the interstate balance of electricity flows for 2021 increased by 38 % or 6,137,848 thousand Tenge compared to 2020.

The change in this indicator was influenced by the following:

- increase in expenses by 3,099,744 thousand Tenge as a result of increase in weighted average price from 15.03 Tenge to 17.48 Tenge/kWh;

- Increase in expenses by 3,038,104 thousand Tenge as a result of an increase in the volume of electricity purchased from the Russian Federation to compensate for hourly deviations by 202 million kWh.

Payroll expenses and other deductions related to payroll

Payroll expenses for 2021 amounted to 18,320,948 thousand Tenge and increased by 27,993 thousand Tenge or 0.2 % compared to the year of 2020. This increase was mainly due to an average 5.6% increase in salaries of the Issuer's employees and 4% indexation of wage rates for working personnel. At the same time, the headcount of Energoinform JSC was reduced by 269 staff units.

General and administrative expenses

The following table presents KEGOC's consolidated general and administrative expenses for the years ended 31 December 2022 and 2021:

	For the year ended 31 December	
(*in thousands of Tenge*)	**2021**	**2020**
Payroll expenses and related taxes……………………....................	5,229,216	5,080,003
Depreciation and amortisation...	878,698	688,088
Taxes other than corporate income tax...	238,204	190,786
Consulting services...	176,264	161,177
Communal expenses...	70,873	68,540
Materials..	66,149	46,371
Software maintenance expense...	57,884	47,273
Business trip expenses...	54,581	25,855
Trainings..	46,806	54,177
Expenses for the Board of Directors..	44,587	67,725
Insurance…………..	26,027	28,734
Charge for obsolete inventories..	1,074	57,028
Rental expenses………...	-	22,806
Other..	1,649,460	1,278,531
Total general and administrative expenses	**8,539,823**	**7,817,094**

General and administrative expenses totaled 8,539,823 thousand Tenge, which is higher by 722,729 thousand Tenge (9 %) compared to the same period of 2020.

Payroll expenses and related taxes

Payroll expenses for 2021 amounted to 5,229,216 thousand Tenge and increased by 149,213 thousand Tenge or 2.9 % compared to the same period of 2020. This increase was due to an average 5.6% increase in salaries of the Issuer's employees. At the same time, the number of 35 administrative staff was reduced.

Depreciation and amortisation of administrative expenses

The amount of expenses on depreciation of administrative expenses amounted to 878,698 thousand Tenge, which is 190,610 thousand Tenge or 27.7 % higher compared to the same period of 2020 as a result of reclassification of amortisation expense.

Taxes other than income tax

Tax expenses amounted to 238,204 thousand Tenge, which is 47,418 thousand Tenge higher than the same period of 2021 mainly due to changes in the classification of fixed assets and reduction of the property tax base.

Communal expenses

The amount of expenses totaled 70,873 thousand Tenge, which is higher by 2,333 thousand Tenge compared to the same period of 2020 due to the growth of tariffs for public utilities.

Cash flows

The following table summarises the Issuer's operating, investment and financial results for the periods indicated:

	For the year ended 31 December	
(*in thousands of Tenge*)	**2021**	**2020**
Net cash flows from operating activities...	83,868,968	96,701,950
Net cash flows from investing activities...	(62,321,093)	(65,795,180)
Net cash flows from financing activities...	(31,345,871)	(30,689,649)
Net change in cash and cash equivalents...	(9,797,996)	217,120
Effect of exchange rate changes on foreign currency cash balances.....	(115,531)	460,732
Cash and cash equivalents at the beginning of the period..............	**21,867,205**	**21,179,282**
Cash and cash equivalents at the end of the period.........................	**11,933,828**	**21,867,205**

As at 31 December 2021, cash and cash equivalents amounted to 11,933,828 thousand Tenge and decreased by 9,933,377 thousand Tenge (45.4 %) compared to the same period of 2020.

Net cash flows from operating activities

Net cash flow from operating activities for 2021 was 83,868,968 thousand Tenge, which is lower than the same indicator for 2020 by 12,832,982 thousand Tenge or 13 %.

Net cash flows from investing activities

Net cash outflow from investing activities for 2021 amounted to 62,321,093 thousand Tenge and decreased by 3,474,087 thousand Tenge or 5 % compared to the same period of 2020 in connection with expiry of deposits and their further placement.

Net cash flows from financing activities

Net cash outflow from financing activities for the year ended 31 December 2021 was 31,345,871 thousand Tenge and increased by 656,222 thousand Tenge compared to the same period of 2020 mainly due to the payment of dividends.

Liquidity

The following table sets out the calculation of the Issuer's net debt for the six months ended 30 June 2023 compared to the years ended 31 December 2022, 2021 and 2020:

			As at 31 December		
(*in thousands of Tenge*)	***Currency***	**As at 30 June 2023**	**2022**	**2021**	**2020**
Long-term commitments on loans received[(1)]...	USD/EUR	(10,590,681)	(11,367,844)	(35,639,645)	(49,843,453)
Short-term commitments on loans received[(1)]...	Tenge	(1,216,719)	(5,530,813)	(13,854,307)	(14,334,439)
Long-term liabilities on bonds payable	Tenge	(149,457,511)	(133,394,155)	(117,142,516)	(92,717,685)
Current liabilities on accrued coupon interest...	Tenge	(8,083,978)	(6,058,889)	(4,562,983)	(4,138,458)
Cash and cash equivalents......................	Tenge	28,901,077	27,563,092	11,933,828	21,867,205
Samruk-Kazyna bonds............................	USD/ Tenge	30,021,390	30,072,911	30,144,252	30,213,089
Notes of NBK…………………….......	Tenge	17,035,332	19,062,907	13,646,481	28,823,615
Bank deposits[(2)]………………..............	Tenge	91,331	7,434,744	26,529,980	29,656,027
Eurobonds of the Ministry of Finance of the RK............………………..............	Tenge	1,918,466	1,968,564	1,850,569	1,816,832
Accrued interest on bonds of Samruk-Kazyna............………………..............	Tenge	254,333	254,333	254,333	254,334

(*in thousands of Tenge*)	*Currency*	As at 30 June 2023	As at 31 December 2022	2021	2020
Accrued interest on Eurobonds of the Ministry of Finance of the RK.................	Tenge	15,708	18,945	18,305	17,163
Bonds of Special Finance Company DSFK	Tenge	67	377,731	314,418	310,175
Dividends receivable from an associate...	USD / Tenge	-	-	-	203,095
Net debt		**(91,111,185)**	**(69,598,474)**	**(86,507,285)**	**(47,872,500)**

Notes:
(1) Liabilities include financial guarantees, loans and borrowings of the company, which represent the principal amount of liabilities.
(2) Bank deposits comprise short-term deposits with local banks.

As at 30 June 2023, cash and cash equivalents amounted to 28,901,077 thousand (*31 December 2022: 27,563,092 thousand Tenge; 31 December 2021: 11,933,828 thousand Tenge; 31 December 2020: 21,867,205*). Borrowing liabilities as at 30 June 2023 amounted to 169,348,889 thousand Tenge and increased compared to the period as at 31 December 2022 by 12,997,188 thousand Tenge (*31 December 2022: 156,351,701 thousand Tenge; 31 December 2021: 171,199,451 thousand Tenge; 31 December 2020: 161,034,035*).

Net debt as at 30 June 2023 amounted to 91,111,185 thousand Tenge. The net debt as at 31 December 2022 amounted to 69,598,474 thousand Tenge and decreased by 16,908,811 thousand Tenge compared to the year of 2021 (*31 December 2021: 86,507,285 thousand Tenge*). Compared to the results of 2020, net debt in 2021 increased by 38,643,785 thousand Tenge (*31 December 2020: 47,872,500*).

Commitments on borrowings and issued bonds

Loans

The balance of outstanding borrowings as at 30 June 2023, 31 December 2022, 2021 and 2020 was represented by loans from the IBRD and the European Bank for Reconstruction and Development ("**EBRD**"). These loans are provided under credit facilities for the implementation of the projects "Modernisation of the National Electric Grid of Kazakhstan" Phase II" and "Moynak HPP Power Delivery Scheme".

The maturity, security and amount for each of the loans are summarised in the table below:

Loan agreement	Bank	Amount owed as at 30 June 2023			Loan repayment date	Security under loans
		thousand Tenge	thousand U.S. Dollars	thousand Euros		
KC 38647 dated 5 June 2008	EBRD	-	-	-	2 times a year until Line A and B(a) 12.02.2023, Line B (b) 12.02.2020, Line B (c) 12.02.2017	Unsecured
KC 7738-KZ dated 12 November 2009	IBRD	11,807,400	25,717	-	2 times a year until 15.09.2034	Guarantee of the Government No. 11CGG004 dated 12 November 2009
Total		**11,807,400**	**25,717**	**-**		

As at 30 June 2023, the loan agreement with EBRD is fully performed in accordance with the repayment schedule.

As at 30 June 2023, 31 December 2022 and 31 December 2021, 31 December 2020 borrowings outstanding were from the following credit sources:

(*in thousands of Tenge*)	As at 30 June 2023	As at 31 December 2022	2021	2020
IBRD	11,807,400	12,575,944	36,708,534	41,647,967
EBRD	-	4,322,713	12,785,418	22,529,925
Total	**11,807,400**	**16,898,657**	**49,493,952**	**64,177,892**
Less current portion of outstanding loans from IBRD and EBRD repayable within 12 months	(1,216,719)	(5,530,813)	(13,854,307)	(14,334,439)
	10,590,681	**11,367,844**	**35,639,645**	**49,843,453**

As at 30 June 2023 and 31 December 2022, accrued and unpaid loan interest amounted to 205,982 thousand Tenge and 252,227 thousand Tenge, respectively (*31 December 2021: 196,888 thousand Tenge; 31 December 2020: 343,237 thousand Tenge*).

As at 30 June 2023 and 31 December 2022, the unamortised portion of loan arrangement fees amounted to 36,013 thousand Tenge and 20,450 thousand Tenge, respectively (*31 December 2021: 244,426 thousand Tenge; 31 December 2020: 285,919 thousand Tenge*).

The amount of the Government's guarantee on the IBRD loan as at 30 June 2023 was 11,829,758 thousand Tenge (*31 December 2022: 12,590,206 thousand Tenge; 31 December 2021: 37,835,274 thousand Tenge; 31 December 2020: 42,800,248 thousand Tenge*).

As at 30 June 2023, 31 December 2022, 2021 and 2020, the Issuer has no principal and interest payments outstanding.

Bonds

As at 30 June 2023, 31 December 2022, 2021 and 2020 the outstanding issued bonds consisted of the following:

(*in thousands of Tenge*)	As at 30 June 2023	As at 31 December 2022	2021	2020
Nominal value of issued bonds	150,941,100	134,941,100	118,800,000	93,500,000
Accrued coupon interest	8,083,978	6,058,889	4,562,983	4,138,458
Less: discount on bonds issued	(1,398,332)	(1,457,789)	(1,577,690)	(719,637)
Less: transaction costs	(85,257)	(89,156)	(79,794)	(62,678)
Total	**157,541,489**	**139,453,044**	**121,705,499**	**96,856,143**
Less current portion of bonds repayable withir 12 months	(8,083,978)	(6,058,889)	(4,562,983)	(4,138,458)
Total non-current liabilities on issued bond	**149,457,511**	**133,394,155**	**117,142,516**	**92,717,685**

In order to raise debt financing for the project "Construction of 500kV Semey – Aktogay – Taldykorgan – Alma", the Issuer, in accordance with the decision of the Board of Directors dated 4 May 2016, registered KEGOC first bond programme for the amount of 83.8 billion Tenge. Within this bond programme, the Issuer made two bond issues with different terms and conditions of issue determined by the issue prospectuses.

Main parameters of the issued bonds (the first issue):

Type of securities	coupon bonds
National Identification Number:	KZP01Y15F281
ISIN:	KZ2C00003572
Nominal value, Tenge:	1,000.00
Issue volume, million Tenge:	47,500.00
Date of circulation start:	26.05.2016
Final day of circulation:	25.05.2031
Repayment commencement date:	26.05.2031

Circulation term:	15 years
Coupon rate:	Floating, depending on the inflation rate in Kazakhstan, plus credit risk 290 b.p. The inflation corridor is 5-16 %
Frequency of coupon payment:	once a year
Coupon payment dates:	26th of May annually

Based on the remaining need, the Issuer carried out the second issue of bonds with the volume of 36.3 billion Tenge (registration with the NBK dated 3 July 2017). As a result of trading, 24.8 % of the bonds by volume were purchased by second-tier banks, 63.8% – by other institutional investors, 2.7 % – by broker-dealer companies, 8.7 % – by other legal entities.

Main parameters of the issued bonds (the second issue):

Type of securities	coupon bonds
National Identification Number:	KZP02Y15F289
ISIN:	KZ2C00003978
Nominal value, Tenge:	1,000.00
Issue volume, million Tenge:	36,300.00
Date of circulation start:	29.08.2017
Final day of circulation:	28.08.2032
Repayment commencement date:	29.08.2032
Circulation term:	15 years
Coupon rate:	11.5 % p.a. (fixed)
Frequency of coupon payment:	once a year
Coupon payment dates:	29th of August annually

In order to implement the investment project "Reconstruction of overhead power lines 220-500 kV of KEGOC branches" on 28 May 2020, the Issuer's bonds were successfully placed on the KASE with a total volume of 9.7 billion Tenge.

Based on the remaining need, the Issuer made bond issues of 8.9 billion Tenge in January 2021 and 16.6 billion Tenge in October 2021. The securities were placed as part of the first bond issue of the Issuer's second bond programme with a total volume of 80 billion Tenge.

Main parameters of the issued bonds (the first issue):

Type of securities	coupon bonds
ISIN:	KZ2C00006658
Nominal value, Tenge:	1,000.00
Issue volume, million Tenge:	35,000.00
Number of registered bonds:	35,000,000 pieces
Date of circulation start:	28.05.2020
Final day of circulation:	28.05.2035
Repayment commencement date:	28.05.2035
Circulation term:	15 years
Coupon rate:	fixed

On 21 December 2022, a successful placement of "green" bonds of the Issuer took place on the KASE with a total volume of 16.1 billion Tenge. The securities were placed within the framework of the second issue of bonds of the second bond programme of the Issuer in the amount of 35 billion Tenge, with maturity until 2037.

The raised funds are intended to finance investment projects "Reconstruction of overhead lines 220-500 kV of KEGOC branches", "Strengthening of the power grid of the Western zone of the UES of Kazakhstan. Construction of power grid facilities".

Main parameters of the issued bonds (the second issue):

Type of securities	coupon bonds
ISIN:	KZ2C00007797
Nominal value, Tenge:	1,000.00

Issue volume, million Tenge:	35,000.00
Number of registered bonds:	16,141,100 pieces
Date of circulation start:	21.12.2022
Final day of circulation:	21.12.2037
Repayment commencement date:	21.12.2037
Circulation term:	15 years
Coupon rate:	indexed

On 30 March 2023, a successful placement of the Issuer's "green" bonds on the trade floor of the KASE with a total volume of 16.9 billion Tenge with a weighted average yield to maturity of 19.51 % per annum took place. The securities were placed within the framework of the second issue of bonds of the second bond programme of the Issuer in the amount of 35 billion Tenge, maturing in 2037.

The raised funds are intended to finance investment projects "Reconstruction of overhead lines 220-500 kV of KEGOC branches", "Strengthening of the power grid of the Western zone of the UES of Kazakhstan. Construction of power grid facilities".

Main parameters of the issued bonds (the second issue):

Type of securities	coupon bonds
ISIN:	KZ2C00007797
Nominal value, Tenge:	1,000.00
Issue volume, million Tenge:	35,000.00
Number of registered bonds:	32,141,100 pieces
Date of circulation start:	21.12.2022
Final day of circulation:	20.12.2037
Repayment commencement date:	21.12.2037
Circulation term:	15 years
Coupon rate:	indexed

Key indicators of financial sustainability

The Issuer's management and the Board of Directors monitor on a quarterly basis key financial stability indicators calculated on the basis of the Group's consolidated financial statements prepared in accordance with IFRS.

Strategic	**Definition/Calculation**
ROACE	(Net income + interest expense (1-T)) /ACE*100%, where T = CIT rate, ACE = Average capital employed at the beginning and end of the period, which shows the average capital employed by the Issuer for the reporting period.
EBITDA margin	EBITDA / Income from operations 100%, where EBITDA = Income from operations - Cost of services excluding depreciation and amortisation - General and administrative expenses excluding depreciation and amortisation - Selling expenses excluding depreciation and amortisation.
Profitability of operations	A/B, where A = Net Income; B = Total expenditure excluding corporate income tax.
ROIC	A/B*100, where A = NOPLAT - (revenue - cost of sales - general and administrative expenses - selling expenses) * (1-rate corporate income tax) B = average value (over the period) of invested capital IC.

EBITDA

The following table shows the historical data on EBITDA of the Issuer for the periods as at 31 December 2020, 2021 and 2022:

as at 31 December	**EBITDA**
2020	103.0 billion Tenge
2021	93.9 billion Tenge
2022	102.5 billion Tenge

Financial stability indicators

The Issuer's management and the Board of Directors monitor the Issuer's operating results on a quarterly basis based on a number of the following key performance indicators ("**KPI**"):

Strategic	Definition/Calculation
Net debt/EBITDA	A/B, where A = the amount of cash raised by the Issuer as a result of borrowings less cash and cash equivalents; B = earnings before interest charges and financing items, non-cash impairment charges and write-downs, income taxes, and depreciation and amortisation of property, plant and equipment and intangible assets.
Debt/EBITDA	A/B, where A = the amount of cash raised by the Issuer as a result of borrowings, B = Operating Income - Cost of Services excluding amortisation - General and Administrative Expenses excluding amortisation - Selling Expenses excluding amortisation for the past 12 months.
Debt/Equity	A/B, where A = debt capital, B = equity capital.
EBITDA/Interest income expenses	A/B, where A = Operating income - Cost of services excluding depreciation - General and administrative expenses excluding depreciation - Selling expenses excluding depreciation for the past 12 months, B = Compensation expense including capitalised remuneration for the past 12 months.

The Issuer's KPI data is monitored to analyse financial stability and liquidity. In accordance with the debt management and financial stability policy of Samruk-Kazyna and loan agreements, limit values have been determined, violation of which entails the emergence of financial risks and, as a consequence, the development of an action plan for their elimination.

KPIs	For the six months ended 30 June		For the year ended 31 December		
	2023	**2022**	**2022**	**2021**	**2020**
ROACE, %	4.68	4.26	4.16	5.98	9.48
EBITDA margin, %	47.67	50.90	46.97	50.20	56.92
Profitability of operations, % *(exclusive of RFC for RES LLP)*	24.68	12.94	12.30	24.86	32.51
Current liquidity ratio	3.16	1.92	1.89	1.61	1.69
Financial stability ratios established by Samruk-Kazyna					
Debt/EBITDA, not more than 3.50	1.62	1.73	1.53	1.82	1.56
Debt/Equity, not more than 1.00	0.26	0.23	0.24	0.23	0.32
EBITDA/Interest expense, not less than 3.00	8.52	9.63	9.13	9.56	10.16

Return on capital employed (ROACE) for the six months ended 30 June 2023, compared to the same period in 2022, increased as a result of higher adjusted earnings on lower capital employed.

ROACE and ROIC for the 12 months ended 31 December 2022, compared to the 12 months ended 31 December 2021, are lower as a result of a decrease in net income due to an increase in cost of sales and an increase in capital employed due to the revaluation carried out in 2021. The decrease in profitability of operations was due to an increase in cost of sales and foreign exchange costs.

ROACE and ROIC for the 12 months ended 31 December 2021 compared to the 12 months ended 31 December 2020 worsened as a result of an increase in capital employed. The decrease in EBITDA margin was due to an increase in foreign exchange costs.

At at the six months ended 30 June 2023 and for 2022, 2021 and 2020, the norms on financial stability indicators and covenants were not violated. In addition, the Issuer ensures compliance with non-financial covenants.

REGULATORY AND LEGAL DISPUTES

The following is a brief description of various industry-related laws and regulations of the Republic of Kazakhstan and international treaties to which Kazakhstan is a party that are applicable to the Issuer. The following brief overview of the laws and regulations may not be exhaustive and is intended to provide general information to investors only; it is not intended to be, and should not be, a substitute for professional legal advice.

The Issuer operates in a highly regulated sector, performing the functions of the System Operator, which manages the UES. The Issuer has the status of a natural monopoly entity and is included in the republican section of the state register of natural monopoly entities. The Issuer is subject to legislation on natural monopolies, the electric power industry, procurement procedures for quasi-state sector entities, strategic facilities, environmental legislation, the use of natural resources, including water use, the establishment of protection zones along overhead power lines, the use of hazardous production facilities and various sanitary, fire and building codes and regulations, as well as occupational health and safety regulations.

The Law on Electric Power Industry defines the NEG as a set of substations, switchgears, interregional and/or interstate power transmission lines and transmission lines carrying out the output of electric energy of electric power plants with a voltage of 220 kV and above. Further, the Law on Electric Power Industry establishes that the NEG itself is not subject to privatisation and must be transferred to a national company in accordance with the procedure and on terms and conditions determined by the Government. The Offering of the Shares to private investors does not formally constitute an alienation, privatisation or encumbrance of the NEG as such term is defined under Kazakhstan law, as the NEG or its component parts are not alienated and the Issuer will remain the owner of the NEG following the Offering.

Furthermore, the Resolution of the Government of the Republic of Kazakhstan dated 29 December 2020 No. 908 "On Certain Privatisation Issues for 2021-2025" The Issuer is included in the list of major subsidiaries, affiliates of national management holdings, national companies and other legal entities affiliated with them, proposed to be transferred to the competitive environment as a matter of priority. On 19 April 2023, the Law of the Republic of Kazakhstan No. 223-VII ZRK "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Administrative Reform in the Republic of Kazakhstan" reduced the minimum number of shares to be owned by Samruk-Kazyna from 90%+1 share to 85%. To implement these decisions, on 26 April 2023, the State Commission approved the method of transferring the Issuer to the competitive environment by selling shares on the stock exchange (alienation/placement of shares on the organised securities market). As part of KEGOC's IPO in 2014, the Government granted permission by issuing the Government Resolution No. 1158 dated 30 October 2014 for the placement of 25,999,999 ordinary shares of the Issuer on the Kazakhstan Stock Exchange of Kazakhstan. By the Government Resolution No. 814 dated 19 September 2023, the Issuer's shares are authorised to be listed on a stock exchange in the amount of 15,294,118 shares.

In accordance with the Law on Natural Monopolies, which is the main law regulating the activities of natural monopolies, the services of transmission of electric energy through the grid and the use of the national electric grid, technical dispatching of electric energy supply to the grid and consumption, and organisation of balancing of production-consumption of electric energy belong to the spheres of natural monopolies.

The NMRC approves the method of tariff regulation, tariffs for regulated services and tariff estimates thereto, investment programmes and temporary reduction coefficients to the tariff and temporary compensatory tariffs. For the Issuer, the NMRC has approved the cost-based method of tariff regulation, which provides for limitation of types and amounts of costs taken into account in the tariff, considering their economic feasibility; application of technical and technological norms of expenditures of raw materials, materials, fuel, energy, if available, normative technical losses, normative number of personnel, determined on the basis of standard norms and standards in force in the relevant industry (sphere); approval of tariff estimates with a breakdown by years; application of the straight-line method of accrual; and application of the tariff regulation method.

Amendments to the Law on Electric Power Industry, effective from 1 July 2023, added a service for the use of the national electricity grid, which is defined as part of the electricity transmission service. This service is provided to wholesale electricity market entities and includes maintenance and operational readiness of the national electricity network. The tariff for the service for the use of the national electricity network was approved by the NMRC in the amount of 1.651, 1.943, 2.002, 2.056 Tenge until 30 September of the relevant year for each year from 1 July 2023 to 30 September 2026. Tariffs for the Issuer's other services have increased insignificantly, except for electricity balancing services, which have decreased by approximately 40% due to the elimination of the Issuer's obligation to purchase electricity to offset interstate electricity balances. see *"DESCRIPTION OF THE ACTIVITIES OF THE ISSUER"*.

According to the Issuer's estimates, the adjustment of tariffs for its services will not practically affect the final cost of electricity for consumers. This is due to the fact that the share of the price for energy transmission in the total cost of production is insignificant. In addition, the new market model will allow the UES of Kazakhstan to: settle imbalances (physical and financial), stimulate the subjects of the balancing electricity market to participate in the settlement of imbalances and ensure targeted distribution of payments for imbalances.

Article 193-1 of the Civil Code provides, among other things, for the possibility of classifying the NEG as strategic assets. By the decision of the Government of the Republic of Kazakhstan No. 651 dated 30 June 2008, the NEG and the Issuer's shares were classified as strategic assets.

In preparing the Offering, the Issuer obtained the Government resolution authorising the Offering and approving the number of shares to be placed under the Offering.

International treaties

The UES of Kazakhstan operates in parallel with the power systems of the Russian Federation and the UES of Central Asia. The conditions of parallel operation with the above systems are regulated by international treaties, including the following:

- Treaty on ensuring parallel operation of electric power systems of the CIS states of 25 November 1998;
- Agreement between the Government of the Republic of Kazakhstan, the Government of the Kyrgyz Republic, the Government of the Republic of Tajikistan and the Government of the Republic of Uzbekistan on parallel operation of the energy systems of the Central Asian states of 17 June 1999;
- Agreement between the Governments of the Republic of Kazakhstan and the Russian Federation on measures to ensure parallel operation of the unified electric power systems of the Republic of Kazakhstan and the Russian Federation dated 20 November 2009.

Litigation and arbitration proceedings

From time to time, the Issuer may become a party to legal proceedings, including a defendant, in actions brought against the Issuer in the ordinary course of its business.

Claim to declare a NMRC order unlawful

As at the date of this Prospectus, the Issuer is contesting in court the Order of the NMRC and Protection of Competition of the MNE No. 67-OD dated 22 April 2022 approving temporary compensatory tariffs ("**TCT**") for regulated services of KEGOC due to non-fulfilment of cost items in the tariff estimates as a result of savings on purchased electricity for technological electricity consumption at the end of 2017 and 2018. The Issuer's profit may significantly decrease if the TCT is applied. The total amount accepted for approval of the TCT was about 11 billion 163 million Tenge, and taking into account the NBK base rate (13.5%) of the order of 12 billion Tenge 670 million Tenge, which is 47.3% of the Issuer's net profit for 2022 (26 billion 747 million Tenge).

Previously, this order of NMRC in the courts of first and appellate instance was found to be lawful, but by the decision of the cassation instance of 13 June 2023 No. 6001-23-00-6ap/128 the decision of the judicial board for administrative cases of the court of Astana of 9 November 2022 on this case was cancelled and sent for a new consideration to the court of appeal instance in a different composition. The reason for cancelling the decision of the court of appellate instance and referring this case for a new consideration in the same court was the absence of instructions in the order of the Accounts Committee (the appealed order of the NMRC was adopted in fulfilment of the order of the Accounts Committee) on which services of the Issuer it was necessary to introduce TCT. The court also doubted the legal validity of the order of the Accounts Committee in the absence of appropriate legal assessments of the legality of the requirements reflected in the order.

This dispute is still in a state of judicial resolution with no clear predictions of its outcome. If the dispute is resolved in favour of the Issuer, the NMRC order approving the TCT will be cancelled with the Issuer retaining approximately 12 billion 670 million Tenge. If the court recognises the NMRC order as valid, the TCTs will become mandatory, which may have the effect of reducing the Issuer's net income in the current or next year, depending on when the final court decision is made and becomes effective. A partial recognition of the NMRC order by a court may also have the effect of reducing the Issuer's net income, but only to the extent that it is found to be valid.

Claim against Cloud Solutions LLP

By the decision of the Specialized Interdistrict Economic Court of Astana city dated 12 October 2022 satisfied the claim of the Issuer to Cloud Solutions LLP about recovery of 54,703,123 Tenge – penalty for termination of the contract dated 18 January 2022 "On rendering services on Lease of virtual dedicated server" due to non-fulfillment of contractual obligations. By the ruling of the Judicial Collegium for Civil Cases of the Astana City Court dated 8 February, 2023, the above decision was upheld.

Currently, in accordance with the concluded agreement, Cloud Solutions LLP is repaying the debt on a monthly basis. As at the date of the Prospectus, Cloud Solutions LLP has repaid 14,086,060 Tenge of the total claim amount.

Claim against Kazakhmys Corporation LLP

On 27 July 2023, the Issuer filed a claim against Kazakhmys Corporation LLP for recovery of debt in the amount of 411,882,749 Tenge arising as a result of non-payment of the guarantee obligation on bonds of Subsidiary Special Financial Company (DSFK) LLP and statutory penalty for the use of other people's money provided for by paragraph 1 of Article 353 of the Civil Code of the Republic of Kazakhstan in the amount of 33,077,570.08 Tenge.

In accordance with the Securities Purchase Agreement dated 28 December 2017 No. 12/01-10-D-1301 entered into between the Issuer and Subsidiary Special Finance Company (DSFK) LLP ("**DSFK**"), the Issuer purchased bonds in the amount of 1,498,249,243 units with a nominal value of 1 Tenge (for the total amount of debt of Bank RBK JSC to the Issuer) for a term of 15 years and a yield of 0.01% per annum. According to the guarantee submitted by Kazakhmys Corporation LLP (as guarantor) dated 21 December 2017, claims of the Issuer (as beneficiary) under the guarantee may be made by the Issuer (as guarantor) against the guarantor only on condition that after 5 years from the date of placement of the bonds on the primary market, the bondholders will receive from DSFK as money for the repurchase of the bonds made by DSFK by that time a total amount of less than 122,000,000,000 Tenge. The maximum liability of Kazakhmys Corporation LLC under the guarantee does not exceed 411,882,749 Tenge. As at 12 July 2023 (inclusive) DSFK has repurchased bonds for a total amount of 40,650,000,000 Tenge, which does not exceed 122,000,000,000 Tenge. Under the terms of the guarantee, in the cases stipulated in the guarantee, the guarantor undertakes to make a payment under the guarantee in favour of the beneficiary within 20 business days from the date of receipt of the relevant request.

Other claims against the Issuer's debtors

As at the date of the Prospectus, the Issuer has filed claims against Kazenergocentre LLP for penalties for late payment for system services rendered in the amount of 33,794,512.69 Tenge and a similar claim against Astanaenergosbyt LLP – in the amount of 30,477,151.4 Tenge.

Claim of OzenMunayGas JSC against the Issuer

In the current year, the court proceedings on the claim of OzenMunaiGas JSC against the Issuer for recovery of 86,563,022.72 Tenge – losses associated with power outage due to triggering of special automatic load disconnection (SALD) were completed. By the decision of the Specialised Interdistrict Economic Court of Mangistau Region dated 7 December 2022, this claim was denied on the following grounds: (i) lack of causal link between the activation of SALD and losses; (ii) failure of OzenMunaiGas JSC, which is a consumer of the 2nd category, to provide production with backup power sources in accordance with regulations in the field of electric power. The decision of the Appellate Judicial Collegium for Civil Cases of the Mangistau Regional Court dated 14 February 2023 upheld the above decision.

Administrative fines

By Resolution No. 69 of 18 November 2022 of the Territorial Department of the Committee for Atomic and Energy Supervision and Control of the MoE (the "**CAESC Department**"), the Issuer, represented by its Akmolinskiye IEG Branch, was held administratively liable under Article 301-2(2) of the Code of Administrative Offences of the Republic of Kazakhstan, which provides for liability for concealment by energy producing, energy transmitting organisations of information on technological failures.

On 30 September 2022 at 4 58 min. in the power grids of the Issuer's branches "Akmolinskiye IEG" and "Sarbaiskiye IEG" as a result of unfavourable weather conditions there was a disconnection with successful automatic reclosure ("**SAR**") of 220 kV OL L-2196 "Kuibyshevskaya-Timiryazevo". This outage did not lead to deviation from the established modes, unauthorised disconnection or restriction of equipment operability, and no damage occurred on this OL.

In accordance with the Rules of investigation and accounting of technological violations in the operation of the unified electric power system, power plants, district boiler houses, electric and heat networks, approved by Order of the Minister of Energy of the Republic of Kazakhstan No. 121 dated 20 February 2015, outages with SAR are not classified as technological violations, therefore, the Department was not notified of this incident. Nevertheless, the CAESC Department drew up a protocol on administrative offence and issued a resolution on bringing the Issuer to administrative responsibility.

The ruling of the Department of CAESC was appealed to the Specialised Inter-District Court of Astana on Administrative Offences, which, by its ruling dated 11 January 2023, overturned the ruling of the Department of CAESC. In turn, the ruling of the court of first instance was overturned on appeal by a ruling of the Astana City Court dated 26 April 2023 and, accordingly, the ruling of the Department of CAESC was upheld, thereby subjecting the Issuer to administrative liability and an administrative fine in the amount of 3,063,000 Tenge (1,000 MEI).

As at the date of the Prospectus, the Issuer has filed a complaint with the Supreme Court of the Republic of Kazakhstan for cassation review of the ruling of the CAESC Department and the ruling of the Astana City Court.

DESCRIPTION OF THE ISSUER'S BUSINESS

History of the Issuer

The Issuer was formed in accordance with the Resolution of the Government of the Republic of Kazakhstan No. 1188 dated 28 September 1996 by transferring part of the assets of the former National Energy System "Kazakhstanenergo".

The Issuer is a national company providing electricity transmission, technical dispatching and electricity generation-consumption balancing services in Kazakhstan.

The Issuer's mission is "to ensure the reliability, availability and advanced development of Kazakhstan's energy system".

Industry overview

The industry in which the Issuer operates is the electricity sector. The electricity sector in the Republic of Kazakhstan includes the following sectors:

- electricity generation;
- electricity transmission;
- electricity supply;
- electricity consumption;
- other activities in the electricity sector.

Electricity generation sector

Electricity in Kazakhstan is produced by 207 power plants of various forms of ownership. The total installed capacity of power plants in Kazakhstan as of 31 December 2022, is 24,523.7 MW; the available capacity is 19,006.4 MW (the available capacity of RES (PVPP, WPP, small HPPs) is indicated in accordance with the methodology for the forecast balance of power capacity of the available capacity: 30% for run-of-river hydro power plants; 20% for wind power plants; 0% for solar (PV) power plants).

Electricity transmission sector

The power grids of the Republic of Kazakhstan are a combination of substations, switchgears and connecting power lines of 0.4-1150 kV, designed for transmission and (or) distribution of electricity. The national power grid (NPG) is a backbone network of the unified power system (UPS) of the Republic of Kazakhstan, which interconnects the regions of the Republic of Kazakhstan and the power systems of neighbouring countries (the Russian Federation, the Kyrgyz Republic and the Republic of Uzbekistan), and evacuates electricity generated by power plants and delivers it to wholesale consumers. Substations, switchgears, interregional and (or) interstate power lines and power transmission lines, which carry out the delivery of electric power by electric power plants, with voltage of 220 kV and higher, being a part of NPG, are on the balance sheet of KEGOC.

Regional electricity grids provide electricity connections within regions, as well as electricity transmission to retail consumers, and are on the balance sheet and operated by regional electricity grid companies.

Transmission companies contractually transmit electricity through their own or used (lease, trust management and other types of use) electricity networks to consumers on the wholesale and retail markets or to energy supplying organisations.

Electricity supply sector

The electricity supply sector of the electricity market of the Republic of Kazakhstan consists of energy supplying organisations, which purchase electricity from energy producing organisations or at centralised tenders and subsequently sell it to final retail consumers. Some ESOs perform the functions of "guaranteeing suppliers" of electricity.

The participants of the wholesale electricity market are:

- power producing organisations supplying at least 1 MW of average daily (base) capacity to the wholesale electricity market;
- energy transmission organisations;
- energy supplying organisations that buy electricity on the wholesale market for energy supply purposes in an amount of at least 1 MW of average daily (base) capacity;
- electricity consumers purchasing electricity on the wholesale market in an amount of at least 1 MW of average daily (base) capacity;
- the system operator, the functions of which are performed by KEGOC;
- the operator of centralised trade in electricity and capacity, the functions of which are performed by KOREM JSC;
- Financial Settlement Centre for Support of Renewables LLP.

The National Dispatch Centre of the System Operator (NDC SO), a division of KEGOC, manages the centralised dispatch control of the UPS of the Republic of Kazakhstan. The Republic of Kazakhstan's centralised operational dispatch control is set up as a direct operational subordination of nine regional dispatch centres (RDCs), which are structural divisions of KEGOC branches known as "Inter-system Electric Networks", to the NDC SO.

Electricity consumption sector

Consumers shall conclude electricity purchase and sale contracts at the price, volume and supply conditions at the decentralized electricity market in accordance with the Civil Code.

Electricity consumers may participate in the wholesale electricity market if they meet the following conditions:

1. they have access to the national and (or) regional electric network;
2. they purchase at least 1 MW of daily average (base) capacity at the wholesale electricity market and have the commercial metering systems, telecommunication systems harmonized with the systems installed by KEGOC.

The electricity consumers connected to the national power grid can have access to the national power grid if they have contracts with KEGOC:

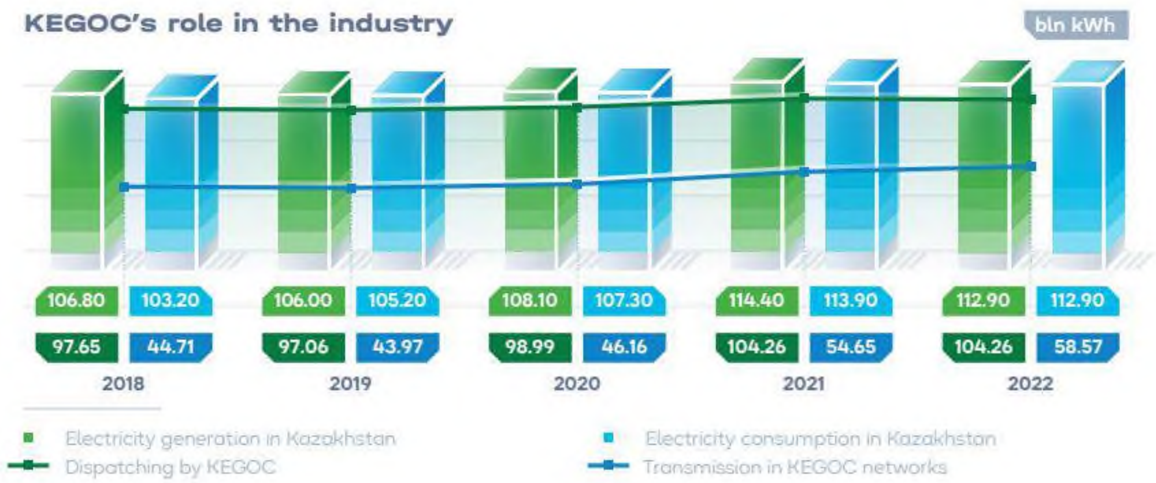
1. for transmission of electricity via national power grid;
2. for technical dispatch of the imported electricity (in case of electricity import);
3. for balancing of generation/consumption of electricity in the Unified Power System of Kazakhstan;

The electricity consumers connected to the electric networks of the REC can have access to the national power grid if they meet the following conditions:

1. they have a contract with the System Operator for transmission of electricity via national power grid;

2. they have a contract with the System Operator for technical dispatch of the imported electricity (in case of electricity import);

3. they have access to the regional electric network.



Principal activities of the Issuer

The Issuer carries out the following types of activities:

1) provision of system services for transmission of electric power through the national electric grid;

2) operational maintenance of the NEG equipment;

3) provision of system services on technical dispatching of electricity supply to the grid and consumption, carrying out centralised operational and dispatch control of operation modes of the unified electric power system of the Republic of Kazakhstan in accordance with the contract, including compilation of actual balances and formation of a daily schedule of production-consumption of electricity;

4) provision of system services to organise balancing of electricity production-consumption;

5) implementation of financial settlement of electricity imbalances in accordance with the procedure established by the legislation of the Republic of Kazakhstan;

6) organising the operation of the real-time balancing electricity market and the market for system and ancillary services;

7) interaction with power systems of neighbouring states on management and stability of parallel operation modes;

8) regulation and reservation of electric capacity;

9) technical and methodological guidance for the creation of a unified information system, automated system of commercial electricity metering, coupled relay protection and emergency control devices of all wholesale electricity market entities;

10) purchase and sale of electric energy to meet its own technological and production needs, on the balancing market of electric energy, as well as in accordance with the legislation of the Republic of Kazakhstan in the field of support for the use of renewable energy sources;

11) centralised operational and dispatch management of the unified electric power system of the Republic of Kazakhstan;

12) repair and maintenance of electric motors, generators and transformers at the facilities of the Issuer's subordinate organisations;

13) repair and maintenance of electrical distribution and regulating equipment at the facilities of the Issuer's subordinate organisations;

14) repair and maintenance of electric lighting equipment at the facilities of the Issuer's subordinate organisations;

15) repair and maintenance of other electrical equipment not included in other categories at the facilities of the Issuer's subordinate organisations;

16) renting and managing its own real estate;

17) other wired telecommunications;

18) activities of agents for trade in goods of wide assortment;

19) wholesale of scrap and waste of ferrous and non-ferrous metals.

As a state-appointed System Operator, the Issuer performs centralised operational and dispatch control, ensuring parallel operation with energy systems of other states, maintaining balance in the energy system, providing system services and purchasing auxiliary services from wholesale electricity market entities, as well as transmission of electricity through the NEG, its maintenance and keeping it in operational readiness.

The NEG consists of substations, switchgears, interregional and (or) interstate power transmission lines and transmission lines carrying out the delivery of electric energy of electric power stations, with a voltage of 220 kV and above. On 19 April 2023, the President of Kazakhstan signed the Law "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Administrative Reform", which provides, among other things, for amendments to the Law on Electric Power Industry in terms of changing the target model of the wholesale electricity market from 1 July 2023 by means of introducing the institution of the Single Purchaser of Electricity (the "**Single Purchaser**") and switching the balancing electricity market from a simulated to real-time mode ("**BRE**").

Single Purchaser *– a legal entity with 100% state participation, determined by the authorised body, which performs centralised purchase and centralised sale of planned volumes of electricity.*

Under this wholesale market model, the Single Purchaser makes a centralised purchase of declared planned volumes of electricity from energy producing organisations (as the "**EPO**"), except for renewable energy sources (the "**RES**") that have bilateral contracts, within the limits of their marginal tariffs, sells electricity at an average price for all consumers and, in case of a shortage of electricity in the UES, imports it on a planned basis. Centralised purchase of electricity from wholesale market entities is carried out by the Single Purchaser in the order of priority defined in the Electricity Law.

In view of the fact that the Single Purchaser model excludes the "targeting" of electricity distribution (from station to consumer), the System Operator introduces a new service – for the use of the NEGs, which ensures the maintenance and operational readiness of the NEGs, provided to all market participants, except for the conditional consumer, on the basis of a concluded contract.

Conditional consumer *– a wholesale consumer purchasing electricity from EPOs belonging to the same group of entities, industrial complex and qualified consumer defined in accordance with the Law of the Republic of Kazakhstan "On Supporting the Use of RES".*

In case of imbalances by means of deviation of wholesale electricity market participants from the declared planned volume of electricity production and consumption, the wholesale market participant switches to the BRE. KEGOC ceases to provide capacity regulation services to market participants with the introduction of the BRE.

BRE provides for the financial responsibility of participants by targeting the distribution of payments for imbalances at BRE prices, which should lead to a reduction in electricity consumption by consumers during peak hours, as well as incentivise EPO through increased payments for additional electricity generation. All BRE subjects independently or through a market provider conclude contracts with the BRE Settlement Centre for financial settlement of imbalances.

BRE Settlement Centre *– an entity determined by the authorised body that performs centralised purchase and sale of balancing electricity and negative imbalances at BRE.*

On 6 June 2023, by order of the MoE, KOREM JSC was determined as the settlement centre of the BRE, which performs centralised purchase and sale of balancing electricity and negative imbalances in the balancing electricity market.

Physical regulation of the volumes of production and consumption, import and export of electric energy both in the wholesale electricity market and in the BRE is performed by the Issuer by means of formation and approval of the daily schedule of production-consumption of electric energy in the balancing market system.

This innovation is aimed at solving the problem of the forecasted shortage of electricity for the next three to five years and creating equal conditions for competitiveness of all participants included in the list of subjects of the wholesale electricity market formed by the Issuer in accordance with the by-laws.

The Issuer's principal market of operations is Kazakhstan.

The map below shows the geography of the Issuer's operations, as of 31 December 2022.

Information on the geographical location of consumers, based on the country of registration of the consumer, is as follows:

	For the six-month period ended		**For the year ended 31 December**		
In thousands of Tenge	**30 June 2023**	**30 June 2022**	**2022**	**2021**	**2020**
Revenue from Kazakhstani customers	99,707,153	90,442,593	189,094,392	168,375,485	161,543,035
Revenues from Russian customers	13,994,896	11,972,172	27,488,474	17,155,351	16,579,111
Revenue from Uzbek customers	222,290	358,482	645,538	878,486	954,342
Revenues from Kyrgyz customers	425,789	4,704	27,144	33,815	21,075
Total revenue	**114,350,128**	**102,777,951**	**217,255, 548**	**186,443,137**	**179,097,563**

For the six-month period ended 30 June 2023, revenue from one customer of the Fund Group, Samruk-Energy Group, including its joint ventures, amounted to 12 billion 299 million 747 thousand Tenge, and includes revenue from electricity transmission and related support, maintenance services of power grid assets.

Electricity transmission

In 2022, the actual volume of energy transmission services in the NEG was 58.57 billion kWh, up 3.9 billion kWh or 7.2% over 2021. The main reasons for the excess are:

- an increase in the volume of electricity transmission for the Republic of Kazakhstan's wholesale market entities of 2.446 billion kWh, or 5 %, compared to 2021; and
- an increase of 2.096 billion kWh, or 53 %, in inter-state electricity transit (Russia – Kazakhstan – Russia).

In 2022, under the contract between the Issuer and ROSSETI PJSC, electricity was transmitted (transited) through KEGOC networks along the Russia-Kazakhstan-Russia route. The volume of services rendered for this transit totaled 6,053.5 million kWh.

Technical dispatching

The actual volume of services rendered for technical dispatching of electricity supply to the grid and consumption in 2022 was 104.26 billion kWh, which is 779 million kWh or 0.7% lower than in 2021 due to a decrease in electricity generation by EPO in the Republic of Kazakhstan.

Organisation of electricity production-consumption balancing

The actual volume of services on organisation of balancing of production-consumption of electric power in 2022 amounted to 203.12 billion kWh, which is 2.03 billion kWh or 1% lower than in 2021 due to a decrease in production-consumption of electric power in the wholesale market of the Republic of Kazakhstan.

Transactions on purchase and sale of electric power

In accordance with the Law on Electric Power Industry, the Issuer fulfils the function of the System Operator of the UES to interact with power systems of neighbouring states to manage and ensure stability of parallel operation modes.

Electricity consumption in the UES of the Republic of Kazakhstan during the day has a pronounced unevenness: at night consumption drops, increases by the beginning of the working day and reaches peak (maximum) values in the evening hours. At the same time, the UES of the Republic of Kazakhstan, where the main share of generating capacities is accounted for by thermal power plants, which by their technology operate in the basic mode (cannot quickly change their load), cannot fully cover the variable consumption schedule with its own power plants. As a consequence, the UES of the Republic of Kazakhstan has an imbalance between electricity production and consumption. The situation of shortage of maneuverable generating capacities in the UES of the Republic of Kazakhstan is also aggravated by emergency shutdowns of equipment of operating power plants and high rates of commissioning of RES facilities, which are characterised by generation instability. In this regard, frequency maintenance and coverage of emerging imbalances in the UES of the Republic of Kazakhstan is ensured, among other things, through interaction within the framework of parallel operation with the UES of the Russian Federation.

In accordance with the Agreement between the Governments of the Republic of Kazakhstan and the Russian Federation on measures to ensure parallel operation of the energy systems of the parties dated 20 November 2009, the Issuer and Inter RAO PJSC enter into power purchase agreements on an annual basis to compensate for hourly deviations of the actual interstate balance of power flow from the planned one at the border of the UES of the Republic of Kazakhstan and the UES of the Russian Federation. In accordance with this Agreement, the financial result of the purchase and sale of deviations is a fair payment for the physical settlement of deviations of the UES of the Republic of Kazakhstan by the energy system of the Russian Federation.

In 2022, the Issuer's purchase of electricity to compensate for hourly deviations of the actual interstate balance of electricity flows from the planned one at the border of the UES of the Republic of Kazakhstan and the UES of the Russian Federation totaled 1,416.2 million kWh for an amount of 28,394.5 million Tenge (20.05 Tenge/kWh). The Issuer sold electricity to compensate hourly volumes of deviations of actual interstate balance of electricity flows from the planned one at the border of the UES of the Republic of Kazakhstan and the UES of the Russian Federation in the amount of 1,416.2 million kWh for the amount of 10,457.9 million Tenge (7.38 Tenge /kWh).

Development of the Issuer's activities

On 1 April 2023, the Issuer's Board of Directors approved the KEGOC Development Plan (Strategy) for 2023-2032 (the "**Development Plan**"). The Development Plan is public and available on the KEGOC website by the following link: https://www.kegoc.kz/en/about/strategiya-razvitiya/.

According to the Development Plan, the strategic directions of KEGOC are to provide high-quality system services and increase the value of net assets, in connection with which the following goals and objectives were approved:

Goals	Ensure reliable operation of the Kazakhstan UPS in an energy transition environment	Ensure sustainable development based on ESG principles.	Increase in the net asset value.
Objectives	1. Deliver functions of the System Operator of Kazakhstan UPS. 2. Secure outstripping development of NPG of Kazakhstan, and effective integration of 19 % renewable energy sources target 3. Implement modern innovative and digital technologies, Smart Grid	1. Reduce carbon footprint 2. Develop human capital 3. Enhance the corporate governance 4. Enhance occupational safety system	1. Strengthen financial stability 2. Develop international cooperation
KPI	GA AIT	Percentage of “green” energy in technical losses, % LTIFR ESG rating	TSR EBITDA margin

Issuer Group

As at the date of this document, the Issuer owns the following subsidiaries which are part of the Group:

Subsidiary organisation	***Activity***	***Share of ownership***
Energoinform JSC	Information support of KEGOC's activities	100 %
Batys Transit JSC	Implementation of the project "Construction of the interregional power transmission line North Kazakhstan – Aktobe region"	20 %

Energoinform JSC is a 100% subsidiary organisation of the Issuer, established through transformation of Energoinform institution. Date of state registration of Energoinform JSC – 29 November 2010.

Energoinform JSC ensures reliable operation and efficient development of information and telecommunication complexes of the NEG participants.

The subsidiary has significant experience in the implementation of the NEG construction and modernisation projects, including those involving international companies and financial institutions.

The main activities are:

- provision of services on operational maintenance of power grid equipment (transmission lines and substations);
- providing services in the field of information technologies, system integration, automated and information management systems, including consulting services;
- design, surveying and construction and installation works in the information and telecommunication field, electricity metering and dispatch technological control systems, video surveillance, security and fire alarm systems;
- provision of other communication services.

Batys Transit JSC is one of the first examples of public-private partnership in the implementation of projects of national importance, implemented on the basis of a concession agreement and financed through the placement of infrastructure bonds.

Batys Transit JSC was established in November 2005 in accordance with the Resolution of the Government of the Republic of Kazakhstan No. 1008 dated 7 October 2005 for the purpose of implementation of the project "Construction of Interregional Power Transmission Line North Kazakhstan – Aktobe Region" (the "**Project**").

Batys Transit JSC implements the Project on the basis of a concession agreement concluded on 28 December 2005 with the Government of the Republic of Kazakhstan represented by the MoE and the Ministry of Mineral Resources of the Republic of Kazakhstan and approved by Resolution of the Government of the Republic of Kazakhstan No. 1217 dated 9 December 2005.

The construction project of the interregional power transmission line "North Kazakhstan – Aktobe region" was successfully implemented in record time. On 14 December 2008, switching on was performed at SS-500 "Ulke", and on 22 February 2009, the overhead line with a length of about 500 km was put into operation.

In accordance with the Charter, the main activities of Batys Transit JSC are:

- provision of electric power transmission and distribution services;
- operation of electrical networks and substations;
- construction and installation works;
- other activities not prohibited by the current legislation.

Main assets

The Issuer's main asset is the NEG, which for the first half of 2023, as at end of 2022 consists of 387 overhead transmission lines (OHTL) in 0.4-1150 kV dimensions with a total length of 26,977.215 kilometers (on circuits) and 82 electrical substations (ES) of 35-1150 kV with an installed transformer capacity of 39,055.9 MVA. They serve to ensure cross-border electricity flows, supply electricity from power plants and provide a link between regional power companies and large consumers.

During 2022, the Group carried out a technical inventory of NPG assets to determine the technical condition of fixed assets. Based on the results of the inventory, the remaining useful lives of property, plant and equipment were revised. The overall effect of changes in useful lives amounted to 3,732,520 thousand Tenge (decrease in wear costs), which was recognized in profit or loss in the statement of comprehensive income for the year ended 31 December 2022. The useful lives and residual values of property, plant and equipment are reviewed at the end of each annual reporting period and adjusted if necessary.

As of 1 January 2023, the wear of the electricity grid is 63.3%. Calculation was carried out in accordance with the Methodological Recommendations for assessing the wear of the main power grid equipment of energy transmission organizations approved by the Order of the Minister of Energy of the Republic of Kazakhstan No. 311 dated 16.09.2020.

Investments of the Issuer

Rapid development of the electricity sector, including the power grid infrastructure, is required to ensure steady growth of the nation's economy.

The Issuer, in order to improve efficiency, increase the reliability of the NEG operation and grid capacity, actively continues the implementation of large-scale investment projects. These projects are implemented taking into account the creation of conditions for the development of renewable energy (SPPs and WPPs, which are notorious for their intermitted generation), appropriate power grid construction to ensure power supply of major RES facilities.

As at the date of this Prospectus, the Issuer's investment portfolio includes projects across all lines of business aimed at refurbishing, strengthening and increasing the resource base and improving efficiency across the entire value chain. The main projects in which the Issuer invests according to the report on the execution of the investment programme for 2021-2026 approved by the joint order of the MoE dated 7 April 2021 No. 122 and the NMRC dated 11 March 2021 No. 21-OD:

*Reconstruction of 220-500 kV overhead transmission lines ("**OHTL**") of KEGOC branches*

The project includes 3 Phases:

1. Reconstruction of 220-500 kV OHTL of Aktyubinskiye IEG, Zapadnye IEG and Sarbaiskiye IEG (Phase 1);

Project implementation period: 2018-2023.

Project cost: 48.132 billion Tenge including VAT.

Estimated project financing: borrowed funds – 33.376 billion Tenge and own funds – 14.756 billion Tenge.

Place of implementation: West Kazakhstan, Aktobe and Kostanay regions of the Republic of Kazakhstan.

Project description: The rehabilitation objects: 24 OHTLs of 220-500 kV, located in Aktyubinskiye IEG (6 lines of 220 kV), Zapadnye IEG (1 line of 220-500 kV) and Sarbaiskiye IEG (17 lines of 220 kV). The length of the rehabilitated 220-500 kV overhead lines is 2,023 km. Current status: The project FS has been developed and received a positive opinion from RSE "Gosexpertiza" (No. 04-0076/18 dated 21 May 2018).

The Issuer's Management Board approved the key parameters of the project (Minutes No. 24 dated 10 October 2018). The Board of Directors of KEGOC approved technical parameters and performance indicators of the project "Rehabilitation of 220-500 kV OHTLs in Aktyubinskiye IEG, Sarbaiskiye IEG, and Zapadnye IEG branches", and approved the transition of the project to the "Determination" and "Implementation" stages (Minutes No. 2 dated 28.02.2019).

In 2019, contracts were awarded for complex works, including turnkey construction:

1) "Reconstruction of 220 kV overhead power lines of KEGOC's branch Sarbaiskiye IEG and Zapadnye IEG" No. 01-25-D-620 dated 19 August 2019 with Promstroi-Energo LLP;

2) "Reconstruction of 500 kV overhead line of KEGOC's branch Sarbaiskiye IEG" No. 01-25-D-617 dated 19 August 2019 with ASPMK-519 LLP;

3) "Reconstruction of 220 kV overhead power lines of KEGOC branches Aktyubinskiye IEG and Zapadnye IEG" No. 01-25-D-618 dated 19 August 2019 with KarElektroSpetsStroy LLP.

In 2020, design and estimate documentation was developed for all 24 overhead line reconstruction projects and positive expert opinions were obtained.

Of the 24 overhead lines selected for reconstruction, construction and installation works have been completed on 18 overhead lines (of which 16 overhead lines have been commissioned and 2 overhead lines are being commissioned) and reconstruction works are still in progress on the remaining 6 overhead lines. Since the beginning of the project implementation, 1,954.5 km of 2023 km of overhead power lines have been reconstructed, which is 96.6% of the total length of overhead power lines being reconstructed, including 187.4 km reconstructed in 2023.

2. Reconstruction of 220-500 kV OHTL of Akmolinskiye IEG, Vostochnye IEG, Severnye IEG and Tsentralnye IEG (Phase 2)

Project goal: Improve the reliability of the NPG of Kazakhstan through the rehabilitation of the existing power lines that have surpassed the standard service life limit including the lines that will do so in the coming years.

Project implementation period: 2019-2028.

Project cost: 94.64 billion Tenge inclusive of VAT.

Estimated project financing: borrowed funds – 65% and own funds – 35%.

Place of implementation: territory of the Republic of Kazakhstan.

Project description: Need for rehabilitation of the UPS due to:

- some 220-500 kV overhead lines that have reached or exceeded the standard service life limit.
- reliability of power supply to consumers, the transmission of electricity, evacuation of power from power plants that will be enhanced as a result of this project.

The targets of rehabilitation are 48 OHTL of 220-500 kV of KEGOC with a total length of over 4236 km on the balance sheets of Akmolinskiye IEG, Vostochnye IEG and Severnye IEG and Tsentralnye IEG. Current status: On 18 July 2019, KEGOC signed a contract with RBM Sweco Productions LLP for the development of a feasibility study for Rehabilitation of 220–500 kV OHTL of Akmolinskiye IEG, Vostochnye IEG, Severnye IEG and Tsentralnye IEG, Phase 2.

A complete examination of 48 overhead lines has been completed. 48 technical OHTL survey reports have been submitted and approved.

The contractor is a feasibility study (FS) report. The following FS report sections have been submitted for verification: "Basic technical and technological solutions. Location of the enterprise. Transport. Engineering systems. Electrical and Architectural and Construction Solutions" for Vostochnye IEG and Severnye IEG and Tsentralnye IEG. The respective comments have been issued. Planned completion date: December 2023.

3. Reconstruction of 220-500 kV OHTL of Almatinskiye IEG, Tsentralnye IEG and Yuzhnye IEG (Phase 3)

Project goal: Improve reliability of the NPG of Kazakhstan through the rehabilitation of the existing power lines to extend the service life by at least 30 years.

Project implementation period: 2021-2031.

Project cost: 96.62 billion Tenge inclusive of VAT.

Project funding: 70% of borrowed funds, 30% of the company funds.

Place of implementation: territory of the Republic of Kazakhstan.

Project description: Need for rehabilitation of the UPS due to:

- some 220-500 kV OHTL that have reached or exceeded the standard service life limit.
- reliability of power supply to consumers, the transmission of electricity, evacuation of power from power plants that will be enhanced as a result of this project.

The project includes the rehabilitation of 44 OHTL of 220-500 kV in Almatinskiye IEG (12 lines of 220 kV), Tsentralnye IEG (13 lines of 220-500 kV), and Yuzhnye IEG branch (19 lines of 220-500 kV).

Current status: KEGOC Management Board approved moving the project to the "Selection" stage for the production of a feasibility study report (minutes No.4 dated 12 February 2021). The Board of Directors of KEGOC approved the preliminary parameters and made a decision to support the above decision of the Management Board (minutes No.3 dated 19 March 2021). A contract was signed with KazSelEenergoProekt Institute LLP No. 540230/2021/1 dated 14 July 2021 for development of a feasibility study report for rehabilitation of 220–500 kV OHTL of Almatinskiye IEG, Tsentralnye IEG, and Yuzhnye IEG.

The contractor is completing the inspection of the OHTL and preparing the reports. The deadline for the completion of the feasibility study is December 2023.

Strengthening of the power grid of the Western Zone of the UES of Kazakhstan. Construction of power grid facilities

Project goal: to increase the capacity and reliability of power supply to consumers of the Western zone of the UES of Kazakhstan by strengthening 220 kV power grids between the western regions of the Kazakhstan.

Project implementation period: 2018-2023.

Project cost: 50.712 billion Tenge including VAT.

Estimated project financing: borrowed funds – 31.780 billion Tenge and own funds – 18.932 billion Tenge.

Place of implementation: West Kazakhstan and Atyrau regions of Kazakhstan.

Project description: The project involves construction of power grid facilities of the second circuit of the existing 220 kV Uralskaya – Pravoberezhnaya – Inder – Karabatan – Kulsary – Tengiz transit with connection to the existing 220 kV substations and to the new substation "Karabatan" and includes the following facilities:

1) reconstruction of the 220 kV Uralskaya SS;

2) expansion of 220 kV switchgear of 220 kV Pravoberezhnaya SS;

3) expansion of 220 kV switchgear with installation of 2 220 kV USHR 220 kV Inder SS;

4) expansion of the 220 kV Kulsary SS;

5) expansion of the 220 kV Tengiz SS;

6) construction of 220 kV Karabatan SS;

7) construction of 220 kV overhead line 220 kV Uralskaya – 220 kV Pravoberezhnaya SS;

8) construction of 220 kV overhead line 220 kV Pravoberezhnaya substation – 220 kV Inder SS;

9) construction of 220 kV overhead line 220 kV PS 220 kV Inder – 220 kV Karabatan SS;

10) construction of 220 kV overhead transmission line 220 kV Karabatan – 220 kV Kulsary SS;

11) construction of 220 kV overhead line 220 kV Kulsary – 220 kV Tengiz SS.

Current status: The FS of the project was developed in 2019 and received a positive opinion from RSE Gosexpertiza (No. 01-0006/19 dated 4 January 2019). The decision of the Issuer's Board of Directors approved the project indicators of the FS (Minutes No. 2 dated 28 February 2019).

In 2019, 11 contracts for design and survey works on overhead transmission lines and substations were concluded with the following design institutes: Eshimkulov N.T.; MangistauEnergoMontazhNaladka LLP; SIT-Stroy LLP.

In 2021, for all 11 objects, including 6 substation objects (substation 220 kV Uralskaya, Pravoberezhnaya, Inder, Karabatan, Tengiz, Kulsary) and 5 line objects (220 kV overhead lines Uralskaya – Pravoberezhnaya, Pravoberezhnaya – Inder, Karabatan – Kulsary, Inder – Karabatan, Kulsary – Tengiz) were procured for construction and installation works by open tender in accordance with the Procurement Management Standard of the Joint Stock Company Sovereign Wealth Fund Samruk-Kazyna and organisations, fifty or more per cent of voting shares (participatory interest) of which are directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management, approved by the Decision of the Management Board of Samruk-Kazyna JSC (Minutes No. 31/19 dated 9 September 2019) and the following contracts were concluded:

1. Reconstruction of 220 kV Uralskaya substation, ASPMK LLP (PI No. 541278-487189 dated 11 March 2021), contract No. 541278/2021/1/01-25-D-206 dated 25 March 2021;

2. Expansion of 220 kV switchgear-220 kV substation Pravoberezhnaya, Karelektrospetsstroy LLP (PI No. 541280-487196 of 11.03.2021), contract No. 541280/2021/1/01-25-D203 of 19.03.2021;

3. Expansion of 220 kV switchgear-220 kV with installation of 2 USHR-220 kV substation 220 kV Inder, ASPMK LLP (PI No. 5414443-487619 dated 11 March 2021), contract No. 541443/2021/1/01- 25-D-216 dated 29 March 2021;

4. Expansion of 220 kV Kulsary substation, Karelektrospetsstroy LLP (PI No. 541326- 487353 dated 11 March 2021), contract No. 541326/2021/1/01-25-D-207 dated 25 March 2021;

5. Expansion of 220 kV Tengiz substation, ASPMK-519 LLP (PI No. 541444-487176 dated 11 March 2021), contract No. 541444/2021/1/01-25-D-205 dated 25 March 2021;

6. Construction of 220 kV Karabatan substation, EIS Corporation LLP (PI No. 572741- 538677 dated 21 May 2021), contract No. 572741/2021/1/01-25-D-440 dated 11 June 2021;

7. Construction of single-circuit overhead line 220 kV PS 220 kV Uralskaya – SS 220 kV Pravoberezhnaya in West Kazakhstan region, ASPMK-519 LLP (PI No. 541310- 487170 from 11 March 2021), contract 541310/2021/1/01-25-D-204 from 25 March 2021;

8. Construction of single-circuit overhead line 220 kV PS 220 kV Pravoberezhnaya – SS 220 kV Inder in West Kazakhstan and Atyrau regions, Karelektrospetsstroy LLP (PI No. 541282-488426 from 12 March 2021), contract No. 541282/2021/1/01-25-D211 from 26 March 2021;

9. Construction of single-circuit overhead line 220 kV PS 220 kV Inder – RP 220 kV Karabatan in Atyrau region, ASPMK-519 LLP, (PI No. 548874-499507 dated 30 March 2021), contract No. 548874/2021/1/01-25-D-279 dated 8 April 2021;

10. Construction of single-circuit overhead line 220 kV RP 220 kV Karabatan – SS 220 kV Kulsary, Karelektrospetsstroy LLP (PI No. 548898-495461 from 25 March 2021), contract No. 548898/2021/1/01-25-D-230 from 01 April 2021;

11. Construction of 220 kV single-circuit overhead line 220 kV Kulsary – 220 kV Tengiz substation, Promstroy-Energo LLP (PI No. 553462-501363 dated 2 April 2021), contract No. 553462/2021/1/01-25-D-284 dated 9 April 2021.

Also in 2021, for all 11 facilities (6 substations and 5 overhead lines), the design and construction plans were developed, positive conclusions of the design and construction expertise were obtained, and construction and installation works started.

Construction and installation works are carried out on all five sections of 220 kV overhead lines Uralskaya – Pravoberezhnaya – Inder – Karabatan – Kulsary – Tengiz and on 220 kV substations Uralskaya, Pravoberezhnaya, Kulsary, Inder, Tengiz, and at the Karabatan substation. Out of 4,182 supports, 3,631 supports have been installed, which is 86.8% of the total number of supports, including 733 supports installed in 2023. Out of 779.7 km, 571 km of wires have been installed, which is 73.2% of the total length of overhead power lines, including 276 km installed in 2023.

Strengthening of the external power supply scheme in Turkestan. Construction of power grid facilities

Project objective: to improve the reliability of power supply to the Turkestan energy hub.

Project implementation period: 2019-2022.

Project cost: 7.63 billion Tenge including VAT.

The project was financed by own funds.

Place of implementation: Turkestan region.

Project description: The project planned to construct a new 220 kV substation near Turkestan, which will be connected to the existing 220 kV network. The new 220 kV substation will provide an additional power supply centre for Turkestan energy hub. This will create conditions for the development of the local electricity distribution network and ensure the necessary transmission capacity of the network.

The project is necessary due to the projected significant growth of electricity consumption in the Turkestan energy hub.

Current status: The FS of the project has been developed and received a positive opinion from RSE "Gosexpertiza" (No. 01-0489/19 dated 28 November 2019).

In 2020, contract No. 442101/2020/1 dated 14 July 2020 was concluded with ASPMK-519 LLP on a turnkey basis, including development of design and estimate documentation, supply of certain types of equipment and performance of construction and installation works. Contracts for supply of 220/110/10 kV autotransformers, 110-220 kV gas-insulated circuit breakers, 110-220 kV disconnectors, 110-220 kV voltage transformers, 110-220 kV current transformers, 110 kV-220 kV surge arresters and 110-220 kV busbar supports were also concluded.

In 2021, the development of design and construction plans for the reconstruction of 220 kV overhead lines L-2439 "GNPS-Kentau", 220 kV overhead line L-2309 "GNPS-Shymkent" and construction of 220 kV substation "Ortalyk" was completed, positive conclusions of the complex non-departmental expertise of projects and permits for construction and installation works were obtained. (No. CEQZ-0223/21 dated 13 August 2021, No. RT-0023/21 dated 1 September 2021 and No. 01-0708/21 dated 29 December 2021).

In 2022, construction, installation and commissioning works were completed in full. A new 220 kV Ortalyk substation was built near Turkestan city. The facility was put into operation. The act of commissioning acceptance was approved by the Order of the Chairman of the Management Board No. 227 dated 28 October 2022.

Strengthening of the power grid of the South Zone (Phase 1). Construction of power grid facilities

The project envisages strengthening of the power system of the Southern Zone of the UES of Kazakhstan to ensure reliable power supply to consumers in the Southern Zone and to strengthen the electrical connection between the regions of the Southern Zone.

Based on the results of the feasibility study, an option was approved that provides for the construction of two 500 kV overhead lines "Shu – Zhambyl", "Zhambyl – Shymkent", as well as strengthening of 220 kV networks of the Almaty energy hub.

Project implementation period: 2022-2027.

Project cost: 154,091 billion tenge including VAT.

Estimated financing: borrowed funds – 105.254 billion tenge and own funds – 48.837 billion tenge, which will be formed from the income from the sales of KEGOC's services and Offering.

Place of implementation: Zhambyl and Turkestan regions of Kazakhstan.

In accordance with the contracts concluded between KEGOC and ABM-Building 2007 LLP (general contractor) in September 2023, the general contractor is obliged to perform works on the construction of turnkey power grid facilities "turnkey" overhead line 500 kV substation 500 kV Zhambyl - 500 kV Shymkent in the amount of up to 53,474,099,505.59 Tenge including VAT and overhead line 500 kV 500 kV substation 500 kV Shu – 500 kV Zhambyl in the amount of up to 52,069,773,118.85 Tenge including VAT by the end of 2027.

Based on the results of purchases by means of an open tender dated 5 September 2023, KEGOC will enter into turnkey construction contracts with a consortium comprising EIS Corporation LLP together with Building and Construction LLP, Scientific-Engineering Centre Energetika LLP: (i) on the "Reconstruction of 500 kV switchgear of 500 kV Shymkent substation" for up to 8,858,999,103 Tenge without VAT, (ii) on the "Reconstruction and expansion of 500 kV Zhambyl substation" for up to 15,025,915,758 Tenge without VAT; (iii) on the "Reconstruction and expansion of 500 kV Shu substation" for up to 4,184,665,431 Tenge without VAT.

The table below shows the breakdown of the Issuer's investments for long-term investment projects.

In thousands of Tenge	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Approximate level of project completion**
Reconstruction of 220-500 kV OHTL of KEGOC branches	4,180,596	878,114	9,323,012	14,559,769	29,916,731	30,740,400	N/A, since due to the ongoing nature of the project
Strengthening of the power grid of the Western Zone of the UES of Kazakhstan. Construction of power grid facilities	21,374,501	472,628	-	-	-	-	20.66 %
Strengthening of the power grid of the South Zone (Phase 1). Construction of power grid facilities	362,451	3,919,255	18,260,270	56,246,914	59,375,011	-	0.03 %
Local and pilot projects	856,071	6,237,300	935,283	-	-	-	N/A, since due to the ongoing nature of the project

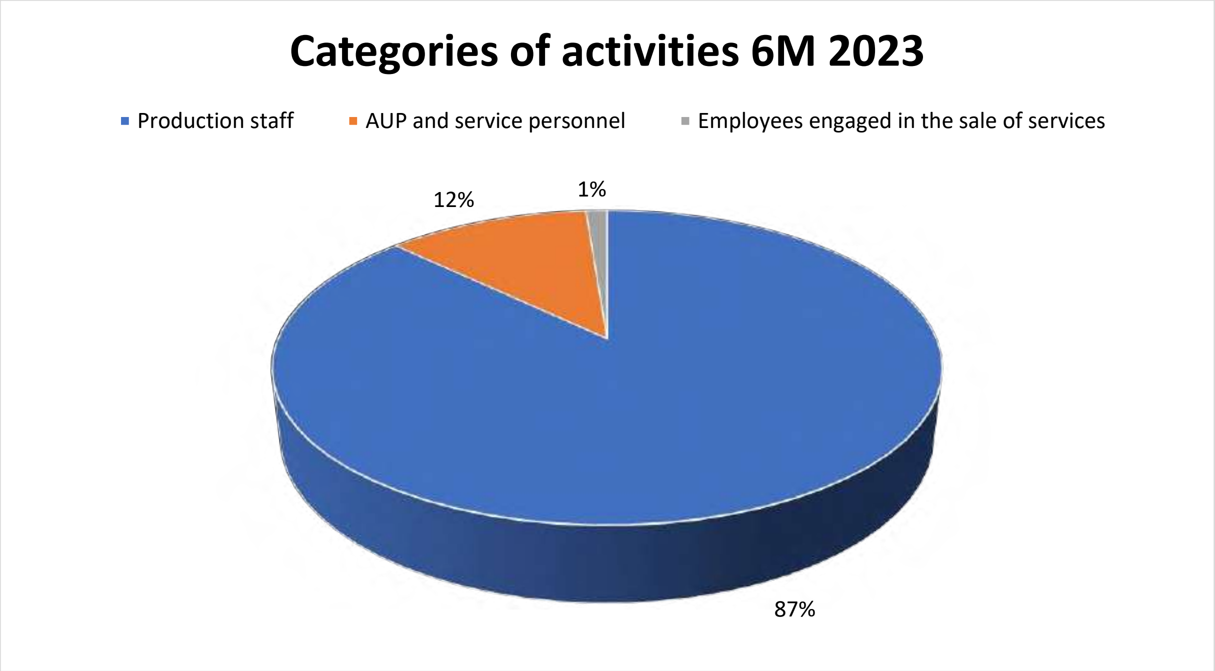
Personnel structure

The following table sets out the average number of employees of the Issuer for the periods ending 31 December 2020, 2021 and 2022 and 6 months of 2023:

Branch	**Average headcount**			
	2020	**2021**	**2022**	**1 half of 2023**
	Total headcount	Total headcount	Total headcount	Total headcount
Akmolinskiye IEG	579	575	568	567
Aktyubinskiye IEG	255	255	252	255
Almatinskiye IEG	476	470	464	470
Vostochnye IEG	292	291	290	288

Zapadnye IEG	224	233	237	242
Sarbaiskiye IEG	421	415	409	411
Severnye IEG	383	374	377	383
Tsentralnye IEG	415	412	408	420
Yuzhnye IEG	434	428	432	438
NDC SO	94	96	98	98
Executive Directorate	378	363	355	366
TOTAL	**3,951**	**3,912**	**3,890**	**3,938**

Below is a breakdown of staff by major activity category:



Search and selection are aimed at appointing the most suitable candidates who meet the requirements in terms of qualifications, professional, business and personal qualities. Candidates are selected based on the results of a competitive selection process in compliance with the principles of meritocracy, transparency and objectivity. Under equal conditions, priority is given to internal candidates in order to implement succession and talent management programmes.

Remuneration of the Issuer's employees is made in accordance with the laws of the Republic of Kazakhstan, the Collective Agreement, labour contracts, internal documents on remuneration and bonuses.

Research and development activities

Introduction of modern innovative and digital technologies, Smart Grid.

In accordance with the global trend, work will continue in the field of technological development of the electric power industry, the basis of which is the introduction of various elements of intelligent control of network objects (measurement, monitoring and control systems), on the basis of which new generation electric grids, the so-called "Smart Grid", can be created.

In 2022, the Issuer started work on modernisation of the supervisory control and data acquisition system (SCADA/EMS) and substation monitoring and control systems (SM&C), on expansion of the synchrophasor-based monitoring system (WAMS) in the NEG of Kazakhstan.

To upgrade the supervisory control and data acquisition system (SCADA/EMS), the Issuer will engage a contractor to implement the project subject to evaluation and justification.

The Issuer's R&D management activities are regulated by the relevant internal documents, which establish unified requirements for the organisation, planning, accounting, execution control and acceptance of R&D performed on behalf of the Issuer. R&D is regarded as a process that covers the entire life cycle from the definition of tasks to the evaluation and accounting of the actual effect from the use of the development results in the practical activities of the Issuer.

Research and development work "Research on the efficiency of automatic excitation control settings for generators at important national power generation facilities to maintain the static and dynamic stability of 500–220 kV intersystem electric networks" and work on "Technical and economic study on selection of FACTS devices for reactive power compensation in the UES of Kazakhstan" was completed.

The Issuer has commenced implementation of the "R&D study of RES impact on transients occurring during close short-circuits".

Material contracts of the Issuer

Construction of power grid facilities

During the six months ended 30 June 2023, the Issuer Group acquired assets which were mainly represented by capital expenditures under the projects "Strengthening of the power grid of the Western Zone of the UES of Kazakhstan. Construction of power grid facilities" and "Reconstruction of 220-500 kV overhead power lines of KEGOC's branches Aktyubinskiye IEG, Sarbaiskie IEG and Zapadnye IEG (Stage 1)".

At the same time, the Group has developed a capital investment plan to improve the reliability of electricity supply to consumers in the Western Zone of the UES of Kazakhstan and to maintain its production assets in operating condition.

The Issuer's five-year (2021-2025) investment programme for a total amount of 274 billion. 760 million 648 thousand Tenge was approved by the joint order of the sectoral state body dated 7 April 2021, No. 122 and the department of the authorised body dated 11 March 2021 No. 21-OD in accordance with the legislation on natural monopolies of the Republic of Kazakhstan and is subject to 100 % execution. However, KEGOC may amend it and adjust the cost and timing of individual activities.

As at 30 June 2023, the amount of contractual capital commitments under contracts entered into by the Group under the investment plan was 36 billion 939 million 196 thousand Tenge (31 December 2022: 57 billion 388 million 081 thousand Tenge).

Reconstruction of Aktyubinskiye and Zapadnye IEG overhead power lines

On 19 August 2019, KEGOC entered into contract No. 01-25-D-618 for long-term procurement of complex works, including turnkey construction on the project "Reconstruction of 220 kV overhead power lines of KEGOC's branches Aktyubinskiye IEG and Zapadnye IEG" with Karelektrospetsstroy LLP. The total amount of the contract was 9,277,463,813.21 Tenge, including VAT.

Under the contract, the contractor undertook the obligation to carry out works on the following facilities:

- reconstruction of 220 kV overhead line L-2012 Kempirsay-Orskaya
- reconstruction of 220 kV overhead lines L-2022 Kempirsay-Akzhar, L-2092 Akzhar-Aktobe
- reconstruction of 220 kV overhead line L-2032 Orskaya-Aktyubinskaya

- reconstruction of 220 kV overhead line L-2502 Uralskaya-Stepnaya
- reconstruction of 220 kV overhead line L-2522 Kinel-Uralskaya
- reconstruction of 220 kV overhead line L-2582 Stepnaya-Yuzhnaya
- reconstruction of 220 kV overhead line L-2540 Pravoberezhnaya-Inder

The duration of the work was 1,200 days from the date of the contract, which expires in mid-2022.

Reconstruction of overhead power lines Sarbaiskiye IEG 220 kV

In order to reconstruct 220-500 kV transmission lines that have already reached their normal service life, and which will reach their normal service life in the coming years, on 19 August 2019, KEGOC entered into contract No. 01-25-D-620 for long-term procurement of complex works, including turnkey construction "Reconstruction of 220 kV overhead power lines of KEGOC's Sarbaiskiye IEG branch" for the amount of 13,487,115,706.40 Tenge with VAT.

The works under the contract were carried out at the following facilities:

- 200 kV overhead line L-2016 Sokol-Sarbaiskaya
- 200 kV overhead line L-2026 Sokol-Sarbaiskaya
- 200 kV overhead line L-2056 Sokol-Kostanayskaya
- 200 kV overhead line L-2066 Kostanayskaya-Centralnaya
- 200 kV overhead line L-2076 TGRES-Priuralskaya
- 200 kV overhead line L-2086 Priuralskaya-Kashary
- 200 kV overhead line L-2096 Sokol-Kashary
- 200 kV overhead line L-2106 Sokol-Lisakovskaya
- 200 kV overhead line L-2116 Sokol-Apanovka (t)
- 200 kV overhead line L-2126 Lisakovskaya-Apanovka (t)
- 200 kV overhead line L-2136 L-2146 L-2156 Apanovka (t)-Kusmuryn (t)
- 200 kV overhead line L-2166 Kusmuryn (t)-Koibagar (t)
- 200 kV overhead line L-2176 Koibagar (t)-Shalgyshy (t)
- 200 kV overhead line L-2186 EGPP (t)-Shalgyshy (t).

The duration of the work was 1,200 days from the date of the contract, which expires in mid-2022.

Reconstruction of overhead power lines Sarbaiskiye IEG 500kV

Also, a contract for long-term procurement of complex works, including turnkey construction "Reconstruction of 500 kV overhead line of KEGOC's branch Sarbaiskiye IEG" between KEGOC and ASPMK-519 LLP No. 01-25-D-617 dated 19 August 2019, for the amount of 22,630,601,178.08 Tenge including VAT was concluded.

The Contractor undertook the obligations according to this contract to perform work on the following facilities:

- reconstruction of 500 kV overhead line L-5086 EGPP-Sokol

– reconstruction of 500 kV overhead line L-5716 TGRES-Sokol

– reconstruction of 500 kV overhead line L-5726 Zhitikara-Sokol.

The duration of the work was 1,200 days from the date of the contract, which expires in mid-2022.

Construction of overhead line Shu-Zhambyl-Shymkent

In accordance with the contract dated 12 September 2023 between KEGOC and ABM-Building 2007 LLP (contractor), the contractor performs turnkey construction works on the project "Strengthening of the power grid of the Southern Zone of the UES of Kazakhstan. Construction of power grid facilities. Construction of 500 kV overhead line of 500 kV substation Zhambyl – 500 kV substation Shymkent" for the amount of 53,474,009,505.59 Tenge with VAT.

The contract provides for advance payments of 50 % of the amount stipulated for each year of the contract to perform the work for the next 12 months. The advance payment is secured by a bank guarantee for the return of the advance payment. The contractor also provides a bank guarantee or a guaranteed cash contribution to secure fulfilment of its obligations under the contract. The contract is valid until the end of 2027.

The Issuer has entered into a contract dated 12 September 2023 with ABM-Building 2007 LLP to perform construction works on the facility of 500 kV overhead line 500 kV substation Shu – 500 kV substation Zhambyl for the amount of 52,069,773,118.85 Tenge with VAT. The works under the contract must be performed by the end of 2027.

The contract provides for advance payments of 50 % of the amount stipulated for each year of the contract for the next 12 months to be secured by a bank guarantee from the contractor. In addition, provision is made for the contractor to deposit a security for the performance of the contract.

Reconstruction of power grid facilities, Shymkent

Based on the results of procurement by open tender method dated 5 September 2023, KEGOC entered into a contract with a consortium consisting of EIS Corporation LLP, Building and Construction LLP and Scientific-Engineering Centre Energetika LLP to perform turnkey construction work on the project "Reconstruction and expansion of the 500 kV switchgear of the Shymkent 500 kV substation" for the amount of 8,858,999,103 tenge excluding VAT.

The contract amount is payable in the form of advance payments and final payment after the work is performed. The terms of the contract include the provision of bank guarantees to ensure the return of the advance payment (prepayment) with the validity period until the full repayment of the advance payment, as well as to ensure the fulfilment of the contract with the validity period until the full performance of the contractor's obligations in the amount of 2 % of the contract amount. Duration of all works under the contract till the end of 2027.

Reconstruction and expansion of power grid facilities, Zhambyl

Based on the results of procurement by open tender dated 5 September 2023, KEGOC entered into contract with a consortium of EIS Corporation LLP, Building and Construction LLP and Scientific-Engineering Centre Energetika LLP to perform turnkey construction work on the project "Reconstruction and expansion of the Zhambyl 500 kV substation".

The contract amount is 15,025,915,758 Tenge without VAT and provides for advance payments, the repayment of which is secured by the contractor in the form of a bank guarantee. The contractor also provides a bank guarantee in the amount of 2 % of the total contract amount to secure the fulfilment of its obligations under the contract. The contract is valid until the end of 2027.

Reconstruction and expansion of power grid facilities, Shu

For the reconstruction and expansion of the 500 kV Shu substation, the Issuer conducted procurement by open tender, following the results of which the Issuer has entered into a contract with a consortium comprising EIS Corporation LLP, Building and Construction LLP and Scientific-Engineering Centre Energetika LLP.

The contract amount is 4,184,665,431 Tenge without VAT and is payable as follows:

- 50 % of the amount stipulated for each year of the contract for the performance of work for the next 12 months shall be transferred to the contractor within 20 days from the date of provision of security for return of the advance payment;
- 50 % of actually performed works shall be transferred after signing by the parties of acts and other documents in accordance with the legislation.

In addition to a bank guarantee to secure the return of the advance payment, the contractor provides a bank guarantee to secure the fulfilment of the contract.

The duration of all works under the contract is 1,600 days from the date of signing the contract.

Purchase of electricity

Inter RAO UES PJSC

In order to fulfil the Agreement between the Governments of the Republic of Kazakhstan and the Russian Federation on measures to ensure parallel operation of the energy systems of the parties dated 20 November 2009, KEGOC decided in December 2021 to carry out procurement through competitive negotiations and to conclude a contract with Inter RAO UES PJSC to purchase electricity to compensate for hourly deviations of the actual interstate balance of electricity flows from the planned one for a total amount of 18,411,890,990 Tenge. The amount of purchased electricity under the contract is 1,050,907,020 kilowatt-hours.

The performance periods under the contract were set from January 2022 to December 2022.

The Issuer conducted similar purchases in December 2020, following which it was decided to enter into a contract with Inter RAO UES PJCS for 2021 for the purchase of electricity to compensate for hourly volumes of deviations of the actual interstate balance of electricity flows from the planned one in the amount of 1,040,502,000 kilowatt - hours for a total amount of 16,887,347,460 Tenge.

The terms of fulfilment of obligations under the contract were set in the period from the signing of the contract and within 365 days.

Astana Energy Holding

In 2022, KEGOC purchased electricity from Astana Energy Holding Company LLP to compensate for technological losses for transmission through power grids and for KEGOC's economic needs.

The tender through competitive negotiations for this procurement was conducted for two lots:

- for electricity in the amount of 5,647,936.840 kilowatt-hours in the amount of 105,051,625.22 Tenge;
- for electricity in the amount of 821,611.541 kilowatt-hours in the amount of 15,281,974.66 Tenge.

The term of electricity supply under the above lots is until December 2022.

GRES-1

KEGOC purchases electricity at tariffs within the limits approved by the state authorities from GRES-1 to compensate for electricity losses during transmission.

For the period 2021-2023, KEGOC entered into an annual contract with GRES-1 to purchase electricity to compensate for the technological costs of transmission through the power grid and for KEGOC's economic needs. In 2021 GRES-1 supplied electricity in the amount of 2,500,000,000 kWh for the amount of 14,840,000,000 Tenge including VAT, in 2022– in the amount of 2,500,000,000 kWh for the amount of 20,944,000,000 Tenge including VAT, in 2023– in the amount of 2,500,000,000 kWh for the amount of 22,036,000,000 Tenge.

The contracts provide for payment by transferring funds to the account of GRES-1 upon delivery of ten-day volume of electricity within 10 banking days after receipt of original documents preceding the payment.

Single Purchaser

Based on the results of single-source procurement dated 27 June 2023, KEGOC purchased electricity from the Single Purchaser to compensate for technological losses for transmission through the power grids and for KEGOC's economic needs in the amount of 872,000,000 kilowatt-hours.

The contract is concluded till December 2023 for the amount of 11,336,000,000 Tenge.

Significant loans

Modernisation of the National Electric Grid of Kazakhstan Phase *II*

In 2008, credit lines were opened for the project "Modernisation of the National Electric Grid of Kazakhstan" Phase II under the loan agreement (transaction number 38647) dated 5 June 2008, between KEGOC and EBRD.

Based on the loan agreement, two credit lines were opened in the amounts of EUR 127 million 500 thousand and EUR 75 million, provided by the EBRD for a period of 15 (fifteen) years, of which the first 4 (four) years were a grace period.

As at 31 March 2023, the loan principal was fully repaid (31 December 2022: EUR 8 million 626 thousand (equivalent in Tenge: 4 billion 251 million 360 thousand Tege). Due to the fact that the loan agreement with EBRD is fully executed in accordance with the repayment schedule, as at 30 June 2023, there is no need to fulfil the terms of the loan agreement in terms of financial covenants.

Power delivery scheme of Moynak HPP

In 2009, the Group obtained a credit line of 48 million U.S. Dollars from IBRD for 25 (twenty-five) years, of which the first 5 (five) years were a grace period, for the project "Moynak HPP Power Delivery Scheme". The credit line is secured by a guarantee of the Government of the Republic of Kazakhstan.

The principal repayment date of the loan is annually on 15 March and 15 September commencing 15 March 2015 until 15 September 2034, at 2.5 % of the principal amount. Interest payable to KEGOC during each period will accrue at a rate equal to LIBOR plus a fixed spread.

Under the terms of the loan agreement with IBRD, the Issuer to realise the project, inter alia:

1) shall not grant new discounts on transmission service tariffs unless the company grants discounts for commercial reasons. Discounts should never be granted for transmission volumes that either substitute for high-margin volumes or require new investment in transmission capacity;

2) must maintain the following financial ratios: (i) a liquidity ratio of at least 1.0; (ii) a self-financing ratio of 20 % of the three-year rolling average of the investment programme; and (iii) to refrain from incurring additional debt if the debt service ratio (calculated on current net income and maximum future debt service requirements) is at least 1.2.

As at 30 June 2023 and 31 December 2022, the outstanding loan balance is 25 million 717 thousand U.S. Dollars (equivalent in Tenge 11 billion 637 430 thousand) and 26 million 836 thousand U.S. Dollars (equivalent in Tenge 12 billion 415 million 520 thousand), respectively.

Bonds

On 3 December 2020 the Group purchased coupon bonds of Samruk-Kazyna on the KASE. The bonds mature on 3 December 2023. The bonds were classified as carried at amortised cost and initially recognised at fair value using a discount rate of 10.9 %. Also, on 7 December 2020, the Group purchased coupon bonds of Samruk-Kazyna on the KASE with maturity of the bonds until 3 December 2023. The bonds were classified as carried at amortised cost and initially recognised at fair value using a discount rate of 10.9 %. Samruk-Kazyna bonds are classified as financial asset measured at amortised cost as at 30 June 2023 – 30,021,390 thousand Tenge, as at 31 December 2022 – 30,072,911 thousand Tenge, as at 31 December 2021 – 30,144,252 thousand Tenge.

On 26 April 2019, the Issuer purchased 4,200,000 Eurobonds of the Ministry of Finance of the Republic of Kazakhstan at a rate of 3.875 % per annum and maturity until October 2024 at a price above par for a total amount of 4,368 thousand U.S. Dollars (equivalent in Tenge 1,968,564 thousand as at the reporting date).

During 6 months of 2023 the Group purchased short-term discount notes of the National Bank of the Republic of Kazakhstan on the KASE in the total amount of 45,000,000 thousand Tenge. During 2022 the Group purchased short-term discount notes of the National Bank of the Republic of Kazakhstan on the KASE in the total amount of 36,933,373 thousand Tenge (2021: Tenge 66,747,566 thousand). The amount of repayments of notes of the National Bank of Kazakhstan for the year ended 31 December 2022 was 32,117,343 thousand Tenge (2021: 78,930,920 thousand Tenge). During the year ended 31 December 2022 the Group recognised finance income of 600,395 thousand Tenge (2021: 681,430 thousand Tenge).

Bookrunners Underwriting Agreement

On 21 July 2023 the Issuer entered into service agreement No. 01-30-D-567 with the joint coordinators and joint bookrunners Halyk Finance JSC, SkyBridge Invest JSC and Freedom Finance JSC in accordance with which these Bookrunners provide advisory and underwriting services to the Issuer in relation to the proposed listing and/or public offering to the Issuer`s Shares on the KASE and the AIX. The Bookrunners receive a base fee of 1.8 % of the aggregate remuneration of the Bookrunners and the aggregate remuneration of the additional bookrunners, which is calculated on the basis of the Bookrunner's bids, market bids and the bids of the additional bookrunners satisfied by the results of the Offering (but excluding any funds raised from UAPF and other organisations directly or indirectly owned by the Republic of Kazakhstan). The base fee is payable only on newly issued shares actually placed and/or (if applicable) shares actually sold. In addition, each Bookrunner receives a monthly remuneration of 2,000,000 Tenge and, in the case the Offering, the base fee will be reduced by the amount of the monthly remuneration received. If the Offering does not take place, the monthly remuneration amounts received will remain with the Bookrunners.

On 31 August 2023 the Issuer entered into agreement No. 01-30-D-707 with joint coordinators and joint bookrunners BCC Invest JSC and Jusan Invest JSC in accordance with which these Bookrunners provide advisory and underwriting services to the Issuer in relation to the proposed listing and secondary public offering of the Issuer`s Shares on the KASE and the AIX. The Bookrunners will receive a base fee of 1.0 % of the aggregate amount of cash proceeds from the Offering, and (if applicable) newly issued shares on the KASE and/or the AIX (but excluding any funds raised from UAPF and other organisations owned directly or indirectly by the Government of the Republic of Kazakhstan, as well as international investors raised by the Issuer and/or the shareholder). The base fee is paid only if the Offering, or (if applicable) placement of newly issued shares on the KASE and (or) the AIX takes place.

The agreements will terminate on 31 December 2023, except for early termination. The Bookrunners are acting on "best efforts" arrangements and have no obligation to buy any unplaced Shares and will not act as Market Makers following the Offering according to these agreements. *See "DESCRIPTION OF THE ISSUER'S BUSINESS – Material contracts of Issuer – Market Makers Agreement".*

In accordance with the terms of the agreements placement will include the sale of existing shares of the Issuer, owned by existing shareholders of the Issuer, to an unrestricted circle of investors, and may also include the Issuer`s offering on newly issued shares to an unrestricted circle of investors.

Under Bookrunners Underwriting Agreements, a shareholder has the right to join the agreement as an independent party to the agreement (the shareholder`s optional accession can be executed by either signing an additional agreement with the other parties regarding such accession or by sending written notification to the other parties about such accession).

According to the specified agreements the Issuer and (if applicable) a shareholder shall without prior written consent from all Bookrunners not to engage in (or publicly announce an intention to engage in) any of the following actions for a period of 180 days following the Offering:

(i) to issue, place, offer, transfer, encumber (including pledging), or otherwise directly or indirectly transfer any newly issued shares and/or shares subject of sale, or other securities that may be converted or exchanged for newly issued shares and/or shares subject to sale (the "**Securities**");

(ii) to issue, place, offer, transfer, grant options, or any derivative securities or instruments, the underlying assets of which are directly or indirectly the Securities;

(iii) to submit any application for registration concerning Securities and /or any rights thereto to any securities market regulatory authority, securities registration authority, stock exchange, listing authority, or any similar organisation or authority in any country or jurisdiction in accordance with the laws of any country or jurisdiction;

(iv) to enter into barter agreement or any other agreement or transaction (including unilateral) whereby any rights to any Securities are wholly or partially, directly or indirectly, transferred;

(v) to instruct or allow any third party to carry out (publicly announce an intention to carry out) any of the above-mentioned actions.

However, the Issuer and (if applicable) a shareholder have the right (without prior consent from all Bookrunners):

(i) to accept (sign and provide an irrevocable commitment to) a general offer to transfer the Securities, made simultaneously to all holders of the relevant Securities (except for the Securities owned by the person making such general offer or related parties), in accordance with the provisions of governing law on the acquisition of the companies and/or the Securities on terms that provide equal rights to all such holders of the relevant Securities;

(ii) to undertake any of the above-mentioned actions if their execution is required in accordance with mandatory requirements of governing legislation for the Issuer or a shareholder (if applicable).

Furthermore, the agreements stipulate the obligation of the Issuer to offer its shareholders (as before the Offering) to individually sign a unilateral commitment in favor of the Bookrunners regarding the non-disposal of shares after Offering, in a form and content consistent with the form attached to the agreements.

Market Makers Agreement

On 26 December 2022, the Issuer entered into agreement No. 01-30-D-1307 on the purchase of financial services by a market maker with Freedom Finance JSC ("**Market Maker**") according to which the Market Maker has undertaken to announce and maintain mandatory quotes for the purchase and sale of the Issuer's shares on the KASE and to perform any other obligations arising from the Rules of Market Maker Activity approved by the KASE Board (Minutes of 27 November 2019, No. 147) ("**Rules**"). The Market Maker provides the Issuer with services during the trading session on the KASE, including services related to fulfilling the functions of a market maker for the Issuer's shares on the KASE at its own expense.

The total volume of shares issued under this agreement is 260,000,000 units.

The Market Maker announces and maintains mandatory quotes for securities as a member of KASE. The refusal to further announce and/or maintain mandatory quotes during the trading day is allowed only in cases where the cumulative volume of buy and sell transactions of the Issuer`s shares executed by the Market Maker during the trading day (based on previously announced mandatory quotes) reaches at least twice the minimum volume of the best mandatory quote established by the Rules.

The minimum volume of mandatory quotes for the Market Maker during a trading day is 6,000 monthly calculation indexes.

The Market Maker is prohibited from submitting sell orders for their own shares of the Issuer during the repurchase of shares by the Issuer if such repurchase is conducted by the Issuer using an account held by the Market Maker as the nominal holder of the Issuer.

The total cost of the Market Maker`s services under this agreement is 48,696,960 Tenge without VAT. The term for the provision of services under the agreement is from 1 January 2023 to 31 December 2025 inclusive.

Property transactions

Land plots

In January 2021, the Group sold land plots to Samruk-Kazyna Construction JSC, a related party, recorded as assets held for sale as at 31 December 2020, with a value of 5,126 thousand Tenge for 2,182,037 thousand Tenge. In accordance with the property transfer agreement Samruk-Kazyna Construction JSC undertook to transfer premises in the amount of 2,182,037 thousand Tenge to the Group. During 2022 Samruk-Kazyna Construction JSC made full payment for the land plot in the amount of 2,182,037 thousand Tenge.

In November-December 2020, the Group acquired a property complex from a related party – Karabatan Utility Solutions LLP for 11,794,689 thousand Tenge. In accordance with the sale and purchase agreement the Group is required to pay the debt in equal annual instalments until 25 March 2025. As at 30 June 2023 the amount outstanding under the agreement (net of discount) was 4,243,350 thousand Tenge of which 2,163,124 thousand Tenge was long-term payables from related parties.

Donation agreement

According to the Decree of the Government of the Republic of Kazakhstan dated 30 November 2021, No. 858, the decision of the Board of Directors of KEGOC dated 24 September 2021, and the donation agreement dated 30 December 2021 the Issuer transferred 100 % of its participation share in the subsidiary company RFC for RES LLP to the state ownership. Therefore, the Issuer transferred its subsidiary company to the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan free of charge.

RFC for RES LLP carries out the following activities:

(i) sale of electricity to the consumer (centralized purchase and sale of electric energy produced by renewable energy facilities and supplied to the electric grid, the UES of RK);

(ii) ensuring the readiness of electric power to bear the load;

(iii) financial settlement of imbalances of electric energy.

Relationship Agreement

The Relationship Agreement was entered into between the Issuer and the Fund on 6 October 2014 to regulate certain aspects of the relationship between the Issuer and the Fund.

The Relationship Agreement sets out a number of basic principles under which: (i) the Issuer should be managed with due regard to the interests of the Issuer and the fair treatment of all shareholders of the Issuer; (ii) the Fund should not act or fail to act if such action or failure to act would prejudice the Issuer's listed status;

(iii) the Fund will use reasonable endeavours to ensure that members of the Board of Directors who are representatives of the Fund vote in accordance with best corporate governance practices; (iv) the Fund and the Issuer will use reasonable endeavours to ensure that the Issuer pays dividends in accordance with the dividend policy and the Issuer's Charter; (v) the Issuer and the Fund will conduct any transactions and establish relationships between the Fund and/or its subsidiaries and the Issuer and/or its subsidiaries on normal market terms and conditions and strictly on the commercial principles, including those accepted in the business practice of the Fund group, and undertake to ensure that all transactions in which there is an interest will be conducted in accordance with the requirements of Kazakhstan legislation and KASE rules. The Fund will not take any action or refrain from taking any actions if such actions or inactions could prevent the Issuer and its subsidiaries from conducting their business on the terms set out above; and (vi) the Fund will not subject the Issuer and its subsidiaries to internal regulations approved by the Fund, the implementation of which would impair the rights of the Issuer's shareholders under the laws of Kazakhstan which they have in connection with the ownership of the Shares.

In return, the Issuer represents and warrants to the Fund that (i) the Agreement constitutes binding obligations of the Issuer in accordance with the terms of the Agreement, (ii) the entering into and performance by the Issuer of its obligations under the Agreement: (1) will not result in any breach of the Charter or the corporate governance code and other relevant internal agreements of the Issuer, (2) will not result in a breach of any act or constitute a default under any act to which the Issuer is a party or to which the Issuer is a party, and (iii) the Issuer will not be in default under any act to which the Issuer is a party.

The Fund undertakes to maintain the confidentiality of any confidential information of the Issuer and to ensure that neither the Fund nor any of its employees disclose in any form or manner any confidential information of the Issuer without its prior consent, except as provided in the Agreement. See also the risk factor "*KEGOC may not enforce its rights under the Relationship Agreement*".

Parallel operation of RK and RF power systems

On 20 November 2009, the Government of the Russian Federation and the Government of the Republic of Kazakhstan signed an agreement on measures to ensure parallel operation of the unified energy systems of the Russian Federation and the Republic of Kazakhstan.

In accordance with the intergovernmental agreement, the parties take necessary measures to ensure parallel operation of the UES of Russia and the UES of Kazakhstan. Such measures include, among others, the purchase and sale of electricity to compensate for hourly deviations of the actual interstate balance of electricity flows from the planned one under agreements (contracts) concluded between INTER RAO UES JSC and the Issuer.

In addition, the parties shall assist in the simultaneous conclusion of the following agreements (contracts):

- on parallel operation between Federal Grid Company of the Unified Energy System (hereinafter referred to as "**FGC UES"**) and System Operator of the Unified Energy System (hereinafter referred to as "**SO UES"**) and the Issuer;
- on rendering services on transmission (transfer) of electric energy through electric grids of RK between FGC UES and the Issuer;
- purchase and sale of electricity to compensate for deviations arising from the movement of electricity across the border of the RF and RK between INTER RAO UES JSC and the Issuer;
- on the procedure for hourly metering of the amount of electricity transported across the border of the RF and RK and organisation of daily exchange and coordination of hourly metering data between FGC UES and the Issuer.

On 23 April 2010, KEGOC entered into agreement No. 400 on parallel operation of electric power systems of the Republic of Kazakhstan and the Russian Federation with FGC UES and SO UES according to which the parties organise parallel operation of the UES of Kazakhstan and the UES of Russia through existing and newly constructed between them electric grids.

Under the terms of the agreement, KEGOC shall:

- to perform planning of the UES of RK operation modes, operational and dispatch control of technological operation modes of equipment and devices under KEGOC's dispatch control/management, operational maintenance, operation and maintenance of equipment owned or used by KEGOC;
- timely and in full transfer applications for hourly electricity supply schedules under electricity export/import contracts to FGC UES and data for updating the calculation model for the purpose of calculations to SO UES;
- to ensure fulfilment of the daily hourly dispatch schedule;
- to transfer telemetric information to SO UES and FGC UES in the agreed volumes and order;
- jointly with SO UES to ensure the execution of the reconciliation act for adjustments of daily indicators of hourly dispatch schedules;
- to distribute actual electricity supplies between the economic entities of the RK – exporters/importers.

From the date of signing of the agreement the agreement on parallel operation of electric power systems of RK and RF No. 426 dated 1 October 1999 ceased to be in force.

DESCRIPTION OF THE CHARTER, AUTHORISED CAPITAL AND APPLICABLE LAWS OF KAZAKHSTAN

Authorised capital

The Issuer was established by the State Committee of the Republic of Kazakhstan on State Property Management in 1996 pursuant to Government Resolution No. 1188 dated 28 September 1996 and was registered as a legal entity on 11 July 1997. The authorised capital of KEGOC was formed from the assets of the state-owned energy company Republican State Enterprise NEG Kazakhstanenergo, which were transferred to KEGOC on 29 September 1997.

The state-owned stake in KEGOC was transferred to Kazakhstan Holding for Management of State Assets SAMRUK JSC ("**Samruk**") in 2006. In 2008, by the Presidential Decree and the Government Resolution, Samruk was merged with Kazyna Sustainable Development Fund JSC to create Samruk-Kazyna National Welfare Fund JSC, which is currently the shareholder holding the controlling interest in the Issuer and, in turn, is wholly owned by the State. The UAPF has acquired 18,856,931 shares of the Issuer, representing 7.25 per cent minus one share per cent of the Issuer's shares. As of July 2023, the Fund owns 234,000,001 of ordinary shares (90 per cent plus one share) and the UAPF owns– 18,856,931 (7.25 per cent minus one share).

On 18 December 2014, an initial public offering of the Issuer's ordinary shares (under the "People's IPO" programme) in the amount of 25,999,999 shares (10% minus one share) was held at a price of 505 Tenge per share by subscription. In November 2016, the Issuer repurchased the outstanding shares in the amount of 1,390 shares for a total amount of 930 thousand Tenge. In May 2020, there was a placement of the Issuer's bonds on the KASE with a total volume of 9.7 billion Tenge at nominal value in the amount of 9.03 billion Tenge with a yield of 12% per annum. In January 2021 there was placement of the Issuer's bonds on the KASE with a total volume of 8.9 million units for the amount of 8.6 billion Tenge with a weighted average yield to maturity of 11.6161% per annum. In September 2022, the Issuer issued the first "green" bonds, totaling 35 billion Tenge of 35 million unsecured coupon bonds with a nominal value of 1,000 Tenge per unit. In December 2022, the Issuer's green bonds were placed on the KASE with a total volume of 16.1 billion Tenge with a margin of 3%.

As of 30 June 2023, the Issuer's authorised capital amounted to 126,799,554 thousand Tenge and is represented by ordinary shares in the amount of 260,000,000 shares. There are no preferred shares and securities convertible into the Issuer's shares. The Issuer owns 1,390 shares, the number of voting securities is 259,998,610 shares. The Issuer has not granted options or similar instruments on the Issuer's shares.

The Issuer does not have preferred shares. Holders of ordinary shares have voting rights, but payment of dividends is not guaranteed.

The Issuer's shares are in book-entry form. Ownership of the Issuer's shares is confirmed by an extract from the register of the Issuer's shareholders. Central Depository JSC is the Issuer's authosized registrar, which is entitled to keep the Issuer's shareholders register, and is located at the address: Republic of Kazakhstan, 050040, Almaty, Bostandyk district, Satpayev street, house No. 30/8.

Initial authorised capital

In 1998, the Issuer issued 7,406,963 ordinary shares with a nominal value of 10,000 Tenge. The share issue was registered by the National Securities Commission of Kazakhstan on 27 August 1998. The Government, represented by the Department of State Property and Privatisation of the Ministry of Finance of the Republic of Kazakhstan, acquired all 7,406,963 ordinary shares by paying for them with state property that was contributed to the Issuer's authorised capital in accordance with (i) the Government Resolution No. 1188 dated 28 September 1996, (ii) the Government Resolution No. 1193 dated 31 July 1997, and (iii) the Government Resolution No. 1210 dated 4 August 1997.

The Issuer acquired title to these assets, which now comprise a significant portion of the NEG. The Issuer's authorised capital was equal to 74,069.63 million Tenge.

Increase in authorised capital

1 issue

Output Structure:

- the total number is 7,406,963;
- type – ordinary shares;
- par value of one ordinary share – 10,000 Tenge;
- form of issue – non-documentary;
- the body that carried out the state registration of the securities issue – the National Securities Commission of the Republic of Kazakhstan;
- state registration number is 02-2-19/4177;
- date of state registration of the securities issue – 27 August 1998;
- canceling the issue of shares – no;
- start and end dates of the securities placement period:
    - 27 August 1998.
    - 2 November 1998.

2 issue

Output Structure:

- the total number is 155,625;
- type – ordinary share;
- par value of one ordinary share – 10,000 Tenge;
- form of issue – non-documentary;
- the body that carried out the state registration of the securities issue – the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations;
- state registration number A3493;
- date of state registration of the securities issue – 9 June 2005;
- canceling the issue of shares – no;
- start and end dates of the securities placement period:
    - 9 June 2005 – 21 March 2006 (155,624 ordinary shares);
    - 22 September 2007 – 24 December 2007 (1 ordinary share).

3 issue

Output Structure:

- the total number is 935,000;

- type – ordinary share;
- par value of one ordinary share – 10,000 Tenge;
- form of issue – non-documentary;
- the body that carried out the state registration of the securities issue – the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations;
- state registration number A3493;
- date of state registration of the securities issue – 18 July 2008;
- canceling the issue of shares – no;
- number of unplaced shares – 83,000;
- start and end dates of the securities placement period:
  - 18 July 2008 through 27 January 2009 (423,000 ordinary shares);
  - 28 January 2009 – 27 July 2009 (269,000 ordinary shares);
  - 28 January 2011 – 27 July 2011 (60,000 ordinary shares);
  - 28 July 2012 – 27 January 2013 (100,000 ordinary shares);
  - 28 January 2013 – 27 July,2013 (806,000 ordinary shares).

4 issue

Output Structure:

- the total number is 300,000;
- type – ordinary share;
- par value of one ordinary share – 10,000 Tenge;
- form of issue – non-documentary;
- the body that carried out the state registration of the securities issue – the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations;
- state registration number A3493;
- the date of state registration of the securities issue – 24 November 2008;
- canceling the issue of shares – no;
- start and end dates of the securities placement period: 18 July 2008 – 27 January 2009.

5 issue

Output Structure:

- the total number is 1,969,709;
- type – ordinary share;
- par value of one ordinary share – 10,000 Tenge;

- form of issue – non-documentary;
- the body that carried out the state registration of the securities issue – the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations;
- state registration number A3493;
- the date of state registration of the securities issue – 25 November 2009;
- canceling the issue of shares – no;
- start and end dates of the securities placement period: 28 July 2009 – 27 January 2010.

On 18 March 2013, the Issuer increased the number of shares through a 1:20 split.

6 issue

Output Structure:

- the total number is 22,978,437;
- type – ordinary share;
- par value of one share – 500 Tenge;
- form of issue – non-documentary;
- the body, which carried out the state registration of the securities issue – Committee for Control and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan;
- state registration number A3493;
- date of state registration of the securities issue – 18 March 2013;
- canceling the issue of shares – no;

On 18 March 2013, the Group increased the number of authorised shares (certificate of state registration of securities issue No. A3493 dated 18 March 2013). As a result of the 1:20 split, the number of authorised shares increased from 10,767,297 shares to 215,345,940 shares, while the amount of authorised capital did not change (106,842,972 thousand Tenge). In addition, on 18 March 2013, the Group increased the number of authorised shares by 22,978,437 shares, of which 806,000 shares were issued or paid as of 31 December 2013. The split and increase in the number of authorised shares is related to the forthcoming placement of shares by the Issuer on the KASE under the "People's IPO" programme.

7 issue

Output Structure:

- the total number is 21,675,623;
- type – ordinary share;
- par value of one ordinary share – 364.78 Tenge;
- form of issue – non-documentary;
- the body that carried out the state registration of the securities issue – the National Bank of the Republic of Kazakhstan;

- state registration number A3493;
- the date of state registration of the securities issue – 10 September 2014;
- canceling the issue of shares – no;
- start and end date of the period of partial placement of securities – 28 July 2014.

Share price history and the percentage of dividends from net profit

As of the date of this Prospectus, Issuer's ordinary shares are listed on the KASE and have a history of rising or falling market prices. At the time of the IPO, the starting price of ordinary shares was 505 Tenge, and since then, according to the KASE data, it has reached a maximum price of approximately 1,880 Tenge and a minimum price of approximately 341 Tenge. On 27 September 2023, the price for one ordinary share on KASE is 1,520 Tenge.

Also, in accordance with its internal document "Methodology for determining the liquidity indicators of securities", the KASE has formed lists of shares, depositary receipts and securities of investment funds of the first, second and third classes of liquidity for September 2023 from among those admitted to circulation on the KASE, according to which ordinary shares of KEGOC are included in the first class of liquidity.

Below is data on the volatility of Issuer's ordinary shares according to data from the KASE website.

The percentage of net profit under IFRS directed to the payment of dividends for 2020, 2021 and 2022 is 73 %, 66.9 % and 112.8 %, respectively. The payment of such a dividend amount is fully consistent with the KEGOC's Dividend policy, see "*DIVIDENDS AND DIVIDEND POLICY*".

Review of applicable law

Statutes

The Issuer's Charter was approved by a resolution of the GMS on 30 November 2022, as amended on 26 September 2023. The Issuer's Charter establishes the requirements for the Issuer's activities and bodies. The Issuer shall not be liable for the obligations of its shareholders, who in turn bear the risk of losses to the extent of the value of their shares. The Issuer issues only ordinary shares, but a "golden share" may be introduced. The Issuer is also entitled to issue other securities, the terms and procedure for the issuance, placement, circulation and redemption of which are established by the laws of the Republic of Kazakhstan. As of the date of this Prospectus, the Issuer does not plan to amend the Charter.

The main purpose of the Issuer according to its Charter is to generate net income from its statutory activities, and the mission of the Issuer is to ensure reliability, availability and advanced development of the energy system of Kazakhstan. The Issuer's Charter sets forth the following activities:

- provision of system services for the transmission of electric power through the national electric grid;
- operational maintenance of the equipment of the national electric grid;
- provision of system services on technical dispatching of electric power supply to the grid and consumption, performing centralized operational dispatch control of operation modes of the unified electric power system of the Republic of Kazakhstan in accordance with the contract, including preparation of actual balances and formation of daily schedule of production-consumption of electric power;
- provision of system services to organize balancing of electricity production-consumption;
- implementation of financial settlement of electricity imbalances in accordance with the procedure established by the legislation of the Republic of Kazakhstan;
- organisation of functioning of the balancing market of electric energy in real time and the market of system and auxiliary services;
- interaction with power systems of neighboring countries to control and ensure stability of parallel operation modes;
- regulation and redundancy of electric power;
- providing technical and methodological guidance for the creation of a unified information system, automated system of commercial electricity metering, coupled relay protection and emergency control devices of all wholesale electricity market entities;
- purchase and sale of electric power for own technological and production needs, on the balancing market of electric power, as well as in accordance with legislation of the Republic of Kazakhstan in the field of support for the use of renewable energy sources;
- centralized operational and dispatch management of the unified electric power system of the Republic of Kazakhstan;
- repair and maintenance of electric motors, generators and transformers at the facilities of the Issuer's subordinate organisations;
- repair and maintenance of electrical distribution and control equipment at the facilities of the Issuer's subordinate organisations;
- repair and maintenance of electric lighting equipment at the facilities of the Issuer's subordinate organisations;
- repair and maintenance of other electrical equipment not included in other categories at the facilities of the Issuer's subordinate organisations;
- renting and managing your own real estate;
- other wireline telecommunications;
- activities of agents for trade in goods of wide assortment;

- wholesale of scrap and waste of ferrous and non-ferrous metals.

Rights granted by shares and limitation of these rights

The Law on Joint Stock Companies provides for two types of shares: ordinary and preferred. Each type has certain rights set out in the Law on Joint Stock Companies. These rights may be extended by the Issuer's Charter but may not be limited.

A shareholder of the Issuer shall be entitled to:

- participation in the management of the Issuer in accordance with the procedure stipulated by the Law on Joint Stock Companies and (or) the Charter;
- receipt of dividends;
- proposal to the Board of Directors to include additional issues in the agenda of the GMS meeting;
- obtain information on the Issuer's activities, including familiarization with the Issuer's financial statements in accordance with the procedure established by the GMS or the Charter;
- receipt of statements from the central depository or nominee holder confirming the ownership of securities;
- proposing candidates to the GMS for election to the Board of Directors;
- challenging in court the decisions made by the Issuer's bodies;
- making written requests to the Issuer for information on its activities and receiving a reasonable response within 30 calendar days from the date of such request;
- receiving a part of the Issuer's property in case of its liquidation;
- exercising the pre-emptive right to purchase shares or other securities convertible into the Issuer's shares in accordance with the procedure established by the Law on Joint Stock Companies;
- participation in the adoption of a decision by the General Meeting of Shareholders on changing the number or type of shares in accordance with the procedure established by the Joint Stock Companies Law;
- filing a claim with the court for compensation in favor of the Issuer for losses caused by the Issuer's officers, as well as for the return to the Issuer, officers and (or) their affiliates of the profit (income) received by them as a result of their decision to enter into major transactions and (or) related-party transactions;
- obtaining information on the annual results on the amount of remuneration of each member of the Board of Directors and (or) the Management Board, subject to certain conditions stipulated by the Charter.

In addition to the above shareholder rights, the Issuer's Charter provides that a shareholder holding a controlling interest is entitled to:

- requesting the convening of an extraordinary GMS or filing a lawsuit in court if the Board of Directors refuses to convene an GMS;
- a request to convene a meeting of the Board of Directors; and
- the requirement to audit the Issuer at the expense of a major shareholder.

Restriction of shareholders' rights is not allowed, except for the right to participate in the management of the Issuer, to receive dividends, to make decisions on changing the number and type of shares of the Issuer.

Right to vote

Subject to any rights or restrictions conferred on any class of shares by or under the Charter or the Companies Act, each holder of voting shares present in person or by authorised representative at the GMS shall have one vote on all matters to be decided at the GMS, except:

- one vote given to each person entitled to vote at the GMS on procedural matters of the GMS;
- cumulative voting for the election of members of the Board of Directors;
- limitation of the maximum number of votes on shares granted to one shareholder in cases stipulated by the Law on Joint Stock Companies.

A written GMS resolution shall not be valid without a quorum, which requires the presence of persons holding fifty per cent or more of the Issuer's voting authorised capital or, in the case of an adjourned GMS convened for lack of a quorum, persons holding forty per cent or more of the Issuer's voting authorised capital. The results of voting (in person or in absentia) shall be communicated to shareholders by publishing a report on the results of voting on the Internet resource of the financial statements depository and on the Issuer's corporate website, or by sending a written notice to each shareholder.

Dividends and other distributable payments

The Law on Joint Stock Companies and the Charter establish the procedure for determining dividends paid by the Issuer to its shareholders. The Issuer's net income is distributed in accordance with the procedure stipulated by the legislation of the Republic of Kazakhstan, the Charter and the Corporate Governance Code. The Issuer's Dividend policy was approved by the Fund's Management Board on 9 April 2013.

In accordance with the provisions of the Law on Joint Stock Companies, the Issuer may, by a resolution passed by a simple majority of shareholders present and voting at the GMS, declare dividends on shares. In accordance with the Law on Joint Stock Companies, the GMS may declare annual, semi-annual or quarterly dividends on ordinary shares only after the Issuer's financial statements for the relevant period have been audited. In accordance with the Law on Joint Stock Companies, the Charter and the Dividend policy, the Issuer may distribute dividends on shares if the Issuer has net profit or retained earnings and there are no restrictions on payment (See "*DIVIDENDS AND DIVIDEND POLICY*").

The Law on Joint Stock Companies prohibits the payment of dividends on shares if:

- the Issuer's equity balance is negative or would become negative as a result of such payment;
- The Issuer meets the criteria of insolvency or insolvency, or the Issuer will meet these criteria as a result of the accrual of dividends on its shares; or
- in cases stipulated by the Laws of the Republic of Kazakhstan "On Banks and Banking Activity in the Republic of Kazakhstan", "On Insurance Activity" and "On Securities Market".

The list of shareholders entitled to receive dividends shall be compiled as of the date preceding the date of dividend payment. Payment of dividends shall be made not later than 90 (ninety) calendar days after the decision on payment of dividends on ordinary shares, provided that there is information on the shareholder's current details in the Issuer's shareholder register system. If the Issuer delays payment of dividends on shares, it shall pay a penalty to the shareholder, which shall be calculated based on the NBK prime rate on the date of payment of the relevant outstanding amount. The Law on Joint Stock Companies provides that a shareholder's right to receive dividends does not lapse. If the Issuer obtains the written consent of the shareholder, dividends on such shares may be paid in the form of authorised shares or bonds issued by the Issuer.

Dividends shall not be accrued or paid on shares that have not been placed or have been repurchased by the Issuer itself, or if a court or the General Meeting of Shareholders of the Issuer decides to liquidate the Issuer.

In accordance with the Law on Joint Stock Companies, in the event of liquidation of the Issuer, the property remaining after satisfaction of creditors' claims is distributed among shareholders in a certain order of priority, where payments of accrued and unpaid dividends on ordinary shares are made in the third turn. The remaining property is distributed among the owners of shares in proportion to the number of shares owned by them, taking into account the requirements of the Law on Joint Stock Companies on the priority of preferred shareholders over the owners of ordinary shares.

Transfer of shares

To transfer a share, a shareholder (or its representative) must sign a written order and submit it to the Central Depository or nominee for execution or, alternatively, give appropriate electronic instructions as permitted by law. The Central Depository or nominee will execute a sell order by combining it with a buy order signed by the purchaser (or its representative) and vice versa. All transactions with shares must be registered by making entries in the corresponding personal accounts in the register system or in the book of the nominal holder. Title to a share shall be transferred at the moment of registration of the transaction (if each party to the transaction does not have another nominee holder, in this case title shall be transferred at the moment of registration of the transaction on the accounts of each respective nominee holder opened in the Central Depository. Extract from the shareholder's personal account in the register system or nominee holder's book is the evidence of legal right of this owner to the share. The Central Depository or nominee holder may refuse to register a transaction if the submitted documents do not meet the requirements of the legislation. In addition, the NBK may (having notified the relevant issuer and the Central Depository) suspend trading in securities by blocking all or certain personal accounts in the register or nominee holder systems in the event of a breach of legal requirements establishing the following: (i) the rights and interests of investors in acquiring securities; or (ii) the terms and procedures for trading in securities.

Payment is generally made to the Central Depository or to an authorised person for registering the transfer in accordance with contractual terms.

Change in authorised capital

The Issuer may from time to time, by a qualified majority of three-fourths of the total number of voting shares of the Issuer (but not otherwise), increase its authorised capital. The Issuer's GMS may take a decision on allotment of shares within the authorised number of shares. The decision on placement of shares shall specify the number, price and method of placement of shares.

Share buyback

Subject to the Law on Joint Stock Companies and the Securities Market Law, and without prejudice to any relevant special rights attached to any type of shares, the Issuer may acquire its own shares in any manner and at any price (whether at par value or otherwise). Such shares will be credited to the Issuer's account with a Central Depository.

Any purchase by the Issuer shall be made with the consent of the shareholder for the purpose of redistribution of repurchased shares, reduction of dividend payments and in other cases stipulated by the legislation. Repurchase by the Issuer shall be made on the basis of a resolution of the Issuer's Board of Directors, in accordance with the methodology for determining the value of shares approved by the GMS (except for purchases made through the stock exchange using the open trading method). The resolution determines the type, number, purchase price, form and term of payment, as well as the period for the redemption of shares, which may not be less than 30 calendar days.

Under certain circumstances stipulated by the Law on Joint Stock Companies and the Charter, the Issuer is obliged to repurchase shares held by a shareholder within 30 calendar days from the date of the relevant shareholder's decision.

In both cases, the share of outstanding shares repurchased by the Issuer may not exceed 25% of the total number of outstanding shares of the Issuer, and the expenses for repurchasing such shares may not exceed 10% of the Issuer's equity capital. The shares repurchased by the Issuer shall not be taken into account in determining the quorum at the GMS and shall not participate in voting thereon.

Rights of pre-emptive purchase of shares

In accordance with the Law on Joint Stock Companies, any shareholder of the Issuer has the right to pre-emptive purchase of the Issuer's outstanding shares. Holders of shares have pre-emptive rights to purchase shares or securities convertible into shares, and holders of preferred shares have pre-emptive rights to purchase preferred shares.

Within 10 calendar days from the moment when the Issuer has decided to place a certain number of shares, it must make an offer to each of its shareholders (by providing a written notice or publication in the Kazakh and Russian languages on the Internet resource of the depository of financial statements) to purchase shares in an amount proportional to its shareholding at the placement price set by the Issuer's GMS. In turn, each shareholder, within 30 calendar days from the date of such notification or publication, has the right to apply for the purchase of shares (i.e., to exercise its right of pre-emptive purchase of shares). Upon expiry of this period, the right to apply ceases. If a shareholder applies to the Issuer for the acquisition of shares, such shareholder must, within 30 calendar days from the date of such application, pay for the shares that he or she acquires under the pre-emptive right. If payment is not made upon expiration of this period, the application shall be deemed invalid. The right of pre-emptive purchase shall not be granted to shareholders when placing shares of a joint stock company when another company joins it in accordance with the procedure stipulated by the Law on Joint Stock Companies.

The Law on Joint Stock Companies provides that placement (sale) of shares or other securities convertible into ordinary shares may be carried out without applying the right of pre-emptive purchase of shares in cases of payment of remuneration to members of the Board of Directors of the company/incentives to employees of the joint stock company with shares or other securities convertible into ordinary shares of the joint stock company, as well as during the initial placement of shares of the joint stock company or depositary receipts.

GMS

The Issuer's Board of Directors shall convene, and the Issuer shall hold an annual/extraordinary GMS; in addition, an extraordinary GMS may be convened at the initiative of a major shareholder or, in the event of voluntary liquidation of the Issuer, by the Issuer's liquidation committee. The Issuer's Board of Directors shall set the date and time of the GMS in such a way that all or the largest number of persons entitled to participate in such GMS can take part in it.

The Issuer's Board of Directors shall draw up the agenda of the GMS, which shall contain an exhaustive list of specifically formulated issues to be discussed. The Issuer's Board of Directors may not, on its own initiative, amend the agenda or propose a procedure for holding an GMS at the request of a major shareholder. Shareholders may be notified of any GMS at least 30 calendar days in advance by publishing a notice in the Kazakh and Russian languages on the Internet resource of the financial statements depository and on the Issuer's corporate website. The preparation and holding of the GMS may be carried out by the Management Board, the Central Depository, the Board of Directors and the Liquidation Commission.

The General Meeting of Shareholders has exclusive competence to decide on certain issues which, in most cases, require a qualified majority (i.e., three quarters) of the total number of voting shares. In matters of the Issuer's internal organisation, the GMS has the right to override any decision made by another management body of the Issuer. For more information, please see the section *"MANAGEMENT AND GOVERNANCE"*.

Board of Directors, Management Board

For more information, see the "*MANAGEMENT AND GOVERNANCE*" section.

Disclosure of information on shareholdings in the authorised capital

The list of shareholders entitled to participate in the GMS, as well as the right to vote at such meeting, is compiled by the Central Depository on the basis of information provided in the Issuer's share register. However, any shareholder who holds shares through a nominee shareholder or whose identity is not disclosed to the Central Depository shall not be entitled to vote at the GMS. The date of compilation of such list cannot be set earlier than the date of the decision to hold the GMS.

In addition, any person who acquires 10 per cent or more of the Issuer's voting shares or otherwise falls within the definition of an affiliated person provided for in Article 64 of the Law on Joint Stock Companies shall be deemed an affiliated person of the Issuer and shall provide the Issuer with information about himself or herself and information about his or her affiliates. Information on the identity of such a person and his affiliates is not confidential.

In addition, following the listing of the Issuer's shares on the AIX, the Issuer will become a reporting entity for purposes of the AIX Business Rules and, therefore, those rules will apply to both the Issuer and its shareholders and officers. Under the AIX Business Rules, any shareholder must file a report with the AIX, AFSA and the Issuer in the event that such shareholder acquires or ceases to own more than 5% of the voting shares of the Issuer and any subsequent increase or decrease in ownership by at least 1%.

Related party transactions

Under the Law on Joint Stock Companies, a related party transaction means a transaction in which (a) an affiliate of the Issuer either (i) is one of the parties to such transaction or (ii) participates in the transaction as a representative or intermediary, or (b) an affiliate of the Issuer is an affiliate of a legal entity that either (i) is one of the parties to such transaction or (ii) participates in the transaction as a representative or intermediary. The Law on Joint Stock Companies excludes certain types of transactions from the definition of a related party transaction (such as, for example, the acquisition of the Issuer's shares or other securities by a shareholder or the repurchase of the Issuer's outstanding shares by a company). Under the Law on Joint Stock Companies, related party transactions must be approved by a majority of the disinterested members of the Issuer's board of directors or, if all of the Issuer's directors are interested, by a resolution of a shareholders' meeting adopted by: (a) a majority of the disinterested shareholders; or (b) a simple majority of the total number of voting shares of the Issuer if all directors and all shareholders are interested.

The AIFC MAR defines related party transaction as a transaction: (i) between the Issuer and a related party; or (ii) under which the Issuer invests in another entity (including partnership and association) or asset, or provides financial assistance to another entity, in which a related party also has a financial interest; or (iii) between the Issuer and any other person the purpose or effect of which is to benefit a related party; or (iv) of the kind referred to in (i) – (iii) and is between a subsidiary of the Issuer and a related party of the Issuer. The related party is a person who is, or was within the 12 months before the date of the related party transaction: (i) a director or a person involved in the senior management of the Issuer or a member of its group or their associate (as defined in the AIX Business Rules); or (ii) owns, or has owned within 12 months before the date of the related party transaction, 5 % of voting shares of the Issuer or a member of its group (iii) is, or was within the 12 months before the date of the related party transaction, a person exercising or having the ability to exercise significant influence over the Issuer or an associate (as defined in the AIX Business Rules) of such a person. The AIFC MAR provides for Issuer's obligation for public disclosure of related party transactions amounting more than 5% of the net assets of the Issuer. Certain types of transactions are excluded from the definition of a related party transaction: (i) a transaction is made in the ordinary course of business and on commercial terms no less favourable than those of an arm's length transaction with an unrelated party; or (ii) a transaction or any series of transactions with the same Related Party in any 12-month period, does not exceed 0.25 % of the value of the net assets of the Reporting Entity as stated in its most recent financial reports (iii) it is made in accordance with the terms of an employee share scheme or other employee incentive scheme approved by the Board of the Issuer (iv) it involves the issue of new securities for cash or pursuant to the exercise of conversion or subscription rights attaching to securities issued to existing shareholders where the securities are traded on authorised investment exchange.

Mandatory offers

In accordance with the Law on Joint Stock Companies, a person acting alone or jointly with its affiliates who has the intention to acquire:

- 30 per cent or more of the Issuer's voting shares; or
- any other number of voting shares of the Issuer if, as a result of such acquisition, such person, alone or together with its affiliates, would own 30% or more of the voting shares of the Issuer,

must send a notice to the Issuer 30 business days prior to the proposed date of acquisition of voting shares. The person who has acquired the above shares must, within 15 business days after the acquisition date, submit to the Issuer an offer to the other shareholders to sell their shares in the Issuer. Failure by the acquirer to comply with the prescribed notice and payment procedure will result in the acquirer being required to (i) reduce its shareholding to at least 29 per cent and (ii) refrain from any action that could influence the management or policies of the stockholder and/or any voting based on those shares until such time as those shares, in part in excess of 29 per cent, are disposed of to an unaffiliated person.

Rules for forced buyback of shares

Pursuant to the Law on Joint Stock Companies, if a person acting alone or jointly with its affiliates has acquired:

- 95 per cent or more of the Issuer's voting shares; or
- other number of voting shares, in the aggregate amounting to at least 10 (ten) per cent of the Issuer's voting shares, as a result of which this person acquired, alone or together with its affiliates, 95 or more per cent of the Issuer's voting shares,

within 60 business days after the acquisition has the right to demand that the other shareholders of the joint stock company sell their voting shares. The offering price is the weighted average market price of voting shares on a stock exchange (if such shares are traded on a stock exchange) for the period of six months preceding the date of the transaction (as a result of which a person acquired 95 per cent or more of the Issuer's voting shares or it is determined by an independent appraisal if the shares are not traded on any stock exchange). The remaining shareholders must sell their voting shares within a period of not more than 60 calendar days from the date of publication of the request on the Internet resource of the financial statement depository. Such remaining shareholders are not allowed to perform any other transactions with respect to their voting shares during this period, except for transactions on termination of pledge of rights to these shares and termination of trust management, as well as transactions on withdrawal of seizure from such shares.

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

The table below sets forth information on the ownership of the Issuer's ordinary shares prior to the Offering and provides an approximate calculation of the ownership of the Issuer's ordinary shares following the Offering (assuming that all the Shares are sold under the Offering, and Samruk-Kazyna and UAPF have not acquired shares by exercising their pre-emptive right to purchase the Issuer's shares).

	Shares prior to the Offering		Shares after the Offering		Shareholdings subject to disclosure(2)
Shareholder	Quantity (pcs.)	Percentage(1)	Quantity (pcs.)	Percentage(1)	Yes/No
Samruk-Kazyna...........	234,000,001	90 % + 1 share	234,000,001	at least 85 %	**Yes**
UAPF………………....	18,856,931	7.25 %	18,856,931	at least 6.85 %	**Yes**
Other minority shareholders ………...	7,141,678	2.75 %	22,435,796	at least 8.15 %	**No(3)**

Note:
(1) Ownership of ordinary shares on a percentage basis, approximately.
(2) Based on the Law on Joint Stock Companies, the Charter and the AIX Business Rules.
(3) Subject to that no single shareholder is a Connected Person of the Issuer.

Prior to the Offering, Joint Stock Company "National Welfare Fund "Samruk-Kazyna" ("**Samruk-Kazyna**" or the "**Fund**") has owned 90 per cent plus one voting share of the Issuer, UAPF has owned 7.25 per cent of the voting shares of the Issuer and 2.75 per cent of the voting shares of the Issuer have been owned by the remaining minority shareholders. Following the Offering, Samruk-Kazyna will own at least 85 per cent of the Issuer's voting shares, in accordance with the requirement for the minimum ownership of the Issuer set out in the Law on Electric Power Industry.

Pursuant to the Law on Joint Stock Companies and the Charter, the Issuer's shareholder disclosure obligations are set out in the third column of the table above. Following the Offering, Samruk-Kazyna will own a block of shares exceeding the threshold level of 10 per cent (as a percentage of the total number of voting shares of the Issuer), information on which is reported to the Issuer together with information on the shareholder's affiliates. In addition, following the Offering and the AIX Admission of the Issuer's shares, the Issuer will become a reporting entity for the purposes of the AIX Business Rules and, accordingly, those rules will apply to both the Issuer and its directors and shareholders. Under the AIX Business Rules, any shareholder must file a report with the AIX, the AFSA and the Issuer in the event that such shareholder acquires or ceases to hold more than 5 per cent of the Issuer's voting shares and any subsequent increase or decrease in the shareholding of not less than one per cent.

Given that, following the Offering, Samruk-Kazyna will own at least 85 per cent of the Issuer's voting shares, Samruk-Kazyna will continue to own a controlling interest in the Issuer with the corresponding scope of rights, for example, with respect to the election of members of the Issuer's Board of Directors, declaration of dividends (if any), amendments to the Charter and control over certain decisions within the competence of the Issuer's GMS. The remedies available to minority shareholders are described below and no additional measures have been taken by the Issuer to protect the rights of minority shareholders. See "*RISK FACTORS – Following the Offering, the Issuer's controlling shareholder, Samruk-Kazyna, will continue to be able to exercise significant influence over the Issuer, its management and its operations*".

Certain protections are afforded to the Issuer's minority shareholders under the Law on Joint Stock Companies, albeit indirectly. In particular, the Law on Joint Stock Companies:

- requires that all related-party transactions must be approved by disinterested directors and all major transactions must be approved by the board of directors of the joint stock company;
- grants shareholders the right to request certain information from the joint stock company;

- grants shareholders holding, individually or collectively, 10 per cent or more of voting shares of the joint stock company the right to request its board of directors to convene General Meetings of Shareholders and conduct audits;

- provides for cumulative voting when members of the Board of Directors of the joint stock company are being elected;

- under certain circumstances empowers shareholders to demand that the joint stock company purchases (redeems) their shares;

- entitles shareholders holding, alone or in the aggregate with other shareholders, 5 per cent or more of the voting shares to:

  - file a claim with the court for compensation in favour of the joint stock company for losses caused by the officers of the joint stock company and for the return to the joint stock company by the officers and (or) their affiliates of profit (income) received by them as a result of their decision to enter into major transactions and (or) related-party transactions in cases stipulated by the Law on Joint Stock Companies;

  - propose to the Board of Directors of the joint stock company to include additional issues in the agenda of the General Meeting of Shareholders;

- obtain information on the amount of remuneration based on the results of the year for an individual member of the Board of Directors and (or) the executive body in accordance with the procedure established by the Law on Joint Stock Companies; as well as

- apply to the Central Depository in order to combine their votes with other shareholders when making decisions at General Meetings of Shareholders.

In addition to the above remedies under Kazakhstan law, certain related party transactions and major transactions are subject to the approval of disinterested shareholders.

For a detailed description of the rights attached to the Issuer's ordinary shares, see "*DESCRIPTION OF THE CHAPTER, AUTHORISED CAPITAL AND APPLICABLE LAWS OF KAZAKHSTAN — Rights granted by shares and limitation of these rights*".

To the best of the Issuer's knowledge, none of the controlling shareholders, the members of the Board of Directors or the members of the Management Board intends to acquire the Shares in the Offering. To the best of the Issuer's knowledge, no person intends to acquire Shares in the Offering resulting in the more than 5 per cent shareholdings (individually or acting in concert).

In addition, several minority shareholders holding in aggregate 10 per cent or more of the company's voting shares may be considered a major shareholder if they enter into an agreement among themselves in accordance with the Law on Joint Stock Companies. In such case, these shareholders may also exercise the following rights of a major shareholder provided for by Article 14.2 of the Law on Joint Stock Companies:

- demand an extraordinary General Meeting of Shareholders or file a lawsuit with the court to convene it if the Board of Directors refuses to convene the General Meeting of Shareholders;

- request a meeting of the Board of Directors;

- demand that the audit organisation conduct an audit of the company at its own expense.

Samruk-Kazyna

Samruk-Kazyna is wholly owned by the Government and is the national management holding company for numerous quasi-state companies in Kazakhstan.

In 2006, the state block of shares of the Issuer was transferred to Joint Stock Company "Kazakhstan Holding for the Management of State Assets "Samruk" ("**Samruk**"), which was, in turn, 100 per cent owned by the Government. In order to strengthen the competitiveness and sustainability of Kazakhstan's economy, prevent negative impact of changes in the world markets on the country's economic growth, Samruk-Kazyna was established in 2008 in accordance with the Presidential Decree No. 669 dated 13 October 2008 and the Government Resolution No. 962 dated 17 October 2008 by merging Samruk and Joint Stock Company "Kazyna Sustainable Development Fund".

Samruk-Kazyna is a joint stock company whose shares are owned by the State Property and Privatisation Committee of the Ministry of Finance on behalf of the Republic of Kazakhstan. The main purpose of Samruk-Kazyna is to manage shares (participation interests) in state development institutions, national companies and other legal entities owned by it in order to maximise their long-term value and increase their competitiveness in the world markets. Samruk-Kazyna owns shares in companies operating in the oil and gas, mining, chemical, nuclear and transportation industries, financial sector, energy, telecommunications, pharmaceuticals, real estate and construction sectors.

The management of Samruk-Kazyna is governed by the general rules of corporate governance applicable to all joint stock companies in Kazakhstan and the Law of the Republic of Kazakhstan No. 550-IV "On the National Welfare Fund" dated 1 February 2012 (as amended and supplemented) ("**Law on the NWF**"). Accordingly, the corporate governance structure of Samruk-Kazyna is as follows: the Government, as a shareholder, is the supreme governing body, the Board of Directors is the management body and the Management Board is the executive body.

The members of Board of Directors Samruk-Kazyna are appointed by the Government and its current members include the Prime Minister, the Minister of National Economy, the First Deputy Head of the Administration of the President of the Republic of Kazakhstan, two independent directors and the Chairman of the Management Board of Samruk-Kazyna.

The legal address of Samruk-Kazyna is 17/10 Syganak Street, 010000, Astana, Republic of Kazakhstan and the telephone number is +7 (7172) 55 40 01.

Related party transactions

In the ordinary course of business, the Issuer enters into transactions with related parties. The Issuer's related parties include:

(i) key management personnel of the Group;

(ii) entities in which the key management personnel of the Group directly or indirectly hold a significant interest;

(iii) other entities controlled by the Government (including entities within the group of the Issuer's major shareholder, Samruk-Kazyna).

Related party transactions are conducted in accordance with the laws of the Republic of Kazakhstan, including the Law on Joint Stock Companies, AIFC MAR (following AIX listing of the Shares) as well as internal regulations of Samruk-Kazyna, on terms agreed by the parties. The terms of related party transactions do not necessarily correspond to market rates, except for certain regulated services, which are provided based on tariffs offered to related and third parties.

The procedure for entering into transactions between companies of the group of Samruk-Kazyna is governed by the Law on the NWF, under the provisions of which the Fund's Board of Directors is empowered to determine the procedure for entering into transactions between companies of the "Fund Group". The "Fund Group" comprises: (i) the Fund; (ii) entities in which the Fund holds more than 50 per cent of the voting or shares or participation interest (the "Fund Organizations"); (iii) subsidiaries of the Fund Organisations in which the Fund Organisations hold more than 50 per cent of the voting shares or participation interest (the "subsidiary undertakings"); and (iv) companies in which the subsidiary undertakings hold more than 50 per cent of the voting shares or participation interest.

On 27 April 2009, the Fund's Board of Directors approved the Rules for conclusion of transactions between companies of the Fund Group (the Rules for conclusion of transactions between organisations included in the group of Samruk-Kazyna, in respect of the execution of which special conditions are established by the Law on Joint Stock Companies). These rules authorise the Issuer's Management Board to make decisions on entering into transactions with other companies of the Fund Group (the decision is considered adopted if 75 per cent of all members of the Issuer's Management Board voted for the decision). The Issuer's Board of Directors is also authorised at its discretion to resolve to enter into a transaction with companies of the Fund Group by a simple majority of votes.

Disclosure of related party transactions during the period covered by the historical financial information

Terms and conditions of related party transactions

Related party transactions were entered into on terms agreed between the parties, which may not necessarily be at market rates, except for certain regulated services, which are provided on the basis of tariffs offered to related and third parties.

Balance of operations

The following table presents the balances of related party transactions as of 30 June 2023 (audited) and 31 December 2022 (audited):

in thousands of Tenge		**Subsidiary undertakings in the Fund Group**	**Samruk-Kazyna associates**	**Samruk-Kazyna joint ventures**	**Associated companies of the Group**
Service implementation	2023	23,502,823	3,224,956	1,367,317	300,920
	2022	17,185,415	3,660,169	1,221,686	183,429
Purchases of services and goods	2023	13,040,926	955,821	-	30,206
	2022	11,431,681	915,130	-	21,553
Amortisation of discount on long-term receivables	2023	33,619	-	-	-
	2022	39,616	-	-	-
Amortisation of discount on long-term accounts payable	2023	222,786	-	-	-
	2022	299,558	-	-	-

Receivables and payables at 30 June 2023 and 31 December 2022 from related party transactions represent the following:

in thousands of Tenge		**Subsidiary undertakings in the Fund Group**	**Samruk-Kazyna associates**	**Samruk-Kazyna joint ventures**	**Associated companies of the Group**
Short-term trade receivables for the sale of services	2023	2,698,986	424,011	98,571	71,520
	2022	4,196,537	706,405	137,722	58,744
Accounts receivable for sale of fixed assets	2023	769,616	-	-	-
	2022	694,735	-	-	-
Accounts payable for property complex	2023	4,243,350	-	-	-
	2022	6,379,501	-	-	-
Short-term trade and other payables for purchased services	2023	1,940,013	175,515	42,685	4,910
	2022	1,446,569	208,615	582	8,821

Revenue and cost of sales, trade accounts receivable and payable

The sale of services to related parties is mainly represented by electricity transmission, services for technical dispatching and organisation of balancing the production and consumption of electricity, services for maintaining the readiness of electric power. Acquisitions of services from related parties mainly include telecommunications services, energy services, purchase of electricity, purchase of power capacity maintenance services, postal services and software technical support.

Other receivables

On 30 September 2015, the Group sold buildings and constructions with complex of equipment and adjacent land plots located in Astana to a related party – Kazpost JSC for 2,161,476 thousand Tenge. In accordance with the sale agreement Kazpost JSC will pay the debt in equal monthly installments until June 2027. Accordingly, the Group discounted future cash flows at a market discount rate of 10.37 %. As at 30 June 2023, unamortised discount on receivables from Kazpost JSC amounted to 139,500 thousand Tenge. As at 30 June 2023 the amount of receivables less discount amounted to 630,116 thousand Tenge, where the amount of 449,981 thousand Tenge was included in long-term receivables from related parties (*as at 31 December 2022 the amount of receivables minus discount amounted to 694,735 thousand Tenge, the amount of long-term receivables from related parties amounted to 514,613 thousand Tenge*). For the six months ended 30 June 2023, the Group recognised income from amortisation of discount in the amount of 33,619 thousand Tenge (*for the six months ended 30 June 2022: 39,616 thousand Tenge*).

As at 30 June 2023, the Group had receivables for sale of property, plant and equipment of Balkhashskaya TES JSC to a related party in the amount of 220,494 thousand Tenge (*as at 31 December 2022: 220,494 thousand Tenge*). In accordance with the sale agreement Balkhashskaya TES JSC was to pay the debt by the end of 2018, however, as at 30 June 2023 the debt has not been repaid. Due to the suspension of construction of Balkhashskaya TES, the Group's management decided to accrue a provision for expected credit losses ("**ECL**") of 100 % in 2018. The total ECL for trade receivables from related parties as at 30 June 2023 was 306,511 thousand Tenge.

The total ECL on trade receivables from related parties as at 31 December 2022 was 312,336 thousand Tenge.

The total ECL for trade receivables from related parties as at 31 December 2021 was 271,744 thousand Tenge.

Accounts payable for property complex and amortisation of discount

In November-December 2020 the Group acquired the property complex from a related party – Karabatan Utility Solutions LLP for 11,794,689 thousand Tenge. In accordance with the sale and purchase agreement, the Group is required to pay the debt in equal annual installments until 25 March 2025. Accordingly, the Group discounted future cash flows at a market interest rate of 10.25 %. As at 30 June 2023, unamortised discount on accounts payable of Karabatan Utility Solutions LLP amounted to 474,526 thousand. As of 30 June 2023, the amount outstanding net of discount amounted to 4,243,350 thousand Tenge, of which 2,163,124 thousand Tenge was included in long-term payables from related parties. For the six months ended 30 June 2023, the Group recognised an expense from amortisation of discount on long-term payables in the amount of 222,786 thousand Tenge.

As at 31 December 2022, unamortised discount on accounts payable of Karabatan Utility Solutions LLP amounted to 697,311 thousand Tenge. The amount of payables less discount amounted to 6,379,501 thousand Tenge, of which 4,146,691 thousand Tenge was included in long-term payables from related parties. For the year ended 31 December 2022, the Issuer recognised an expense from amortisation of discount on long-term payables in the amount of 569,384 thousand Tenge.

As at 31 December 2021, the discount on accounts payable of Karabatan Utility Solutions LLP amounted to 1,266,696 thousand Tenge. The amount of debt minus the discount amounted to 8,169,055 thousand Tenge, of which 5,972,684 thousand Tenge was included in long-term accounts payable from related parties. For the year ended 31 December 2021, the Issuer recognised an expense from amortisation of discount on long-term debt in the amount of 712,262 thousand Tenge.

Other

The amount of the Government's guarantee under the IBRD loan as at 30 June 2023 was 11,829,758 thousand Tenge. The remuneration of key management personnel and all other related costs (taxes, contributions, sick leave, vacation pay, material assistance, etc.) included in payroll expenses amounted to 327,590 thousand Tenge for the period ended 30 June 2023. The remuneration of key management personnel mainly consists of salaries and performance-based remuneration based.

As at 31 December 2022, the amount guaranteed by the Government under the IBRD loan was 12,590,206 thousand Tenge (*31 December 2021: 37,835,274 thousand Tenge*). The remuneration of key management personnel and all other related costs (taxes, contributions, sick leave, vacation pay, material assistance, etc.) included in salary expenses in the accompanying separate statement of comprehensive income amounted to 279,176 thousand Tenge for the year ended 31 December 2022 (*for the year ended 31 December 2021: 313,976 thousand Tenge*).

Relationship Agreement

The Relationship Agreement was entered into between the Issuer and the Fund on 6 October 2014 to settle certain aspects of the relationship between the Issuer and the Fund.

The Relationship Agreement sets out a number of basic principles under which: (i) the Issuer should be managed with due regard to the interests of the Issuer and the fair treatment of all shareholders of the Issuer; and (ii) the Fund should not act or fail to act if such action or failure to act would prejudice the Issuer's status as a listed entity; (iii) the Fund will use reasonable efforts to ensure that the members of the Board of Directors who are representatives of the Fund vote in accordance with best corporate governance practices; (iv) the Fund and the Issuer will use reasonable efforts to ensure that the Issuer pays dividends in accordance with the Dividend policy and the Issuer's Charter; (v) the Issuer and the Fund will conduct any transactions and relationships between the Fund and/or its subsidiary undertakings and the Issuer and/or its subsidiary undertakings on conventional market terms and strictly on an arm's length basis, including those accepted in the business practices of the Fund's Group and, undertake that all related party transactions will be conducted in accordance with the requirements of the laws of Kazakhstan and the regulations of the KASE. The Fund will not take any action or fail to act if such action or failure to act could prevent the Issuer and its subsidiary undertakings from conducting their business on the terms set out above; and (vi) the Fund will not subject the Issuer and its subsidiary undertakings to internal regulations approved by the Fund, the implementation of which would impair the rights of the Issuer's shareholders provided for under the laws of Kazakhstan which they have in connection with the ownership of the Shares. See also "*RISK FACTORS – KEGOC may not be able to enforce its rights under the Relationship Agreement*".

Other material transactions and transactions with related parties during the reporting period to the date of this Prospectus

Transactions with related electricity producers

KEGOC purchases electricity at tariffs within the limits approved by the state authorities from GRES-1 to compensate for the technological costs of transmission through the power grid and for KEGOC's economic needs. The terms of the concluded contracts provided for electricity supply in the following volumes and amounts: in 2021 – in the amount of 2,500,000,000 kWh for the amount of 14,840,000,000 Tenge including VAT, in 2022 – in the amount of 2,500,000,000 kWh for the amount of 20,944,000,000 Tenge including VAT, in 2023 – in the amount of 2,500,000,000 kWh for the amount of 22,036,000,000 Tenge.

The table below presents historical data on the amounts paid for the services (excluding VAT) of GRES-1 during the periods of the years of 2021, 2022 and the six months of 2023.

Supplier	**GRES-1**
	thousands of Tenge, excl. VAT
2021	15,927,977.42
2022	17,332,627.86
2023 (6 months)	9,873,127.24
Total	43,133,732.52

Transactions with Batys Transit

Batys Transit is not part of the Group but is an affiliate of KEGOC which owns a 20 % equity interest in Batys Transit. Batys Transit was established for the construction of the North Kazakhstan – Aktobe region interregional power transmission line, of which it is now the operator. KEGOC utilizes the electricity transmission services provided by Batys Transit. Batys Transit utilises electricity generation and consumption balancing services provided by KEGOC. As KEGOC and Batys Transit are natural monopolies, the contractual prices between them are set in accordance with the tariffs approved by the regulator.

Purchase of bonds and other securities from related parties

On 3 December 2020 the Group purchased coupon bonds of Samruk-Kazyna on the KASE. The bonds mature on 3 December 2023. The bonds were classified as carried at amortised cost and initially recognised at fair value using a discount rate of 10.9 %. Also, on 7 December 2020 the Group purchased coupon bonds of Samruk-Kazyna on the KASE with the maturity date on 3 December 2023. The bonds were classified as carried at amortised cost and initially recognised at fair value using a discount rate of 10.9 %. Samruk-Kazyna bonds are classified as a financial asset measured at amortised cost as at 30 June 2023 – 30,021,390 thousand Tenge, as at 31 December 2022 – 30,072,911 thousand Tenge, as at 31 December 2021 – 30,144,252 thousand Tenge.

On 26 April 2019, the Issuer purchased 4,200,000 eurobonds of the Ministry of Finance of the Republic of Kazakhstan at a rate of 3.875 % per annum and maturity until October 2024 at a price above par for a total amount of 4,368 thousand U.S. Dollars (*equivalent of 1,968,564 thousand Tenge as at the reporting date*).

During 2023, the Group purchased short-term discount notes of the NBK on the KASE in the total amount of 45,000,000 thousand Tenge. The amount of repayments of notes of the NBK for the six-month period ended 30 June 2023 amounted to 47,555,591 thousand Tenge (*for the six months ended 30 June 2022: 14,000,000 thousand Tenge*). During the six months ended 30 June 2023 the Group recognised finance income in the amount of 528,017 thousand Tenge (*for the six months ended 30 June 2022: 353,519 thousand Tenge*).

During 2022, the Group purchased short-term discount notes of the NBK on the KASE in the total amount of 36,933,373 thousand Tenge (*2021: 66,747,566 thousand Tenge*). The amount of redemptions of notes of the NBK for the year ended 31 December 2022 was 32,117,343 thousand Tenge (*2021: 78,930,920 thousand Tenge*). During the year ended 31 December 2022, the Group recognised finance income in the amount of 600,395 thousand Tenge (*2021: 681,430 thousand Tenge*).

Transaction with Samruk-Kazyna Construction JSC

In January 2021, the Group sold land plots to a related party – Samruk-Kazyna Construction JSC, which were recorded as assets held for sale as of 31 December 2020 at a cost of 5,126 thousand Tenge. In accordance with the agreement on the transfer of property, Samruk-Kazyna Construction JSC undertook to transfer premises to the ownership of the Group in the amount of 2,182,037 thousand Tenge. During 2022, Samruk-Kazyna Construction JSC made full payment for the land plot in the amount of 2,182,037 thousand Tenge.

Transaction with Samruk-Kazyna Business Service LLP

In 2017, the Group entered into a long-term contract with a related party, Samruk-Kazyna Business Service LLP, for the provision of software use rights. As at 31 December 2022 the Group's lease receivables were fully repaid (*as at 31 December 2021: 111,895 thousand Tenge*).

Payment of dividends

In September 2023, the GMS of the Issuer approved the payment of dividends for the first half of 2023. The amount payable is about 20,212,292 thousand Tenge for all holders of ordinary shares of the Issuer, which is equal to 77.74 Tenge per one ordinary share.

In May 2023 the GMS of the Issuer approved the payment of dividends for the second half of 2022. The amount payable amounted to 13,153,330 thousand Tenge for all holders of ordinary shares of the Issuer, which is equal to 50.59 Tenge per one ordinary share.

In October 2022, the shareholders approved the distribution of 100 % of net profit for the first half of 2022, as well as a part of retained earnings of previous periods. The amount payable amounted to 17,014,309 thousand Tenge to all holders of ordinary shares of the Issuer, which is equal to 65.44 Tenge per ordinary share.

In May 2022, shareholders approved the distribution of dividends for the second half of 2021. The amount payable amounted to 13,220,929 thousand Tenge to all holders of ordinary shares of the Group, which is equal 50.85 Tenge per one ordinary share.

Other transactions

KEGOC also enters into a number of transactions with organisations of the Fund Group specialising in the provision of such services as personnel training, organisation of seminars, development of test assignments of Samruk Business Academy Private Institution, as well as various services in the field of procurement with Samruk-Kazyna Contract LLP.

KEGOC enters into contracts under the procedures set out in the Samruk-Kazyna Procurement Procedure. Although the Samruk-Kazyna Procurement Procedure requires companies within the Fund Group to hold open tenders for procurement in most cases, it also stipulates a number of exceptions, some of which are aimed at encouraging cooperation within the Fund Group and the conclusion of procurement contracts between companies within the Fund Group. Thus, the Samruk-Kazyna Procurement Procedure provides that the Fund Group companies may purchase services from related parties, where the direct or indirect interest (ownership of voting shares) of the Fund is 50 % or more according to the list attached to the Samruk-Kazyna Procurement Procedure, without the need for tenders or other similar procedures.

MANAGEMENT AND GOVERNANCE

Bodies of the Issuer

The Issuer has the following bodies: (i) the General Meeting of Shareholders (the "**GMS**"); (ii) the Board of Directors; (iii) the Management Board; and (iv) the Internal Audit Service.

Shareholders

Shareholders exercise the rights provided for by the Law on Joint Stock Companies, the Law on the NWF, the Issuer's Charter (latest version approved by the decision of the Issuer's Extraordinary General Meeting of Shareholders dated 30 November 2022 (Minutes No. 30), as well as decrees of the President and resolutions of the Government of the Republic of Kazakhstan applicable to the Issuer's shareholders.

Such rights include, among others, the following rights:

- participation in the management of the Issuer in accordance with the procedure established by the laws of the Republic of Kazakhstan and (or) the Issuer's Charter;
- when owning, alone or in aggregate with other shareholders, five per cent or more of the Issuer's voting shares, to propose to the Board of Directors to include additional items on the GMS agenda, as well as to receive information on the amount of remuneration based on the results of the year for an individual member of the Board of Directors and (or) the Management Board, provided that the conditions stipulated by the Law on Joint Stock Companies are met;
- receipt of dividends;
- to claim a part of the property in case of liquidation of the Issuer;
- obtaining information on the Issuer's activities, as well as familiarization with the Issuer's financial statements, in the manner prescribed by the GMS or the Issuer's Charter;
- receipt of statements from the central depository or nominee holder confirming its title to the Issuer's securities;
- nomination by the GMS of candidates for election to the Board of Directors;
- judicial challenge the decisions made by the Issuer's bodies;
- preemptive purchase of shares in the order established by the Law on Joint Stock Companies, except for cases stipulated by legislative acts of the Republic of Kazakhstan;
- Participation in the GMS and voting on issues within the competence of the GMS; and
- participation in decision-making by the GMS on changing the number or type of the Issuer's shares in accordance with the procedure established by the Law on Joint Stock Companies.

A major shareholder of the Issuer also has the right to demand the convening of the extraordinary GMS (in case of refusal to convene it, to file a claim with the court for such convening), the convening of a meeting of the Board of Directors, and the auditing organisation's audit of the Issuer.

The major shareholders and Connected Persons of the Issuer are the Fund (90%+1 of voting shares), the UAPF holding 7.25% – 1 of voting shares, and Connected Persons – directors are members of the Board of Directors and the Management Board of the Fund and the Issuer.

As of the date of this Prospectus, the members of the Fund's Board of Directors and Management Board are:

(a) Composition of the Board of Directors of the Fund:

Full name	Position
Alikhan Askhanovich Smailov	Chairman of the Board of Directors, Prime Minister of the Republic of Kazakhstan
Alibek Sakenovich Kuantyrov	Member of the Board of Directors, Minister of National Economy of the Republic of Kazakhstan
Nurlan Karshagovich Zhakupov	Member of the Board of Directors, Chairman of the Management Board
Bolat Bidakhmetovich Zhamishev	Member of the Board of Directors, Independent Director
Luca Sutera	Member of the Board of Directors, Independent Director
Mohamed Jameel Al Ramahi	Member of the Board of Directors, Independent Director

(b) Composition of the Management Board of the Fund:

Full name	Position
Nurlan Karshigauly Zhakupov	Chairman of the Management Board, member of the Board of Directors
Aidar Karshagovich Ryskulov	Member of the Management Board, Managing Director for Economics and Finance
Saltanat Yerbolovna Satzhan	Member of the Management Board, Managing Director for Development and Privatization
Yernat Kudaibergenovich Berdigulov	Member of the Management Board, Managing Director for Strategy and Asset Management
Nikolay Yuriyevich Kazutin	Member of the Management Board, Managing Director for Legal Support, Insurance and Risks
Yelzhas Muratovich Otynshiyev	Member of the Management Board, Co-Managing Director for Strategy and Asset Management

As of the date of this Prospectus, the members of the Board of Directors and the Management Board of UAPF are:

(a) Composition of the UAPF Board of Directors:

Full name	Position
Vitaliy Alekseevich Tutushkin	Chairman of the Board of Directors, Deputy Chairman of the National Bank of the Republic of Kazakhstan – Head of the Permanent Representative Office of the National Bank of the Republic of Kazakhstan in Almaty
Nazgul Yerikovna Sagindykova	Member of the Board of Directors, Vice Minister of Labor and Social Protection of Population of the Republic of Kazakhstan
Baqytbek Khakimovich Tashenev	Member of the Board of Directors, Chairman of the State Property and Privatization Committee
Askar Raushanuly Yelemessov	Member of the Board of Directors, Independent Director
Prasad Bhamre	Member of the Board of Directors, Independent Director
Aidar Abdrazakhovich Arifkhanov	Member of the Board of Directors, Independent Director
Rakhmet Khibadullayevich Khairullayev	Member of the Board of Directors, Independent Director
Zhanat Bostanovich Kurmanov	Member of the Board of Directors, Chairman of the Management Board

(b) Composition of the Management Board of the UAPF:

Full name	Position
Zhanat Bostanovich Kurmanov	Chairman of the Management Board, member of the Board of Directors

Saule Askarovna Yegeubayeva	Member of the Management Board, Deputy Chairman of the Management Board
Aizhan Maratovna Madiyeva	Member of the Management Board, Deputy Chairman of the Management Board
Arman Timurovich Mukhatov	Member of the Management Board, Managing Director

Quorum and voting process

At any GMS of the Issuer, a quorum shall be present if shareholders present at such meeting in person or through their representatives make up fifty per cent or more of the Issuer's voting shares.

A quorum is present for a repeat GMS if shareholders present at such meeting in person or through their representatives make up forty per cent or more of the Issuer's voting shares.

Voting at the GMS shall be carried out either in person or by absentee voting on the basis of the principle "one share – one vote", except for the following cases:

- if there is a restriction on the maximum number of votes on shares granted to one shareholder in the case established by legislative acts of the Republic of Kazakhstan;
- cumulative voting for the election of members of the Board of Directors; and
- in giving each person entitled to vote at the GMS one vote on procedural issues of the GMS.

The results of voting (in-person or absentee) shall be communicated to shareholders by publishing a report on the results of voting on the internet resource of the financial statements depository and on the Issuer's corporate website, or by sending a written notice to each shareholder.

Board of Directors

The Issuer's governance structure comprises the Board of Directors and the Management Board. The Management Board, including the Chairman of the Management Board, is responsible for the day-to-day management of the Issuer.

The requirements for the corporate governance regime applicable to the Issuer are set out in the Joint Stock Companies Law, the Issuer's Charter, the Corporate Governance Code dated 16 October 2015 approved by the Issuer's GMS, the regulations on the Board of Directors and its committees. *See "MANAGEMENT AND GOVERNANCE – CORPORATE GOVERNANCE POLICY"*. The Issuer has implemented the AIFC MAR standards of best corporate governance practices in its internal documentation, including the formation of the Board of Directors, its committees from the required number of independent directors, compliance with the requirements for the Chairman of the Board of Directors, distribution of functions and competences of the Board of Directors and other corporate governance principles (Annex 3 of the AIFC MAR). The Issuer's Board of Directors includes a person with relevant experience in finance and economics.

The Board of Directors is responsible for the general management of the Issuer's activities, provides strategic management of the Issuer and supervision of the Management Board, and makes decisions on all aspects of the Issuer's activities, except for matters expressly referred to the competence of the GMS in accordance with the Law on Joint Stock Companies and the Issuer's Charter. In particular, the powers of the Board of Directors include, among others, the following:

- determining the priority areas of the Issuer's activities and approving the Issuer's Development Plan (Strategy) and Action Plan (Business Plan), as well as monitoring the implementation of the Development Plan (Strategy) and Action Plan (Business Plan), major and significant investment projects;
- approval of the Issuer's financial development programme, annual report and sustainable development report;
- determining the terms and conditions of issuing bonds and derivative securities of the Issuer and making a decision on their issuance, making a decision on the Issuer's repurchase of outstanding shares or other securities and their repurchase price;

- preliminary approval of half-year and annual financial statements, approval of interim financial statements;
- making a decision on convening annual and extraordinary GMSs;
- making decisions on acquisition (alienation) by the Issuer of ten or more per cent of shares (participatory interests in the authorised capital) of other legal entities;
- making a decision to increase the Issuer's liabilities by an amount equal to ten per cent or more of its equity capital;
- making decisions on the Issuer's entering into interested party transactions, except for transactions, decisions on which are made on the basis of the procedure determined by the Board of Directors of Samruk-Kazyna in accordance with the Law on the NWF and the Issuer's Charter;
- making a decision on the Issuer's entering into interested-party transactions with entities belonging to the group of companies of the Fund, as a result of which the Issuer acquires or disposes of (may acquire or dispose of) property, the value of which is five or more per cent of the total value of the Issuer's assets;
- making a decision on conclusion by the Issuer of transactions or a set of interrelated transactions as a result of which the Issuer acquires or disposes of (may acquire or dispose of) property, the value of which is ten per cent or more of the total value of the Issuer's assets.

Members of the Board of Directors are appointed by the GMS for a term not exceeding three years (but may be re-elected for up to three years, with re-election for more than six years being considered if qualitative renewal of the Board of Directors is necessary), independent directors may not serve on the Board of Directors for more than nine consecutive years (although this restriction is subject to certain exceptions). Members of the Management Board may not be elected to the Board of Directors, except for the Chairman of the Management Board, who in turn may not be elected Chairman of the Board of Directors. As at the date of this Prospectus, the Board of Directors comprises seven members, three of whom, namely Mr. Nurlan Zamanbekovich Akhanzaripov has been appointed as Senior Independent Director, Mr. Marat Turganbekovich Dulkairov and Mr. Damir Serkbayevich Suyentayev have been appointed as Independent Non-Executive Directors and Mr. Yernat Kudaybergenovich Berdigulov is the Chairman of the Board of Directors.

Quorum and voting process

Meetings of the Board of Directors are held in accordance with the work plan approved before the beginning of the calendar year, including a list of issues to be considered and a schedule of meetings with indication of dates (the recommended frequency of such meetings is 8-12 meetings per year). The quorum for meetings of the Board of Directors shall be at least half of the elected members of the Board of Directors. In the absence of a quorum (when the total number of members of the Board of Directors is not enough to achieve a quorum), the Board of Directors shall convene an extraordinary GMS to elect new members of the Board of Directors (given that the remaining members of the Board of Directors may only vote in favour of the decision to convene such an extraordinary meeting).

Each member of the Board of Directors has one vote (for voting in-person or absentee) and decisions are made by a simple majority (but there are certain exceptions) of the votes of the members of the Board of Directors present at such meeting. In case of an equality of votes, the Chairman of the Board of Directors or the person presiding at such meeting shall have a deciding vote.

Composition of the Board of Directors

The Issuer's Board of Directors consists of the following members:

Full name	Date of birth	First appointed	Term expires	Current position
Yernat Kudaybergenovich Berdigulov	3 September 1987	24 November 2021	2024	Chairman of the Issuer's Board of Directors
Nurlan Zamanbekovich Akhanzaripov	17 December 1965	26 June 2020	2024	Member of the Issuer's Board of Directors, Senior Independent Director
Marat Turganbekovich Dulkairov	4 June 1947	31 July 2023	2024	Member of the Issuer's Board of Directors, Independent Director
Damir Serkbaevich Suyentayev	15 January 1984	18 July 2022	2024	Member of the Issuer's Board of Directors, Independent Director
Almat Kunzholovich Zhamiyev	8 November 1979	10 March 2022	2024	Member of the Issuer's Board of Directors
Kanysh Tanirbergenovich Moldabayev	23 October 1963	27 April 2021	2024	Member of the Issuer's Board of Directors
Nabi Yerkinovich Aitzhanov	11 September 1980	1 August 2023	2024	Member of the Issuer's Board of Directors, Chairman of the Issuer's Management Board

Yernat Kudaybergenovich Berdigulov. Mr. Berdigulov has been a member of the Issuer's Board of Directors since 24 November 2021 and Chairman of the Board of Directors since 10 March 2022. Mr. Berdigulov has worked in Samruk-Kazyna for the last 5 years (Project Manager (project office for the implementation of the Management Reporting System), Analyst of the Asset Management Directorate of the Fund, Co-Managing Director for Strategy, Sustainable Development and Digital Transformation), more than 10 years in Samruk-Energy JSC (Director of the Project Management Department, Director of the Strategic Development Department, Advisor to the Chairman of the Management Board, Director of Analytical Support, Advisor to the Chairman of the Management Board on Financial and Economic Issues), and more than 10 years in Samruk-Energy JSC. Mr. Berdigulov has experience on the Boards of Directors/Supervisory Boards of Samruk-Kazyna Construction JSC, NARI Qazlnnvations JSC, Tau-Ken-Samruk JSC, Nuclear Power Plants LLP, UCC LLP. Mr. Berdigulov has international experience in OEA, Dubai Whiteshield Partners.

Nurlan Zamanbekovich Akhanzaripov. Mr. Akhanzaripov has been a member of the Board of Directors and an independent director of the Issuer since 26 June 2020 and has been elected Chairman of the Nomination and Remuneration Committee, a member of the Audit Committee and a member of the Strategy, Corporate and Sustainability Development Committee of the Issuer's Board of Directors. In April 2022, Mr. Akhanzaripov was appointed as the Issuer's Senior Independent Director. Mr. Akhanzaripov has over 22 years of senior management experience in the oil and gas sector, including over 12 years as Chief Financial Officer of Kazakhstan's national oil and gas companies. Mr. Akhanzaripov has overseas experience in senior management positions at PDO Petroleum Development of Oman in the Sultanate of Oman (an operating subsidiary of Shell) during the period of business transformation and implementation of the new operating model of Shell Holding. Mr. Akhanzaripov has expertise in finance, risk management and audit. Mr. Akhanzaripov was involved, as one of the key employees of the authorised body of the Republic of Kazakhstan, in the implementation of such important oil and gas projects for the Republic of Kazakhstan as the North Caspian Project (Kashagan) and the Beineu-Bozoi-Shymkent gas pipeline. Mr. Akhanzaripov is a member of the Governing Board of the Association of Taxpayers of Kazakhstan "ANK", the Expert Council of the KazEnergy Association and the Association of Independent Directors of the Russian Federation (IDA RF). For more than 6 years he has been an independent director and member of the Board of Directors of SB AlfaBank Kazakhstan JSC (Chairman of the Audit Committee), National Issuer Kazakhstan Engineering JSC (Chairman of the Strategy and Investment Committee, member of the Audit and Nomination Committees), Engineering and Technology Transfer Centre JSC, Kazakhstan

Temir Zholy JSC, AstanaGaz KMG JSC. Currently, he is also an independent member of the Board of Directors of NC QazaqGaz JSC and Areket High Technology Fund JSC.

Marat Turganbekovich Dulkairov. Mr. Dulkairov has been a member of the Board of Directors and an independent director of the Issuer since 31 July 2023 and has been elected as a member of the Strategy, Corporate and Sustainable Development Committee of the Issuer. Between 1965 and 2013 Mr. Dulkairov worked at Magnitogorsk Metallurgical Combine (steelworker, electric fitter, electrician), Alma-Ata Electricity Distribution Networks Enterprise (foreman, senior dispatcher, head of dispatch service), Head of CDS of RUEH Alma-AtaEnergo, Head of Fuel and Energy Complex Department of Alma-Ata City Executive Committee, Chief Engineer of the Almaty Electricity Distribution Networks Enterprise of AIC, Deputy Akim of Almaty, President of JV CJSC Almaty Su (Gorvodokanal), General Director of Almaty Power Consolidated JSC (AIC JSC) and Energy resource company, Deputy Director of the Central Dispatch Department of Unified Energy System of Kazakhstan KEGOC, Vice President of Basis Construction Issuer. From 2015 to date, Mr. Dulkairov has been the General Director of the union of Power Engineers of the Republic of Kazakhstan. Mr. Dulkairov holds an award – Honoured Power Engineer of the Republic of Kazakhstan and CIS.

Damir Serkbayevich Suyentayev. Mr. Suyentayev has been a member of the Board of Directors and an independent director of the Issuer since 18 July 2022 and has been elected Chairman of the Audit Committee of the Board of Directors and a member of the Nomination and Remuneration Committee of the Board of Directors of the Issuer. Mr. Suyentayev has 15 years of experience and has held administrative and managerial positions (manager, chief manager, director of department, managing director, advisor) in such organisations as Kazyna JSC, Samruk-Kazyna, Damu JSC, Kazakhstan Engineering JSC, Atameken NPP, Republican Union of Industrialists of Secondary Metallurgy, Kazakh Humanitarian Law University. Mr Suyentayev has been a member of the Board of Directors, Independent Director, Chairman of the Audit, Strategy, Risk and Human Resources Committee at Kazagrogarant JSC, Kazagromarketing JSC, KOREM, and Ural Zenit Plant JSC for 10 years. Mr. Suyentayev is currently an independent director at GRES-2, Kazakhstan Housing Company JSC, a member of the Coordination Council of the Union of Machine Builders of Kazakhstan, and President of the National Centre of Expertise and Certification JSC. Mr. Suyentayev is a member of the Independent Directors Association of Kazakhstan, Russia, the Institute of Internal Auditors of Kazakhstan, and is on the register of the Professional Association of Corporate Governance of Ukraine. In 2021, Mr. Suyentayev became the first Kazakhstani to hold the highest professional degree of the UK Institute of Directors – Chartered Director. Mr Suyentayev is a member of the Presidential Youth Personnel Reserve.

Almat Kunzholovich Zhamiev. Mr. Zhamiev has been a member of the Issuer's Board of Directors since 10 March 2022 and was elected as a member of the Nomination and Remuneration Committee of the Issuer's Board of Directors. Mr Zhamiev has worked at Samruk-Kazyna JSC for the past 15 years, where he held various positions (Chief Manager of the Legal and Regulatory Work Department, Director of the Legal Support Department, Deputy Chief Director for Legal Affairs, Director of the Legal Support and Methodology Department) and is currently the Director of the Legal Support Department. Mr. Zhamiev was awarded by the Decree of the President of the Republic of Kazakhstan with the state award – medal "Eren enbegi ushin" (2016), has jubilee medals and letters of thanks from the Prime Minister of the Republic of Kazakhstan.

Kanysh Tanirbergenovich Moldabayev. Mr. Moldabayev has been a member of the Issuer's Board of Directors since 27 April 2021 and also holds the position of Chairman of the Strategy, Corporate and Sustainable Development Committee. Mr. Moldabayev started his career in Bayanaul district of electric networks (electric fitter, foreman, dispatcher, chief engineer, president of the jointstock company), then he was Deputy District Akim in the Akimat of Bayanaul district of Pavlodar region, was Head of Electric Power Industry Department in the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan, Director of the Northern IEG branch, Director of the NEG Department of KEGOC, in Samruk-Energy JSC (Managing Director for Strategy and Sales – Member of the Management Board, Managing Director for Development and Sales – Member of the Management Board, First Deputy Chairman of the Management Board, Deputy Chairman of the Management Board, Member of the Management Board, Managing Director for Development, Director of the Department of Innovation and Technological Policy and Development), he also held the position of Deputy General Director of

Kazakhstan Nuclear Power Plants JSC. Mr. Moldabayev has held various positions in Samruk-Kazyna (Director of Energy and Mining Assets Directorate, Director of Industrial Assets Management). Mr. Moldabayev has experience as a member of the Board of Directors/Supervisory Boards of Samruk-Green Energy LLP, MAEK-Kazatomprom LLP, KOREM JSC. Mr. Moldabayev has a jubilee medal "KEGOC 25 zhyl", orders "Parasat" and "Kurmet", medals "Kazakhstan Republicasynyn tauelsizdigine 10 zhyl", "KazEnergy", a certificate of honour from the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan, and the title "Honoured Power Engineer of the CIS".

Nabi Yerkinovich Aitzhanov. Mr. Aitzhanov was elected as a member of the Board of Directors and Chairman of the Management Board of the Issuer from 1 August 2023. Mr Aitzhanov has over 20 years of management experience. He started his career in 2001 as a Lead Engineer of the Forecasting and Analytical Centre of Kokshetau Energy LLP. He worked as a Leading Engineer, Director for Electricity Sales of Kokshetau Energy Sales LLP, Deputy Head of Commercial Dispatching Department of Turkestan Energy LLP, Leading Specialist, Head of Corporate Development Department of Kazakhstan Utility Systems JSC, Deputy Director, Director of Energopotok LLP, Director of Energo Sales LLP, General Director of Ontustik Zharyk Transit LLP and Karaganda Energy Centre LLP. Mr. Aitzhanov was General Director of the Energy Holding Company of Kazakhstan Utility Systems LLP for 13 years. Mr. Aitzhanov has experience as Chairman of the Board of Directors/Supervisory Board of Energopotok LLP, Ontustik Zharyk Transit LLP, Karaganda Zharyk LLP, Karaganda Energy Centre LLP and Mangistau Regional Power Grid Company JSC. He is a member of the Board of Directors of Kazakhstan Electric Power Association and Kazakhstan Association of Oil, Gas and Energy Complex Organisations KAZENERGY. Mr. Aitazhnov has been awarded the Medal "Halyk algysy" (2021), the Order of the Republic of Kazakhstan "Kurmet" (2018), anniversary medals "20 zhyl of Independence of the Republic of Kazakhstan" (2011) and "25 zhyl of Independence of the Republic of Kazakhstan" (2016), has the titles "Honoured Power Engineer of the CIS" (2011) and "Enbegi singen energy. Kazakhstan Elektr Energetikalyk Kauymdastygy" (2016).

Committees of the Board of Directors

The Issuer's Board of Directors consists of Audit Committee, Nomination and Remuneration Committee and Strategy, Corporate and Sustainability Development Committee.

Audit Committee

The Audit Committee is an advisory and consultative body of the Issuer's Board of Directors and was established for in-depth study of issues falling within the competence of the Board of Directors or studied by the Board of Directors as part of the control of the Issuer's Management Board. This Committee considers all issues related to internal and external audit (Compliance Service), the system of control over financial and economic activities and risk management, and develops and submits recommendations to the Board of Directors as necessary.

As at the date of this Prospectus, the Audit Committee comprises the following members:

Full Name	**Position**
D.S. Suyentayev	Chairman of the Committee
N.Z. Akhanzaripov	committee member
M.T. Dulkairov	committee member
Ye.S. Mynzhanov	expert (non-voting)

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is an advisory and consultative body of the Board of Directors and makes recommendations to the Board of Directors on the general policy for the election and appointment of candidates for independent directors, members of the Management Board, the Corporate Secretary and the Ombudsman, and on remuneration issues (including the implementation of a remuneration system) for directors, members of the Management Board, the Corporate Secretary, the Ombudsman, and the provision of social support to the Issuer's employees. The activities and recommendations of the Nomination and Remuneration Committee are the basis for succession planning and performance evaluation of members of the Board of Directors and the Management Board, Independent Directors, Corporate Secretary, Ombudsman. The role of the Nomination and Remuneration Committee also includes ensuring an effective HR policy, remuneration system, social support, professional development and professional training of members of the Board of Directors and the Management Board, Independent Directors, Corporate Secretary, Ombudsman.

As at the date of this Prospectus, the Nomination and Remuneration Committee comprises the following members:

Full name	**Position**
N.Z. Akhanzaripov	Chairman of the Committee
D.S. Suyentayev	committee member
A.K. Zhamiev	committee member
S.S. Tyutebayev	expert (non-voting)

Strategy, Corporate and Sustainable Development Committee

The Corporate and Sustainable Development Strategy Committee is an advisory and consultative body of the Board of Directors and provides recommendations to the Board of Directors on defining the Issuer's strategy, improving corporate governance, promoting the principles of sustainable development, and creating a culture of occupational health and safety.

As at the date of this Prospectus, the Corporate and Sustainability Strategy Development Committee comprises the following members:

Full name	**Position**
K.T. Moldabayev	Chairman of the Committee
N.Z. Akhanzaripov	committee member
M.T. Dulkairov	committee member
S.S. Tyutebayev	expert (non-voting)

The official address of each of the members of the Board of Directors and members of the committees of the Board of Directors is the Issuer's registered office: Republic of Kazakhstan, Z00T2D0, Astana, district Almaty, 59, Tauelsizdik Avenue, telephone numbers: +7 (7172) 69 02 98, +7 (7172) 69 02 93, +7 (7172) 69 02 92.

Management Board

The Management Board carries out day-to-day management and governance of the Issuer's day-to-day activities, makes decisions on any issues not referred by the legislation of the Republic of Kazakhstan and the Issuer's Charter to the competence of other bodies and officials of the Issuer. The Management Board reports to the Board of Directors and the GMS. The duties of the Management Board include, among others, the following functions:

- develops, approves and submits to the Board of Directors for approval the Issuer's development plan (strategy), action plan (business plan), implements them and is responsible for their execution;
- approves the Issuer's internal documents for the purpose of organising the Issuer's operating activities (except for those approved by the GMS and the Board of Directors);

- making a decision on entering into related-party transactions between KEGOC and organisations included in the Fund's Group of companies, based on the procedure determined by the Fund's Board of Directors in accordance with the Law on the NWF, except for transactions that are decided upon by the Board of Directors in accordance with the Issuer's Charter;

- making a decision on the Issuer's entering into transactions or a set of interrelated transactions as a result of which the Issuer acquires or disposes of (may acquire or dispose of) property, the value of which is more than one and less than ten per cent of the total value of the Issuer's assets, except for transactions which are decided upon by the Chairman of the Management Board in accordance with the Issuer's Charter;

- develops policies regarding the appointment of officials in legal entities whose shares (participatory interests) are owned directly or indirectly by the Issuer.

The Board of Directors decides on the election, re-election and early termination of powers of members of the Management Board (except for the Chairman of the Management Board, whose appointment and early termination of powers is carried out by decision of the GMS). The Chairman and members of the Management Board shall be elected for a term not exceeding three years. Members of the Management Board may be shareholders and employees of the Issuer. As at the date of this Prospectus, the Management Board consists of five members, and the Chairman of the Management Board is Nabi Yerkinovich Aitzhanov.

Quorum and voting process

Meetings of the Management Board shall be held on a regular basis, in accordance with the approved work plan, as well as when necessary. The quorum for meetings of the Management Board shall be at least half of the elected members of the Management Board. Each member of the Management Board shall have one vote (for voting in person, and in exceptional cases in absentia) and decisions shall be made by a simple majority of votes of the members of the Management Board present at the meeting. In case of equality of votes, the Chairman of the Management Board shall have the deciding vote. Control over the execution of tasks specified in the decisions of the Management Board shall be exercised by the Chairman of the Management Board or its members on supervised issues or by a person entrusted with such control by the decision of the Management Board, while organisational and technical control over the execution of decisions of the Management Board shall be exercised by the Secretary of the Management Board.

Composition of the Management Board

Determination of the number of members, term of office of the Management Board, election and early termination of the powers of members of the Management Board (except for the Chairman of the Management Board), as well as making decisions on imposing and early removal of disciplinary sanctions against the Chairman and members of the Management Board fall within the exclusive competence of the Board of Directors. The appointment (election) and early termination of powers of the Chairman of the Management Board falls within the exclusive competence of the GMS.

As at the date of this Prospectus, the Issuer's Management Board comprises five members:

Full name	Date of birth	First appointed	Term expires	Current position
Nabi Yerkinovich Aitzhanov	11 September 1980	1 August 2023	2026	Chairman of the Issuer's Management Board, Member of the Issuer's Board of Directors
Bakytkhan Medegaliyevich Zhazykbayev	02 August 1968	17 February 2012	2024	Deputy Chairman of the Management Board, Member of the Management Board

Tolegen Yesenkululy Safuani	23 March 1979	16 June 2017	2024	Member of the Management Board, Managing Director for Legal Support and Risks
Aigul Yermekbayevna Akimbayeva	23 January 1978	26 May 2022	2024	Member of the Management Board, Managing Director for Finance and Accounting
Elvira Bakhytovna Konakhbayeva	02 October 1987	1 February 2022	2024	Member of the Management Board, Managing Director for Strategy and Sustainable

Nabi Yerkinovich Aitzhanov. Mr. Aitzhanov has been the Chairman of the Issuer's Management Board since 1 August 2023. Mr. Aitzhanov graduated from S. Seyfulin Akmola Agrarian University with a degree in Economics and Management. From 2001 to 2023 Mr. Aitzhanov worked at Kokshetau Energo LLP (specialist – leading engineer of forecasting and analytical centre), Kokshetau Energo Sales LLP (leading engineer – director of electricity sales), Turkestan Energo LLP (deputy head of commercial dispatching department), Kazakhstan Utility Systems JSC (Leading Specialist – Head of Corporate Development Department, General Director), Energopotok LLP (Director), Ontustik Zharyk Transit LLP (General Director), Karaganda Energocentre LLP (General Director). Mr. Aitzhanov is a member of the Energy Committee of the National Chamber of Entrepreneurs of the Republic of Kazakhstan "Atameken", the Board of Directors of the Kazakhstan Electric Power Association and the Board of the Kazakhstan Association of Oil, Gas and Energy Organisations "KAZENERGY". Mr. Aitzhanov also holds the position of Chairman of the Board of Directors of Mangistau Regional Power Grid Issuer JSC and Chairman of the Supervisory Board of Karaganda Energocentre LLP, Karaganda Zharyk LLP, Ontustik Zharyk Transit LLP and Energopotok LLP. Mr. Aitzhanov holds the medals "20 zhyl of Independence of the Republic of Kazakhstan", "25 zhyl of Independence of the Republic of Kazakhstan" and "Halyk Algysi", the titles "Honoured Power Engineer of the CIS" and " Energetic. Kazakhstan Elektr Energetikalyk Kauymdastygy", Order of the Republic of Kazakhstan.

Bakytkhan Medegaliyevich Zhazykbayev. Mr. Zhazykbayev has been a member of the Management Board since 17 February 2012 and Deputy Chairman of the Management Board of the Issuer since 21 December 2021. Mr. Zhazykbayev graduated from S. Toraigyrov Pavlodar State University with a degree in Electrical Power Systems and Networks. Mr. Zhazykbayev served as President of Taldykorgan Joint Stock Transport and Power Grid Issuer JSC, Head of the Audit Division, Head of the Audit Department, Deputy Director for Economic Affairs of the Northern IEG branch, and Director of the Aktobe IEG branch. Mr. Zhazykbayev joined the Issuer in 2012 and has held positions such as First Deputy Chairman of the Management Board, Deputy Chairman of the Management Board for Production, Managing Director for Production Asset Management, Managing Director for Production. Mr. Zhazykbayev holds the jubilee medals "Kazakhstan Respublikasynyn tauelsizdigine 20 zhyl" and "KEGOC" JSC 25 zhyl", medals "Elektr energetikasy salasyna koskan үlesi ushin" and "KAZENERGY", Orders of the Republic of Kazakhstan "Kurmet" and "Parasat", certificates of honour of the CIS Electric Power Council and the Issuer, honorary titles "Enbegi singen energetik. Kazakstan Elektr Energetikalyk Kauymdastygy" and "Honoured Power Engineer of the CIS", honorary badge "Honourable Power Engineer of the Republic of Kazakhstan", commemorative badge "Kazakhstan Constitutionsyna 10 zhyl", title "Honourable Citizen of Karatal district of Almaty region".

Tolegen Yesenkululy Safuani. Mr. Safuani has been a member of the Issuer's Management Board since 16 June 2017 and also holds the position of Managing Director for Legal Support and Risks of the Issuer and a member of the Board of Directors of Energoinform JSC. Mr. Safuani graduated from the Kazakh State Law Academy with a degree in law. Mr. Safuani joined the Issuer in 2005 and has held such positions as Leading, General Counsel of the Claims and Litigation Division of the Legal Department, Head of the Claims and Litigation Division of the Legal Department and Director of the Legal Department. Mr. Safuani was an investigator of the Investigation Department, Department of

Internal Affairs of Saryarka District of Astana, Leading, Chief Specialist – Legal Advisor of the Currency Transactions Control Department, Central Branch of the National Bank of the Republic of Kazakhstan. Mr. Safuani has a jubilee medal "KEGOC 25 zhyl", certificates of honour from the CIS Electric Power Council, "KAZENERGY", Samruk-Kazyna, "Kazakstan Elektr Energetikalyk Kauymdastigynyn kurmet gramotasy" and the Issuer, a medal "Eren enbegi ushin", a badge of honour "Kurmet Energetik".

Aigul Yermekbayevna Akimbayeva. Ms. Akimbayeva has been a member of the Issuer's Management Board since 26 May 2022 and also holds the position of Managing Director for Finance and Accounting of the Issuer. Ms. Akimbayeva graduated from Abay Almaty State University with a degree in Finance and Accounting. She holds various certificates of professional accountant, in the field of business performance management, "The Role of Internal Control and Risk Management System in Corporate Governance" (KPMG), "Implementation of Target Business Process Model "Treasury and "Corporate Finance". Ms. Akimbayeva joined the Issuer in April 2022 as Managing Director for Finance and Accounting of the Issuer. Between 2000 and 2021 Ms. Akimbayeva worked at Kazpost JSC (Leading Specialist, Chief Specialist of the Department of Economic Analysis and Planning, Manager of the Marketing Department, Deputy Head of the Department – Head of the Pricing Department, Head of the Marketing Department, Deputy Director of the Marketing and Sales Department), Mercury LLP (Deputy Head of the Investment Projects Analysis Department), Financial Director at Entertainment Development LLP, Bridge Town LLP, Trading Prodacts LLP, Capital investment fund LLP, Mercury-Invest LLP, Samruk-Energy JSC (Director of the Department of Economic Analysis and Planning, Department of Strategic Development, Department of Economics and Planning, Department of Strategic Planning and Economic Analysis, Co-Managing Director of Economics and Finance). Ms. Akimbaeva has jubilee medals "Kazakhstan Respublikasynyn tauelsizdigine 20 zhyl", JSC "Samruk-Energy" and " Kazakhstan Respublikasynyn tauelsizdigine 30 zhyl", certificates of honour of the CIS Electric Power Council, Ministry of Energy of the Republic of Kazakhstan, Samruk-Kazyna and JSC "Samruk-Energy".

Elvira Bakhytovna Konakhbayeva. Ms. Konakhbayeva has been a member of the Issuer's Management Board since 1 February 2022 and also holds the position of Managing Director for Strategy and Sustainable of the Issuer. Ms. Konakhbayeva graduated from the Kazakhstan Institute of Management, Economics and Forecasting (KIMEP) with a Bachelor of Economics, major in Business Economics, minor in Business and Management, is a Certified Corporate Governance Professional, a Certified Accountability Partner (UK), holds certificates of successful completion of the AA1000 Corporate Social Responsibility Training, successful completion of the IIRC Accredited Training on Integrated Reporting and Accountability (UK), and a Certificate of Completion of the IIRC Accredited Training on Integrated Reporting and Accountability (UK). Ms. Konakhbayeva joined the Issuer in January 2022 as Managing Director, Strategy and Sustainability of the Issuer. From 2007 to 2021, Ms. Konakhbayeva worked at Deloitte LLP (Assistant, Specialist, Senior Specialist, Lead Specialist of the Audit Department), KPMG Tax & Advisory LLP (Manager, Senior Consultant 3, Senior Consultant 1, Consultant 3 of the Management Consulting Department), Samruk-Kazyna (Senior Manager, Director of the Corporate Governance Department). Ms. Konakhbayeva has a jubilee medal "Kazakhstan Constitutionsyna 25 zhyl", a certificate of honour and a letter of gratitude from Samruk-Kazyna.

Committees of the Management Board

The Issuer's Management Board consists of Investment Committee, Risk Committee, Budget Committee, HR Committee, Debtors and creditors Committee, Inventory Committee.

Investment Committee

The Investment Committee is a permanent advisory and consultative body of the Issuer that coordinates the Issuer's investment activities and develops collegial recommendations on investment decisions on individual capital projects and investment programmes.

The main tasks of the Investment Committee are:

- development and coordination of the Issuer's investment strategy;
- identifying and approving capital investment priorities;

- reviewing, evaluating and making decisions on capital projects;
- monitoring and analysing the implementation of capital investment projects.

In accordance with its tasks, the Investment Committee shall perform, among other things, the following functions:

- develops, approves and submits to the Management Board for consideration the investment programme within the framework of the Issuer's action plan (Business Plan), implements it and is responsible for its execution;
- approves internal regulatory documents relating to and/or regulating the Issuer's investment activities;
- develops recommendations for the Management Board on changes to the portfolio of capital investment projects, within the framework of the Issuer's internal documents;
- considers and makes decisions on capital investment projects with regard to detailed feasibility studies, sources and terms of financing, financial schemes of capital project implementation and other issues within the framework of the Issuer's internal documents;
- considers and decides on amendments to the investment budget as part of the procedures for adjusting the annual investment budget;
- makes decisions on creation of working groups for coordination and interaction of investment activity subjects for the purpose of unified management of interrelated capital investment projects that are in the process of initiation, development;
- reviews the progress of capital investment projects and develops appropriate decisions.

As at the date of this Prospectus, the Investment Committee comprises the following members:

Full name	**Position**
Bakytkhan Medegaliyevich Zhazykbayev	Member of the Committee, Deputy Chairman of the Management Board, Member of the Management Board
Aigul Yermekbaevna Akimbayeva	Member of the Committee, Managing Director for Finance and Accounting, Member of the Management Board
Tolegen Yesenkululy Safuani	Member of the Committee, Managing Director for Legal Support and Risks, Member of the Management Board
Elvira Bakhytovna Konakhbayeva	Member of the Committee, Managing Director for Strategy and Sustainable, Member of the Management Board
Yermakhanbet Tillabekovich Atakulov	Member of the Committee, Managing Director for Operations and Capital Construction
Bauyrzhan Primtayevich Arystanov	Member of the Committee, Director of the Department of Exploitation
Zhenis Yesbulatovich Dyusenov	Member of the Committee, Director of the NEG Development Department
Gulmira Yermukhanbetovna Akhmedova	Member of the Committee, Director of the Department of Planning and Economic Analysis
Ravil Mukhtarovich Tazetdinov	Member of the Committee, Director of the Department of Supply and Stockpiles
Zhuldyz Tolendiyevna Zhumabayeva	Member of the Committee, Director of the Risk Management and Internal Control Department
Myrza Nuradinovich Yessengulov	Member of the Committee, Director of the Capital Construction Department
Zhanna Kenzhe-Karimovna Shigaeva	Member of the Committee, Chief Expert of the Project and Performance Management Division of the Strategy and Performance Management Department
Omirzhan Omirbekovich Yesetov	Committee member, Head of the Internal Audit Service (non-voting)

Risk Committee

The Risk Committee (the "Committee") is a working body under KEGOC Management Board and is established to make decisions on KEGOC's risk management issues and to prepare a recommendation to KEGOC Management Board.

In its activities, the Committee shall be guided by the legislation of the Republic of Kazakhstan, the Charter of KEGOC, the Corporate Governance Code, resolutions of KEGOC's bodies, the Regulations and other internal documents of KEGOC. In addition, when carrying out its activities, the Committee shall be entitled to apply recommendations of international institutions on risk management issues.

The Committee shall report to KEGOC Management Board and shall act within the powers granted to it by KEGOC Management Board in accordance with these Regulations.

The Regulation on the Risk Committee was approved by the decision of KEGOC Management Board dated 8 November 2019 (Minutes No. 26).

As at the date of this Prospectus, the Risk Committee comprises the following members:

Full name	**Position**
Nabi Yerkinovich Aitzhanov	Member of the Committee, Chairman of the Management Board of KEGOC
Bakytkhan Medegaliyevich Zhazykbayev	Member of the Committee, Deputy Chairman of the Management Board of KEGOC
Tolegen Yesenkululy Safuani	Member of the Committee, Managing Director for Legal Support and Risks
Aigul Yermekbayevna Akimbayeva	Member of the Committee, Managing Director for Finance and Accounting
Elvira Bakhytovna Konakhbayeva	Member of the Committee, Managing Director for Strategy and Sustainable
Nurzhan Nurmukhanovich Kerimkulov	Member of the Committee, Managing Director for System Services and Development of the NEG
Stanislav Viktorovich Shabanov	Member of the Committee, Managing Director for IT and Telecommunications
Zhanabay Muratbekuly Beksary	Member of the Committee, Managing Director for Social and Labour Relations and Public Relations
Yermakhanbet Tillabekovich Atakulov	Member of the Committee, Managing Director for Operations and Capital Construction
Omirzhan Omirbekovich Yesetov	Member of the Committee, Head of the Internal Audit Service
Kabdulla Serikovich Omarov	Member of the Committee, Director of the Legal Department
Yeraly Tursubekovich Shinasilov	Committee member, Director of the NDC CO Branch Office
Zhuldyz Tolendiyevna Zhumabayeva	Member of the Committee, Director of the Risk Management and Internal Control Department

Budget Committee

The Budget Committee (the "BC") is a working body of KEGOC established for the purpose of making decisions on a collegial basis on the formation of KEGOC's Development Plan and Budgets (except for the Investment Programme), control over the rational allocation and use of KEGOC's financial resources, including those of KEGOC's branches and subsidiaries.

In its activities, the BC shall be guided by the Constitution of the Republic of Kazakhstan, legislative and other normative, legal acts of the Republic of Kazakhstan, the Charter, the Accounting Policy, orders of the sole shareholder of the Fund and internal documents of KEGOC, including documents of the Management Information System, Regulations on the Budget Committee (the "Regulations"). The Regulation was approved by the Order of the President of KEGOC dated 28 March 2008 (Minutes No. 158).

As at the date of this Prospectus, the Budget Committee comprises the following members:

Full name	**Position**
A.E.Akimbayeva	Chairman of the BC, Managing Director for Finance and Accounting
B.M. Zhazykbayev	Deputy Chairman of the BC, Deputy Chairman of the Management Board
Ye.T. Atakulov	Member of BC, Managing Director for Operations and Capital Construction
E.B. Konakhbayeva	Member of BC, Managing Director for Strategy and Sustainable
N.N. Kerimkulov	Member of the BC, Managing Director for System Services and Development of the NEG
J.B. Kuanyshbayev	Member of the BC, Director of the System Services Department
R.M. Tazetdinov	Member of the BC, Director of the Department of Supply and Shares
B.P. Arystanov	Member of the BC, Director of the Operations Department
K.S. Omarov	Member of the BC, Director of the Legal Department
G.Ye. Akhmedova	Member of the BC, Director of the Planning and Economic Analysis Department

HR Committee

The HR Committee is an advisory and consultative body that coordinate the implementation of KEGOC's HR policy.

In its activities, the HR Committee is guided by the legislation of the Republic of Kazakhstan, the Charter of KEGOC, the HR policy of Samruk-Kazyna, the HR policy of KEGOC, decisions of KEGOC management bodies, the Regulation and other internal documents of KEGOC.

The regulation on the HR Committee was approved by KEROC Management Board dated 26 October 2017 (Minutes No. 23).

As at the date of this Prospectus, the HR Committee comprises the following members:

Full name	**Position**
Zhanabay Muratbekuly Beksary	Chairman of the Committee, Managing Director for Social and Labour Relations and Public Relations
Tolegen Yesenkululy Safuani	Deputy Chairman of the Committee, Managing Director for Legal Support and Risks
Bakytkhan Medegaliyevich Zhazykbayev	Member of the Committee, Deputy Chairman of the Management Board
Aigul Yermekbayevna Akimbayeva	Member of the Committee, Managing Director for Finance and Accounting
Elvira Bakhytovna Konakhbayeva	Member of the Committee, Managing Director for Strategy and Sustainable
Yermakhanbet Tillabekovich Atakulov	Member of the Committee, Managing Director for Operations and Capital Construction
Guldana Alimkulovna Iskakova	Member of the Committee, Director of the Human Resources Management Department

Debtors and creditors Committee

As at the date of this Prospectus, the Debtors and Creditors Committee comprises the following members:

Full name	**Position**
A.Ye. Akimbaeva	Member of the Committee, Managing Director for Finance and Accounting
T.Ye. Safuani	Member of the Committee, Managing Director for Legal Support and Risks
N.N. Kerimkulov	Member of the Committee, Managing Director for System Services
R.M. Tazetdinov	Member of the Committee, Director of the Department of Supply and Stockpiles
K.S. Omarov	Member of the Committee, Director of the Legal Department
J.B. Kuanyshbayev	Member of the Committee, Director of the System Services Department
D.T. Mukanova	Member of the Committee, Chief Accountant – Director of Accounting and Tax Accounting Department
J.T. Zhumabayeva	Member of the Committee, Director of the Risk Management and Internal Control Department
M.N. Yesengulov	Member of the Committee, Director of the Capital Construction Department
D.K. Sagintayeva	Member of the Committee, Director of the Treasury and Corporate Finance Department

Inventory Committee

The Inventory Committee is a working body of KEGOC Executive Directorate established to pursue a unified inventory management policy.

The Committee shall consider and decide on the optimisation of inventory, in particular:

- makes decisions on creation of a reserve for illiquid inventory and equipment and on writing off illiquid inventory at the expense of the created reserve (provision);
- determines the value (net cost) of inventories and makes decisions on the sale of inventories to third parties;
- controls the use of available stock for maintenance and investment activities.
- Approves inclusion of warehouse balances by responsible divisions in the budget of income and

expenditures and investment programme for the planned period;

- Analyses year-end stock balances and initiates proposals for their utilisation, including changes to plans;
- makes decisions on the realisation of unclaimed inventories and determines the method of realisation.

As at the date of this Prospectus, the Inventory Committee comprises the following members:

Full name	Position
Bakytkan Medegaliyevich Zhazykbayev	Member of the Committee, Deputy Chairman of the Management Board
Kabdulla Serikovich Omarov	Member of the Committee, Director of the Legal Department
Ravil Mukhtarovich Tazetdinov	Member of the Committee, Director of the Department of Supply and Stockpiles
Gulmira Yermukhanbetova Akhmedova	Member of the Committee, Director of the Department of Planning and Economic Analysis
Myrza Nuradinovich Yesengulov	Member of the Committee, Director of the Capital Construction Department
Bauyrzhan Primtaevich Arystanov	Member of the Committee, Director of the Department of Exploitation
Adil Bulatovich Nurutdinov	Committee Member, Director of the Department of Relay Protection and Substation Automation
Dinara Turashevna Mukanova	Member of the Committee, Director of the Accounting and Tax Accounting Department
Sergey Anatoliyevich Prikhodko	Member of the Committee, Director of the Department of Telecommunications
Anna Dmitriyevna Abramova	Member of the Committee, Director of the Information Technology Department
Nurbol Tileukeevich Appakov	Member of the Committee, Director of the Occupational Health and Safety Department

The official address of each of the members of the Management Board and members of the committees of the Management Board is the Issuer's registered office: Republic of Kazakhstan, Z00T2D0, Astana, Almaty district, 59, Tauelsizdik Avenue, telephone numbers: +7 (7172) 69 02 98, +7 (7172) 69 02 93, +7 (7172) 69 02 92.

Internal Audit Service

The Internal Audit Service is directly subordinate and accountable to the Board of Directors (supervises the Audit Committee of the Board of Directors). The Internal Audit Service monitors the Issuer's financial and economic activities, assesses internal control and risk management, executes corporate governance documents and provides advice to the Board of Directors to improve the Issuer's operations. The Issuer has developed guidelines for career development of the employees of the Issuer's Internal Audit Service, approved by the decision of the Issuer's Board of Directors dated 4 April 2014. This manual stipulates that the Head of Internal Audit shall pay attention to the formation of a personnel reserve, personnel assessment and development programmes, and other areas of personnel management, with the structure and staffing of the Internal Audit Service being determined by a resolution of the Issuer's Board of Directors.

The Internal Audit Service consists of the Operational and Financial Audit Department and the Internal Control Audit Department. The main role of the Internal Audit Service is to provide the Board of Directors with independent and objective advice aimed at improving the Issuer's performance using a systematic and consistent approach to assessing and improving the effectiveness of risk management, control and corporate governance processes. The Internal Audit Service annually submits the service's annual audit plan for the following year to the Audit Committee of the Board of Directors and the Board of Directors for review, ensuring that it is subsequently implemented and reported on. The responsibilities of the Internal Control Service include, *among others*, the following functions:

- assessment of risks and efficiency of internal control over risks in the field of corporate governance, operational activities of the Issuer;

- assessment of the Issuer's internal control system and corporate risk management system;

- verification of compliance with the requirements of the legislation of the Republic of Kazakhstan, international agreements, internal documents of the Issuer, as well as compliance with the instructions of authorised and supervisory bodies, decisions of the Issuer's bodies and evaluation of the systems established to comply with these requirements;

- providing consultations for the Board of Directors, the Management Board, structural subdivisions of the Issuer and its subsidiaries on the organisation and improvement of internal control, risk management, corporate governance and organisation of internal audit, as well as on other issues within the competence of the Internal Control Service;

- conducting audits of the Issuer's subsidiaries by decision of the Board of Directors (and without such decision in exceptional cases).

The Issuer has adopted an assurance and quality improvement programme for the Issuer's Internal Audit Service approved by a resolution of the Audit Committee of the Issuer's Board of Directors dated 28 September 2018 (as amended on 26 April 2021). This programme is designed to provide reasonable assurance to various stakeholders that the Issuer's Internal Audit Service is performing its work within the requirements of the Regulations on the Internal Audit Service, which is consistent with the International Standards for the Professional Practice of Internal Auditing, while acting efficiently and effectively, and is recognised by stakeholders as a beneficial and continuously improving Internal Audit Service. The main purpose of the evaluation of the Internal Audit Service is to assess the effectiveness of the Internal Audit Service and of each auditor individually, as well as to assess whether the performance of the internal auditors is adequate (internal evaluations – ongoing and periodic reviews (surveys, audits, reports) and external evaluations – independent external audit).

Rules for the organisation of internal audit

The Issuer adopted the Rules on Internal Audit Organisation approved by the decision of the Issuer's Board of Directors dated 9 December 2016 (as amended on 24 August 2018) in order to establish uniform basic principles and procedures for the organisation of internal audit in the Issuer.

The rules set out:

1) Quality Performance Standards:

    - *independence and objectivity* – the Service shall be independent from the influence of any person in the performance of its tasks and functions, in order to properly perform them and to ensure objective and impartial judgement, objectivity is expressed by the fact that internal auditors shall not be involved in any activities that may subsequently be subject to internal audit and engage in the audit of activities or functions performed by them during the period that is subject to audit;

    - *professional competence* – internal auditors must have the knowledge and skills necessary to fulfil their personal responsibilities;

    - *quality control* – the Head of the Internal Audit Service shall continuously monitor the implementation of the adopted measures to ensure the quality of work. The measures should be designed to ensure the quality of work and assurance that the Service's activities are conducted in accordance with the Issuer's internal audit organisation rules.

2) Ethical standards – ethical behaviour of internal auditors should be based on such principles as honesty, objectivity, confidentiality, professional competence.

3) Performance standards – in order to improve the efficiency of internal audit, the Service is recommended to use specialised audit software, and integration with unified risk management software and corporate-wide software is also advisable.

Internal auditors, in order to effectively conduct internal audits, should develop and document a planning process for each audit engagement that includes the following steps:

- determining the objectives of the audit engagement – operational or financial audit, compliance audit (compliance audit) or information systems (information technology) audit;

- preliminary planning of the audit assignment, including development of the audit programme and estimates of time spent on internal audit – collection, analysis of relevant information and documents, identification of problematic issues, etc;

- determining resources for the audit engagement – the audit engagement manager should determine the resources required to achieve the objectives of the audit engagement;

- drawing up of the audit assignment – the audit assignment shall be drawn up by the head of the audit assignment in the prescribed form on the basis of the programme and approved by the Head of the Service;

- execution of the audit assignment – before the start of the internal audit, the head of the audit assignment organises and conducts an introductory meeting with the management of the audited entity;

- audit report – after drafting the audit report, the head of the audit engagement or the Head of the Service organises and holds a meeting with the management of the audited entity to discuss and reach a mutual understanding of the content of the draft audit report. The audit report should be signed by the head of the audit assignment, the Head of the Service and the head of the audited entity.

The Service should monitor the implementation of the recommendations issued as part of the audit report on a quarterly basis for all significant audit findings.

External Audit Policy

The Issuer has adopted the External Audit Policy approved by the decision of the Issuer's Management Board dated 22 November 2010, which establishes uniform requirements for the external audit of the Issuer and its subsidiaries. In accordance with the requirements of the Law on Joint Stock Companies, in order to obtain an independent opinion on the reliability and objectivity of the financial statements, the Issuer conducts an audit of the annual financial statements for the past year with the involvement of an external auditor (audit organisation). To ensure the external audit, the Issuer procures services by open tender, observing the main criteria for selection, including quality and cost of services, acceptability of the requirements of the International Bank for Reconstruction and Development (IBRD) and the European Bank for Reconstruction and Development (EBRD), compliance of the auditor with the requirements established in accordance with the legislation of the Republic of Kazakhstan and internal documents of the Issuer to the external auditor, absence of conflict of interest. Upon completion of the audit of the annual financial statements, the Corporate Development Department and the Project Management Department of the Issuer shall ensure timely submission by the external auditor of the audit report to the management of the Issuer, the Fund, the IBRD, the EBRD and the Development Bank of Kazakhstan JSC, in accordance with the terms of the concluded audit contract. The Issuer also provides methodological and practical assistance to subsidiaries on issues related to the audit of annual financial statements and monitors this process in accordance with the established procedure.

Remuneration

In accordance with the Issuer's Charter, the remuneration of the members of the Board of Directors is determined by decision of the General Meeting of Shareholders, while the remuneration of the Chairman of the Management Board, members of the Management Board is determined by the Board of Directors, based on the recommendations of the Nomination and Remuneration Committee.

The total remuneration to the Issuer's Board of Directors was 100,032,137.46 Tenge (approx. USD 215,285) for the year ended 31 December 2022, 93,376,584.12 Tenge (approx. USD 200,961) for the year ended 31 December 2021 and 130,567,064.29 Tenge (approx. USD 281,000) for the year ended 31 December 2020. The total remuneration to the Issuer's Management Board was 179,167,862.54 Tenge (approx. USD 385,597) for the year ended 31 December 2022, 220,599,415.88 Tenge (approx. USD

474,764) for the year ended 31 December 2021 and 251,232,935.71 Tenge (approx. USD 540,693) for the year ended 31 December 2020.

In case of dismissal of any member of the Board of Directors or the Management Board, there is no provision for any additional payments under the contracts with them other than those provided for by the labour legislation of the Republic of Kazakhstan.

Conflict of interest

The Issuer has adopted KEGOC Officials and Employees Conflict of Interest Policy, approved by a resolution of the Issuer's Board of Directors dated 4 July 2014, to establish procedures for resolving Conflicts of Interest of Officials and Employees. The purpose of the policy is to improve the efficiency of decision-making by ensuring a fair, objective and independent decision-making process in the interests of the Issuer, its shareholders and investors. Creation of a uniform system for managing actual and potential Conflicts of Interest in KEGOC, as well as determination of requirements for the behaviour of Employees and Officials, compliance with which will minimise the risks of decision-making in the Issuer influenced by private interests and connections of Employees and Officials.

The Head of the Compliance Service is responsible for the management of the Policy and its compliance with the requirements of the Issuer's internal documents and the laws of the Republic of Kazakhstan. The Policy is based on the following principles:

- the right to engage in other activities in their free time from their main job, if it is not prohibited in accordance with the legislation of the Republic of Kazakhstan and does not affect their ability to fulfil their official duties at KEGOC;
- maximising the balance between the interests of KEGOC and the private interests of employees and officials is one of the conditions for the stability of the relationship between the aforementioned persons and KEGOC;
- employees and officials may not participate in or influence directly or indirectly a business decision, process or transaction in the course of KEGOC's business in the event of a real or potential conflict of their private interests with the interests of KEGOC;
- KEGOC, its employees and officers have an equal interest in ensuring that there is no conflict of interest;
- mandatory disclosure of actual and potential conflict of interest or even the appearance of such a conflict;
- individually reviewing, assessing the seriousness of the risks to KEGOC of each conflict of interest and resolving each case of conflict of interest;
- confidentiality of the conflict of interest disclosure and resolution process (at the request of the employee, officer);
- balancing the interests of KEGOC, the employee and the official when resolving a conflict of interest;
- protecting the employee from prosecution for a conflict of interest that was timely disclosed by the employee.

Statement of litigation

Information on current litigation is provided in the section "*REGULATORY AND LEGAL DISPUTES*".

Corporate governance policy

Corporate Governance Code

The Issuer has adopted a corporate governance code approved by a resolution of the Issuer's General Meeting of Shareholders dated 16 October 2015 (the "**Corporate Governance Code**"), which is based on the corporate governance code of Samruk-Kazyna, which applies to those entities in which Samruk-Kazyna directly or indirectly owns more than fifty per cent of the voting shares. The Corporate Governance Code deals with the following main areas:

Principles of corporate governance

The Corporate Governance Code states that the Government of the Republic of Kazakhstan, as the sole shareholder of Samruk-Kazyna, provides the Issuer with full operational independence and does not allow interference of the Government of the Republic of Kazakhstan and state bodies in the Issuer's operating and investment activities, except in cases provided for by the laws of the Republic of Kazakhstan, acts and instructions of the President of the Republic of Kazakhstan.

Samruk-Kazyna as a shareholder

Samruk-Kazyna participates in the management of the Issuer by exercising its functions as a shareholder, annually informs the Chairman of the Board of Directors and Samruk-Kazyna's representatives in the Board of Directors about its expectations regarding the Issuer for the forthcoming period. The Board of Directors has full independence in decision-making within its competence established by the Issuer's Charter. Distribution of net income to Samruk-Kazyna as a shareholder of the Issuer is made in the form of dividends based on a formalised and transparent dividend policy. *See "DIVIDENDS AND DIVIDEND POLICY".*

Sustainable development

The Issuer recognises the importance of its impact on the economy, environment and society and, in seeking to grow prospective value, must ensure its sustainable development in the long term by balancing the interests of its stakeholders. This principle of responsible, thoughtful and rational stakeholder engagement will contribute to the successful development of the Issuer. Sustainable development activities shall be in line with best foreign practices. The Issuer shall ensure that its economic, environmental and social objectives are consistent with sustainable development in the long term. The Issuer shall analyse its activities and risks in relation to these three aspects, and shall endeavour to avoid or reduce the negative impact of the results of its activities on its stakeholders. The Issuer's Board of Directors and Management Board should ensure that an appropriate sustainability framework is established and implemented. The Issuer shall annually publish sustainability reporting approved by the Issuer's Board of Directors.

Shareholder rights and fair treatment of all shareholders

The Corporate Governance Code stipulates that observance of shareholders' rights is a fundamental condition for attracting investments in KEGOC. Therefore, the Issuer shall ensure equal and fair treatment of all shareholders.

Effectiveness of the Board of Directors and the Management Board

The Board of Directors and the Management Board co-operate and act in the Issuer's interests and make decisions based on the principles of sustainable development and fair treatment of all shareholders. The Board of Directors and the Management Board ensure the growth of promising indicators and sustainable development of the Issuer.

The General Meeting of Shareholders elects the members of the Board of Directors based on clear and transparent procedures, taking into account the competences, skills, knowledge, achievements, reputation and professional experience of the candidates, ensuring diversity in terms of personal characteristics and gender composition. When re-electing individual members of the Board of Directors, their contribution to the effectiveness of the Issuer's Board of Directors is taken into account.

The term of office of a member of the Board of Directors (including the powers of the Senior Independent Director) coincides with the term of office of the entire Board of Directors and expires when the General Meeting of Shareholders decides to elect a new Board of Directors. The powers of all or individual members of the Board of Directors (including the powers of the Senior Independent Director) may be terminated early. Members of the Board of Directors are elected for a term of up to three years subject to satisfactory performance and may be re-elected for a new term of up to three years. Any period of election to the Board of Directors for more than six consecutive years (e.g., two three-year terms) is subject to special consideration, taking into account the necessary renewal of the quality of the Board of Directors.

In accordance with the established procedure, an independent director may not be elected to the Board of Directors for a term exceeding nine years. In exceptional cases, election for more than nine years is allowed. However, re-election of such an independent director should take place annually with a detailed explanation of the need to elect a member of the Board of Directors and the impact of this factor on the independence of decision-making. No person shall be involved in any decisions related to his/her own appointment, election and re-election.

The Chairman of the Board of Directors is responsible for the overall management of the Board of Directors, ensuring the full and effective implementation of its activities and establishing a constructive dialogue with shareholders, members of the Board of Directors and the Management Board. The roles and functions of the Chairman of the Board of Directors and the Chairman of the Management Board should be clearly separated and set out in the Charter and the regulations on the Board of Directors and the Management Board. In the absence of the Chairman of the Board of Directors, his functions shall be performed by the Senior Independent Director or one of the members of the Board of Directors by resolution of the Board of Directors.

Committees of the Board of Directors contribute to in-depth and thorough consideration of issues within the competence of the Board of Directors and improve the quality of decisions made, especially in such areas as audit, risk management, proper and effective application of procurement rules, sustainable development, including occupational health and safety and environmental protection. The existence of committees does not exempt members of the Board of Directors from responsibility for decisions made within the competence of the Board of Directors.

The Board of Directors appoints a Corporate Secretary for the purpose of efficient organisation of the Board of Directors' activities and interaction of the Board of Directors and the Management Board with shareholders.

The Management Board reports to the Board of Directors and manages the Issuer's day-to-day operations, is responsible for the implementation of the Development Plan (Strategy), the Development Action Plan (Business Plan) and decisions made by the Board of Directors and the GMS.

Risk management, internal control and audit

The Corporate Governance Code stipulates that the Board of Directors and the Management Board are responsible for implementing systems and procedures to ensure the following:

- an optimal balance between the growth of the organisations value, the Issuer's profitability and their associated risks;
- efficiency of the Issuer's financial and economic activities and achievement of its financial stability;
- safeguarding of the Issuer's assets and efficient utilisation of the Issuer's resources;
- completeness, reliability and accuracy of financial and management reporting;
- Compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents; and
- adequate internal controls to ensure fraud prevention and effective support for the operation of core and supporting business processes and performance analyses.

The Board of Directors is responsible for determining the principles and approaches to the organisation of the risk management and internal control system, based on the objectives of this system and taking into account the best practices, work and methodology of Samruk-Kazyna in the field of risk management and internal control. The Management Board should ensure the establishment and support of the effective functioning of the risk management and internal control system. The risk management process should be integrated with the planning processes (development plans, action plans, annual budget) and evaluation of the Issuer's activities (management reporting). Each officer of the Issuer shall ensure that risks are properly considered when making decisions. The Management Board shall ensure that risk management procedures are implemented by employees with appropriate qualifications and experience. The risk management and internal control system shall be based on a high culture of risk management conducted by the Management Board, providing for mandatory procedures for identification, assessment and monitoring of all material risks, as well as taking timely and appropriate measures to mitigate the level of risks that may affect the achievement of strategic goals, fulfilment of operational objectives and the Issuer's reputation. For systematic independent assessment of reliability and efficiency of the risk management and internal control system and corporate governance practices (internal audit), the Issuer has established the Internal Audit Service.

Transparency

The Corporate Governance Code states that, in order to respect the interests of its stakeholders, the Issuer shall disclose in a timely and accurate manner information on all important aspects of its business, including its financial condition, results of operations, ownership and management structure, including compliance with the laws of the Republic of Kazakhstan and the rules of any recognised stock exchange on which the shares or interests of such Issuer are listed condition, results of operations, ownership and governance structure, including compliance with the laws of the Republic of Kazakhstan and the rules of any recognised stock exchange on which the Issuer's shares or interests are listed.

Information policy

The Issuer adopted the Information Policy approved by the decision of the Issuer's Board of Directors dated 9 December 2016, which establishes the basic principles and procedure for disclosure of information to shareholders, investors and other stakeholders on the Issuer's activities. The Policy shall contribute to improving the efficiency of the Issuer's operations, increasing the value of its assets, securities, attracting investments and creating a favourable image. The Head of the Issuer's Communications Service is responsible for managing the Policy. The main principles in the implementation of the Policy are, *among others,* the observance of confidentiality, equality of information and promptness. The Policy also establishes the procedure for (1) external information on the Issuer's current activities (by preparing information materials to be placed in the media (in case of an emergency at the Issuer's facilities or other emergency situations that caused public outcry, the Issuer's Communications Service prepares information materials for the media to provide stakeholders with objective information on the event) and (2) internal information to ensure that employees are aware of the Issuer's activities).

In order to comply with the principles and effectively implement the Policy, the Issuer:

- keeps records of information, disclosure of which is mandatory in accordance with the requirements of the legislation of the Republic of Kazakhstan and internal documents of the Issuer, establishes the procedure for disclosure of such information;

- establishes the list of information to be additionally disclosed by KEGOC in order to enhance its information transparency and openness, and establishes the procedure for disclosure of such information;

- determines the list of information constituting official, commercial or other secrets protected by the laws of the Republic of Kazakhstan, the disclosure (transfer, leakage) of which may harm the interests of the Issuer and shareholders, and establishes the necessary measures to ensure the safety of this information.

The Issuer's Internal Audit Service assesses compliance with the requirements of the legislation of the Republic of Kazakhstan and the Issuer's documents in terms of information disclosure, its safety and protection.

Green finance policy

The Issuer has adopted a Green Finance Policy, approved by a resolution of the Issuer's Management Board dated 11 October 2022 (Minutes No. 26), to ensure transparency of the processes of attracting investments through green finance instruments such as green bonds and green loans in KEGOC, which is developed in accordance with the Green Bond Principles of the International Capital Markets Association and the Green Lending Principles of the Credit Market Association, the Asia Pacific Credit Market Association and the Credit Syndication and Trade Association The Policy is designed to facilitate the Issuer's development and financing strategy in the context of the Republic of Kazakhstan's greenhouse gas emission reduction commitments and carbon neutrality targets, including initiatives to achieve the Issuer's own carbon neutrality, energy conservation and energy efficiency measures, care for the environment and promotion of a culture of environmental stewardship.

The Director of the Treasury and Corporate Finance Department of the Issuer is responsible for the management of the Policy and its compliance with the Issuer's internal documents and the laws of the Republic of Kazakhstan. The Policy is based on four criteria:

- *use of proceeds* – all proceeds from any green finance instruments will be allocated 100% by KEGOC to finance or refinance some, or all, of the following eligible green projects (eligible projects may include both capital and operating costs, including R&D costs);
- *project appraisal and selection process* – proposed projects must have a positive environmental impact and must meet the sustainability criteria defined in this policy to be selected as eligible. KEGOC establishes a Green Finance Working Group to establish whether a project meets the defined requirements;
- *funds management* – proceeds from the issue of green bonds or from attracted green loans should be transferred to a special account for separate accounting and control over the accounting of proceeds. The Working Group semi-annually monitors the targeted expenditure of borrowed funds on projects financed and/or refinanced by green finance instruments included in the portfolio (register) of green projects;
- *reporting* – annual updated reports on issued green bonds and raised green loans from the moment of issuance or raising until full repayment and in case of any material changes are provided and kept publicly available on the official website of the Issuer. An external assessment may be made on the use and management of funds raised through green finance instruments.

Communication Programme 2022-2031

The Issuer has adopted a Communication Programme for 2022-2031, approved by a resolution of the Issuer's Management Board dated 31 August 2022, to define key approaches in carrying out information activities to ensure support for initiatives and projects and to maintain a positive image of the Issuer. The Communication Programme defines and assesses the factors that have a significant impact on the Issuer's activities (reputation and image) – (1) external factors (including fluctuations in the Issuer's share price, dependence on the reputation of the Fund, changes in the legislation of the Republic of Kazakhstan, investment climate and operating environment), (2) internal factors (including the quality of services provided, corporate governance, human resources and social policy, investment activities, financial management). The main objective of the Communication Programme is to form a positive image of the Issuer as a regional leader in the implementation of the best international practices in the electric power industry, and an efficient organisation developing in accordance with the strategic objectives.

The Communication Programme defines the main following principles, compliance with which will lead to certain progress in awareness and perception of the Issuer's activities by the target audience (which includes and corresponds to the map of the Issuer's stakeholders approved by the decision of the Issuer's Management Board dated 21 August 2017– state authorities and regulatory bodies (regional and local authorities), mass media, financing groups, active population of the Republic of Kazakhstan (local communities), subsidiary organisations, experts and public organisations (non-governmental, professional, industry), management, employees of the Issuer, shareholders and investors, partners (suppliers and consumers) of the Issuer, power systems of neighbouring states participating in parallel operations):

- *openness and accessibility* – achieving a high level of public awareness of the Issuer's activities and role in the electric power industry, principles of operation, main projects and directions of its development. Analysis of the current situation indicates that the target audience has a low level of understanding of the Issuer's area of responsibility for the management of electric grids;

- *regularity and timeliness* – achieving a high level of awareness of the Issuer's key objectives, operating principles, main projects and areas of activity will allow planning information and image work with a focus on the results achieved and qualitative changes in the Issuer's activities;

- *Awareness and support* – a high level of awareness of the Issuer's activities allows us to hope for broad support among the target audience (formation of certain individuals and groups actively supporting the Issuer's activities);

- *interest and participation* – after the formation of groups that actively support the Issuer's activities, it is necessary to strengthen the established ties through the formation of permanent feedback channels, as well as taking into account the proposals made by the groups in the development of the Issuer's programme documents.

The Issuer's structural subdivisions and branches shall report all information events to the Issuer's Communications Service. The Issuer has developed and annually updates the Stakeholder Communication Plan (the current plan for 2023 was approved on 11 January 2023), which is a document that defines the main information occasions, terms (frequency) and communication channels for each stakeholder group. In order to promptly respond to an information crisis, an anti-crisis headquarters is created, the composition of which is determined based on the nature and essence of the negative information.

Dividend policy

The Issuer adopted the Dividend policy approved by the decision of the Management Board of the Fund dated 9 April 2013 for the purposes of determining priorities when the Issuer's Board of Directors makes recommendations on the amount of dividends on ordinary shares, terms and procedure of their payment. The Issuer seeks, along with capitalisation growth, to increase the amount of dividends paid based on the amount of net income received for the year and the Issuer's production and investment development needs. *See "DIVIDENDS AND DIVIDEND POLICY".*

HR Policy for 2018-2028

The Issuer has adopted the HR Policy for 2018-2028, approved by the decision of the Issuer's Board of Directors dated 28 September 2018, to establish the principles and key directions in the field of human resources management in the Issuer. The HR Policy is aimed at forming the human resources potential as the most important intellectual and professional resource that ensures the implementation of the Issuer's development strategy through an effective corporate culture focused on high performance and meritocracy.

The Director of the Human Resources Management Department is responsible for the management of the HR Policy and its compliance with the requirements of the Issuer's internal documents and the laws of the Republic of Kazakhstan. The Policy is based on the following principles:

- Transparency and openness based on the principles of meritocracy – transparent competitive procedures in the search and selection of candidates for vacant positions, personnel assessment, transparency of the system of remuneration and remuneration depending on performance; regulation of social and labour relations in compliance with the requirements of labour legislation based on the principle of social partnership.

- development and cultivation of own personnel – investing in professional and career growth and development of own personnel;

- responsibility of managers at all levels for quality HR management – managers at all levels are responsible for quality HR management and for developing their managerial competences in this area (HR provides the necessary support);

- strategic partnership of the HR function and business units – shifting the role of the HR function from administratively supporting to that of a strategic partner for business units.

The main areas of HR policy are planning, personnel search and selection, personnel training and development, performance evaluation, talent management (talent pool), development of corporate culture, remuneration management, and development of HR function.

To determine the effectiveness of the HR policy, the Issuer uses such indicators as the degree of staff engagement, staff turnover, percentage of appointments from the successor pool, percentage of employees trained under the mandatory leadership development programme during the year.

Code of Conduct (Business Ethics)

The Issuer has adopted a Code of Conduct (Business Ethics), approved by a resolution of the Issuer's Board of Directors dated 30 May 2023, in order to define the standards and basic principles of conduct that each employee of the Issuer should follow in his or her daily activities at the Issuer, observing the highest ethical standards and legal norms. All employees of the Issuer are obliged to comply with the Code of Conduct and its violation may lead to disciplinary liability, given that the reputation and image of the Issuer may suffer. Also, failure to comply with certain sections of the Code of Conduct (acceptance of gifts) may be a violation of the anti-corruption legislation of the Republic of Kazakhstan and may result in personal administrative or criminal liability.

Within the framework of this Code of Conduct, the Issuer's employees are subject to certain behavioural requirements (both inside and outside the Issuer), including observing generally accepted moral and ethical standards of behaviour, showing respect for state and other languages, traditions and customs of all countries when representing the Issuer's interests, observing general moral and ethical standards of behaviour, including outside working hours, not allowing anti-social behaviour that may damage the reputation of the Issuer, refraining from public statements, and refraining from public speaking. The Issuer's employees whose rights are violated or infringed may appeal against such actions by filing a complaint with the structural unit responsible for human resources management, the Compliance Service and the Issuer's Ombudsman.

None of the members of the Issuer's Board of Directors or Management Board in the last five years:

- have not had any convictions (expired or unexpired) in relation to allegations of fraud or financial misconduct;

- was not declared bankrupt and was not subject to an agreement with any person;

- was not a director or other officer of any company which at the time or within the twelve months following his being a director or other officer in respect of which there was a bankruptcy, compulsory liquidation, receivership, entered into any arrangement with creditors generally or any class of creditors of such company;

- has not been subject to any formal charge and/or sanction by any public authority (including special professional bodies) or been disqualified by a court of law for acting as a director or other officer of the company or for acting in the exercise of the management or conduct of the affairs of the company.

Anti-corruption rules

The Issuer has adopted KEGOC Anti-Fraud and Corruption Policy, approved by a resolution of the Issuer's Board of Directors dated 29 June 2019, to establish the main principles of fraud and corruption prevention, management and organisational framework for the prevention of fraudulent and corruption offences; measures to minimise and eliminate the consequences of fraudulent and corruption acts;

measures to ensure strict compliance by KEGOC employees with the legislative acts of the Republic of Kazakhstan, internal regulatory documents of KEGOC.

The Head of the Compliance Service is responsible for the management of the Policy and its compliance with the requirements of the Issuer's internal documents and the laws of the Republic of Kazakhstan. The Policy is based on the following principles:

- legality;
- publicity and openness of activities;
- integrated use of managerial, organisational, informational, socio-economic, legal, special and other measures;
- promoting a legal culture among KEGOC employees that rejects fraud, corruption and ensures the principles of honesty and integrity in the performance of their official duties;
- implementation of anti-corruption propaganda;
- co-operation in the field of anti-corruption activities with governmental authorities and KEGOC's partners and customers.

The main directions of the policy are the implementation of KEGOC's unified anti-fraud and corruption policy, taking administrative and other measures aimed at involving KEGOC employees in more active participation in combating unlawful acts, ensuring integrity, openness, transparency, fair competition and objectivity in the performance of work and provision of services.

To determine the effectiveness of the policy, such indicators are used as KEGOC management holding explanatory talks with the employees of supervised structural units, management informing KEGOC employees about the revealed facts in KEGOC and court decisions, if any, holding annual training seminars for KEGOC employees to explain the norms of anti-corruption legislation of the Republic of Kazakhstan, introduction of a rule in the practice of personnel work, according to which long-term, faultless and efficient performance of KEGOC's activities is a priority for KEGOC.

TAXATION

The information below is intended only as a general guide to the principal consequences that shareholders may face in Kazakhstan. It does not purport to provide an exhaustive analysis of all tax consequences applicable to shareholders and is based on current legislation, which is subject to change. Any person who is in doubt as to his or her tax status or is subject to taxation in any jurisdiction should seek specialist advice without delay.

Taxation aspects in Kazakhstan

The following summary of certain Kazakhstan taxation matters is based on the law as at the date of this Prospectus and is subject to change in accordance with changes in law, interpretation and application, and such changes may be retroactive. The following summary does not purport to describe in detail all tax aspects that may be relevant to a decision to acquire, hold or dispose of the Shares and does not purport to address the tax consequences applicable to all categories of investors, many of whom (for example, dealers in securities) may be subject to special rules. This summary only addresses the position of investors who have no connection with Kazakhstan other than through the acquisition, ownership or disposal of the Shares. Investors should consult their own professional advisers as to the tax consequences of acquiring, holding and disposing of the Shares, including their entitlement to the benefits of double taxation treaties under the laws of the country of their citizenship, residence, domicile or registration, and should seek specialist tax advice in Kazakhstan as appropriate.

This summary discusses the tax consequences of the acquisition, ownership and disposal of the Shares in Kazakhstan. In general, Kazakhstan tax legislation with respect to the taxation of securities and financial instruments is underdeveloped and, in many cases, the precise scope of Kazakhstan tax compliance rules and enforcement mechanism is unclear or open to varying interpretations.

The only tax that may apply in Kazakhstan to the above transactions in certain circumstances is income tax withheld at source. No other taxes or duties should be levied in Kazakhstan in respect of the above transactions. For all relevant purposes of this summary, except as noted below (for example, in relation to tax relief), legal entities and individuals are subject to the same withholding tax regime.

Tax residency

Non-resident persons should not become residents of Kazakhstan for Kazakhstan tax purposes solely by reason of the acquisition, ownership or disposal of the Shares. Thus, under Kazakhstan tax law, the legal owners of the Shares ("**Shareholders**"), being non-residents for Kazakhstan tax purposes who are not located in Kazakhstan, should be subject to a tax that covers only their income derived at source in Kazakhstan and not their income derived in any country in the world.

To the extent that all relevant purposes of the section *"Tax Considerations in Kazakhstan"* are fulfilled, all Shareholders are not considered to be tax residents of Kazakhstan.

Exemption of income from sale of securities under the AIFC Law

Under the AIFC Law, capital gains realised by Shareholders on the disposal of their Shares will be exempt from taxation until 1 January 2066 if the securities are included in the official list of the AIX on the date of their disposal. Accordingly, by virtue of the Shares being included in the official list of the AIX, any gain realised on the disposal of the Shares included in the official list of the AIX on the date of their disposal will be exempt from taxation.

Exemption of gain on disposal of Shares under the Tax Code

The current Tax Code came into effect in Kazakhstan on 1 January 2018. Under the Tax Code, generally, capital gains realised on the disposal of the Shares are subject to Kazakhstan withholding income tax.

The Tax Code provides for a number of exemptions from such taxation if certain conditions are met.

Exemption for exchange sales by open bidding method

The Tax Code provides for an exemption from withholding income tax in respect of capital gains realised by Shareholders (other than individuals) from the sale of the Shares on the Kazakhstan Stock Exchange (KASE) or a foreign stock exchange by open trade method if the Shares are included in the official lists of the said stock exchanges as at the date of sale. The Tax Code provides for a similar exemption from withholding income tax at source for Shareholders who are individuals, except for the possibility of obtaining an exemption on the sale of the Shares on a foreign stock exchange.

Exemption in respect of shares with a holding period of more than three years

The Tax Code also provides for an exemption in respect of capital gains arising on the disposal of the Shares if, on the date of disposal, the Shareholder has held the Shares for more than three years. This exemption is not applicable to Shareholders registered in a state included in the list of countries with preferential tax *treatment* approved by Order of the Minister of Finance of the Republic of Kazakhstan No. 142 dated 8 February 2018 (see the full list in the section (*Transferor Tax Treatment)* below).

This exemption is applicable to the Shares due to the fact that the Issuer is not a subsoil user and the assets of subsoil users do not represent more than 50 per cent of the Issuer's assets. If this condition ceases to be satisfied in the future, the exemption will not apply.

Treaty defence

If the benefits of the Tax Code (as described above) are not available, Shareholders who are residents of countries with which Kazakhstan has double tax treaties may be entitled to an exemption from income tax withheld at source, subject to certain conditions.

However, treaty protection can only be provided through a refund of income tax withheld at source, i.e., after payment of income tax to the Kazakhstan state budget. Thus, Shareholders entitled to exemption from withholding income tax should submit an application for a refund of withholding income tax, together with the documents required by Kazakhstan tax legislation, to the relevant tax authority within the prescribed time limits.

In practice, however, the process can be administratively burdensome and time-consuming – with no guarantee of a successful outcome.

Taxable disposal of Shares

This information applies only to foreclosures that are not exempt as described above.

Tax treatment of the acquirer

Non-resident purchasers of the Shares are not subject to income taxation in Kazakhstan on the purchase of the Shares.

In this case, the obligations to calculate, declare, withhold and remit to the state budget the withholding income tax withheld at source from capital gains are performed by the acquirer acting as a tax agent, irrespective of whether the acquirer is a resident or non-resident of Kazakhstan for tax purposes. Non-residents must register with the Kazakhstan tax authorities in order to fulfil their obligations as a tax agent.

The capital gain is the positive difference between the sale price of the Shares and their original cost (the transferor's tax basis). If the transferor does not provide the purchaser with documents confirming the original cost of the Shares (the transferor's tax base), the purchaser must apply income tax withholding at source on a gross basis (i.e., to the purchase price).

Tax treatment of the transferor

Generally, capital gains arising on the disposal of the Shares will be subject to Kazakhstan withholding income tax at a rate of 15 per cent. However, if the transferor is registered in a tax-exempt country (as defined below), capital gains arising on the disposal of the Shares will be subject to withholding tax at a rate of 20 per cent. Disposal involves almost all types of title transfer, i.e., sale, exchange, etc.

The Internal Revenue Code defines a "Tax-Favoured Nation" as a foreign country or territory that meets one of the following criteria:

- the income tax rate in such country or territory is less than 10%; or
- such country or territory has financial information confidentiality laws or laws that allow confidential information to be kept confidential either about the actual owner of property or income or about the actual owners, participants, founders or shareholders of a legal entity (except for a foreign state or territory that has concluded an international treaty with Kazakhstan providing for the exchange of information on tax matters between competent authorities, unless the foreign state or territory does not provide for the exchange of information with the competent authority of Kazakhstan for tax purposes). A foreign state or territory shall be deemed not to provide for the exchange of information with the competent authority of Kazakhstan for tax purposes if one of the following conditions is met: (1) the competent authority of the Republic of Kazakhstan has received an official refusal from the competent authority of the foreign state to provide information, even if such exchange is provided for by the relevant international treaty; (2) the competent authority of the foreign state has not provided the requested information within a period exceeding two years after the request was sent by the competent authority of the Republic of Kazakhstan.

The exact list of Countries with preferential taxation is approved by the Order of the Minister of Finance of the Republic of Kazakhstan No. 142 dated 8 February 2018. Currently, the following jurisdictions are included in the list of countries with favourable taxation: Principality of Andorra, Antigua and Barbuda, Commonwealth of the Bahamas, Barbados, Kingdom of Bahrain, Belize, Negara Brunei Darussalam, Republic of Vanuatu, Republic of Guyana, Republic of Guatemala, Grenada, Republic of Djibouti, Dominican Republic, Commonwealth of Dominica, Kingdom of Spain (only in respect of the territories of the Canary Islands), People's Republic of China (for the territories of the Macao and Hong Kong Special Administrative Regions only), Republic of Colombia, Union of the Comoros, Republic of Costa Rica, Republic of Malaysia (for the territory of the Labuan Enclave only), Republic of Liberia, Lebanese Republic, Republic of Mauritania, Islamic Republic of Mauritius, Republic of Portugal (only with respect to the territory of the Madeira Islands), Republic of Maldives, Republic of the Marshall Islands, Principality of Monaco, Republic of Malta, Mariana Islands, Kingdom of Morocco (only with respect to the territory of Tangier), Republic of the Union of Myanmar, Republic of Nauru, Kingdom of the Netherlands (only with respect to the territories of the Aruba Islands and the dependent territories of the Antilles), Federal Republic of Nigeria, New Zealand (Cook Islands and Niue Territories only), Republic of Palau, Republic of Panama, Anguilla; Bermuda; British Virgin Islands; Gibraltar; Cayman Islands; Montserrat; Turks and Caicos Islands, Isle of Man, Channel Islands (Guernsey, Jersey, Sark and Alderney), South Georgia and South Sandwich Islands, Chagos Island), United States (only in respect of the following Territories: United States Virgin Islands, Guam, Commonwealth of Puerto Rico, Commonwealth of Puerto Rico, State of Delaware, State of Wyoming), Republic of Suriname, Republic of Fiji, Republic of the French Republic, Republic of the Philippines, Republic of Suriname, Kingdom of Tonga, Republic of Trinidad and Tobago, Republic of Tonga, Republic of the Philippines, Republic of Trinidad and Tobago, Republic of the United Republic of Tanzania, Montenegro (only in respect of the following territories: Kerguelen Islands, French Polynesia, French Guiana), Democratic Socialist Republic of Sri Lanka, Jamaica.

Taxation of dividends under the AIFC Law and the Tax Code

Dividends paid on securities will be exempt from corporate income tax provided that such securities are included in the official list of securities of the AIX or the KASE at the time the dividends are accrued and provided they meet the trading sufficiency criteria set by the Government of Kazakhstan. According to the Government Resolution, in order for dividends to be exempt from taxation, it is required that:

1) the volume of executed transactions with such securities was not less than 25 (twenty-five) million Tenge per calendar month; and

2) the number of executed transactions with such securities was not less than 50 (fifty) transactions per calendar month.

By agreement, the KASE and AIX quarterly, not later than the 15th day of the month following the reporting quarter should post on their Internet resources information about securities that meet the trade sufficiency criteria. See "*RISK FACTORS – Risks related to taxation – Dividends on shares included in the official lists of KASE and AIX may be subject to income tax if active trading criteria are not met*".

If dividends on the Shares are not exempt from tax (as described above), such dividends will be subject to withholding income tax at a rate of 15 per cent. However, dividends on the Shares held by a resident of a tax-exempt country are subject to withholding income tax at a rate of 20 per cent. Withholding income tax is applied to the gross amount of dividends without taking into account any deductions. Shareholders should not be subject to any other tax reporting, payment, registration or compliance requirements with respect to dividends on the Shares.

Shareholders who are residents of countries with which Kazakhstan has concluded double tax treaties may be entitled to a reduced rate of withholding tax if certain conditions are met.

Subject to the foregoing, depending on the country of residence and the fulfilment of certain conditions, withholding tax rates on dividends under Kazakhstan's double tax treaties in effect as at the date of this Prospectus may range from 5 to 15 per cent. Under the double tax treaties in effect as at the date of this Prospectus, a reduction in withholding tax on dividends to a rate below 15 per cent may be available only to actual dividend holders that are companies (depending on the particular double tax treaty, certain other requirements must also be met in order to reduce the withholding tax rate).

In order to avail themselves of this exemption, eligible Shareholders must provide the Issuer with a document issued by the competent authority of their country of tax residence confirming their tax residence in the jurisdiction with which they have a contractual arrangement. The document must be provided within the time limits prescribed by Kazakhstan tax legislation and must comply with the requirements of the Tax Code. In order to be valid in Kazakhstan, the stamp of the competent authority and the signature of the authorised person in the document must be apostilled or legalised by the competent authority of the country of residence of the Shareholder. If a Shareholder provides a copy of a specified document, the signature and seal of a foreign notary public must also be apostilled or legalised.

Apostille or legalisation of the above signatures (seals) is not required if (i) the above document is published on the official website of the competent authority or (ii) other authentication procedures are established by international treaties to which Kazakhstan is a party, a mutually agreed procedure between Kazakhstan and the competent authorities of foreign states, or a decision of a body of the Eurasian Economic Union.

If the above document is not provided to the Issuer by 31 March of the year following the year in which the dividend is paid, the Issuer should apply withholding tax at the standard rate of 15 or 20 per cent (if the recipient is a resident of a tax-advantaged country), as the case may be, and report the amounts withheld to the relevant authority. Shareholders who are entitled to the lower withholding tax rate should subsequently be able to claim reimbursement of overpaid tax from the Kazakhstan state budget. In doing so, Shareholders should submit an application for reimbursement of withholding income tax together with the documents required by Kazakhstan tax legislation to the relevant tax authority. In practice, however, this process may prove to be administratively burdensome and time-consuming – with no guarantee of a successful outcome.

SUBSCRIPTIONS AND SETTLEMENT ON AIX AND KASE

The Offering has been subject to the Government Resolution No. 814 dated 19 September 2023 authorising the placement of the Shares on the AIX and the KASE stock exchanges (the "**Government Resolution**") and the decision of the State Commission dated 14 September 2023, including determining the terms of subscription for the Shares. The Government also issued Resolution No. 833 dated 25 September 2023 authorising sale up to an aggregate of 15,294,118 Shares. It is expected that the Offering and placement of the Issuer's Shares will be carried out in accordance with the Government Resolution, the decision of the State Commission, the Law on Joint Stock Companies and in accordance with the AIX CSD and AIX Business Rules, AIFC Financial Services Framework Regulation (AIFC Regulation No. 18 of 2017), AIFC MAR and internal documents of the KASE.

The Issuer is offering up to an aggregate of 15,294,118 Shares at an Offer Price of 1,482 Tenge per Share. The Offer Price was approved by resolution of the GMS No. 34 dated 26 September 2023.

AIX subscription procedure

The Shares are being offered to Kazakhstani and foreign retail and institutional investors on the AIX in accordance with the AIFC MAR, AIX Business Rules, AIX CSD Business Rules. Investors wishing to purchase the Shares on the AIX must have an account with a brokerage firm that is an AIX Trading Member, and accordingly the Shares purchased will be held in the nominee account of such AIX Trading Member at the AIX CSD.

The AIX Trading Member participating in the AIX Offering as bookrunner on behalf of the Issuer (the "**Seller**") will initiate the signing of a bookbuilding agreement with the AIX containing the main terms and conditions of the AIX Offering. The terms and other parameters of the AIX Offering specified in the bookbuilding agreement with the AIX are based on the Issuer's instructions to the Seller, as well as on the Government Resolution and the decision of the State Commission.

After signing the bookbuilding agreement, AIX publishes on its Internet resource (aix.kz) Market Notices on the principal terms and conditions of the bookbuilding and settlement procedures in connection with the AIX Offering, time frame and share static data. Applications are accepted during the bookbuilding period, the start date and end date of which are specified in the Prospectus (the "**Subscription Period**").

During the Subscription Period, a person intending to acquire the Shares in the Issuer (see "*TERMS AND ORDER OF SUBSCRIPTION TO SHARES – Distribution Plan"* for an indication of who is eligible to acquire the Shares in the Offering) must apply for the Shares through the broker, AIX Trading Member with whom the investor has opened or maintains an account. The application must specify the number of the Shares that such potential investor wishes to acquire.

Applications from potential investors will only be collected during the Subscription Period. The consolidated order book for AIX Offering and Direct Subscription will be generated on the AIX CSD.

Direct subscription via Tabys or Kazpost offices

In order to purchase the Shares by Direct Subscription, Kazakhstani and foreign retail investors must open a personal custody account with the AIX CSD via Tabys application or Kazpost offices and submit bids through Tabys application or Kazpost offices. These bids must be pre-paid by retail investors to the Issuer and the cash received will be held at the AIX CSD in escrow for the benefit of the Issuer until the Closing Date.

The Tabys application can be downloaded from the App Store or Google Play, see www.tabysapp.kz.

Payment and settlement of the AIX Offering and Direct Subscription will be made through the AIX CSD settlement system as set out in section "AIX CSD settlement procedure" below.

Disclosure of information on Potential Investors

In accordance with the applicable anti-money laundering and counter-terrorist financing and sanctions rules, each investor and their beneficial owner(s) or person acting on their behalf must be identified. AIX Trading Members and/or AIX CSD may collect certain personal data of the investors and may further share it with AIX, AIX CSD and the Issuer or the Issuer's duly appointed agents. In doing so potential investors, by submitting an application or bid to purchase Shares, thereby unconditionally consent to the disclosure by AIX Trading Members and/or AIX CSD to AIX/ AIX CSD and the Issuer and/or the Issuer's duly appointed agents, as applicable, of information about the ultimate investor (retail and institutional investors, including their ultimate beneficial owners).

During the Subscription Period, any potential investor has the right to withdraw its previously submitted applications or bids.

End of the Subscription Period

After the end of the Subscription Period, the AIX/AIX CSD will generate a register of accepted Applications received during the AIX Offering and Direct Subscription and the Issuer will check Applications to ensure that they comply with the parameters of the Offering.

The Issuer has the right not to satisfy all or certain applications specified in the register, as well as to satisfy any of the applications not in full. For this purpose, the number of the Shares to be satisfied will be indicated in the list of satisfied applications for each application. Please see "*TERMS AND ORDER OF SUBSCRIPTION TO SHARES - Distribution plan".*

AIX CSD settlement procedure

It is intended that the allotment of the Shares to their purchasers in the AIX Offering and Direct Subscription will be made to the accounts of such purchasers with the AIX CSD and payment for the Shares to the Issuer will be made through the AIX CSD Settlement Bank on or about the Closing Date. In order to receive the Shares, purchasers must have either: (i) a custody account opened at AIX CSD through Tabys application; or (ii) a brokerage account with an AIX Trading Member; or (iii) a custodian account with non-trading AIX CSD Participant. Purchasers must take all actions required under applicable laws and regulations to receive the Shares purchased.

Settlement in connection with AIX Offering and the Direct Subscription will be made through the AIX CSD in accordance with the AIX CSD Business Rules and Procedures.

Distribution of dividends on Shares at AIX CSD

Any dividend on the Shares held at AIX CSD or other benefit received or accrued on such Shares will be credited to the relevant account of an investor with AIX CSD Participant as it would be registered in the Share Registry as shareholder if the Shares were not lodged in AIX CSD. The AIX CSD may, at the request of aShare Registry, provide, in accordance with AIX CSD Business Rules, information about shareholders whose Shares are held in the AIX CSD in order that the Share Registry may submit the information to the Issuer for the payment of dividends or other distributions.

Subscription and settlements on KASE

To organise the subscription in connection with the KASE Offering, the KASE member participating in the KASE Offering as a seller of the Shares on behalf of the Issuer ("**Seller on KASE**") will provide the KASE with an application in the prescribed form not later than three working days before the date of the beginning of the period of acceptance of applications. In case of receiving the confirmation from the KASE about subscription holding and receiving the consent of the Central Depository for carrying out checks on criteria set by the Seller on KASE and providing additional information about investors' requisites, the KASE will place the information message about subscription holding.

The KASE will take the following actions in relation to the subscription of the Shares offered:

- collection and formation of a consolidated book of applications;

- verification of full payment of the bid security at the moment of bid submission (in case of trading with a central counterparty) or at the moment of conclusion of trades (in the mode of trading without a central counterparty);
- providing the Seller on KASE with a register of accepted bids, and
- organisation of settlements based on the register of satisfied orders received from the Seller.

After the KASE will receive all applications within the KASE Offering, the KASE together with the Central Depository will check all submitted applications for the sign of citizenship of the Republic of Kazakhstan in respect of retail potential investors, as well as for compliance with other requirements and parameters of the placement.

By submitting an application, the broker and investor expresses its unconditional consent to the disclosure of additional information about its details or the details of the represented investors and bears responsibility for its accuracy, as well as confirms that it has obtained the necessary consents of these investors for the disclosure of such information.

Prior to the commencement of settlements, the Seller on KASE shall ensure the required number of the Issuer's Shares on the relevant sub-account in the Central Depository.

The KASE in accordance with the register of satisfied bids forms deals, on the basis of which the clearing organisation or the KASE forms a statement of orders for registration of these deals and sends it to the Central Depository for settlements on the deals. At the moment of submitting their bids potential investors should ensure the availability of necessary funds on their accounts with brokers or on their accounts in the Central Depository.

In case, if the potential investor does not fulfil the obligation on the concluded deal, such deal is recognised as cancelled. At that, the affected party of such deal within 5 (five) working days, following the day of recognition of this deal as cancelled, sends the KASE a notification about presence of its requirements to the guilty party of the deal about payment of forfeit (fine). Absence of such notification in the established term the KASE considers as absence of requirements of the suffered party of the deal about payment of forfeit (fine). If there are claims on payment of forfeit (fine) from the affected party of the deal to the guilty party, the guilty party is obliged to pay the counteragent on the deal forfeit (fine) at the rate of 0.1% of the amount of unfulfilled deal.

Post-trade procedures on KASE

Not later than the working day following the day of settlements completion, the KASE forms and transfers to the Issuer and investors exchange certificates, as well as publishes on its Internet resource the notification about results of subscription for the Shares.

Grounds for recognising the cancellation of a share subscription campaign

The KASE may recognise the KASE Offering as failed in the following cases:

- if no applications have been submitted in connection with the KASE Offering, or
- if the KASE found inconsistencies or damages in the file with the register of satisfied bids and did not receive the corrected file from the Seller on KASE within the terms determined for its correction; or
- in the event of the Issuer's refusal to proceed wih the Offering.

Restrictions of the Offering

The Offering is only available in the territory of the Republic of Kazakhstan.

An Offering does not constitute an offer to sell or a solicitation of an offer to buy Shares in any jurisdiction in which such an offer or solicitation would be unlawful.

The Shares have not been and will not be issued under the U.S. Securities Act or under any other securities laws of any state of any U.S. regulatory authority. The Shares will not be offered or sold in the United States.

TERMS AND ORDER OF SUBSCRIPTION TO SHARES

The following terms and conditions and the order of subscription for the Issuer's Shares are based entirely on the decision. Decision of the Issuer's Board of Directors (Minutes of Meeting No. 9 dated 25 August 2023), which was also approved by the State Commission (Minutes of Meeting dated 14 September 2023).

This structure for the allocation of KEGOC ordinary shares to different groups of investors in their initial public offering (the "Structure") sets out the procedure for the allocation of KEGOC ordinary shares to potential investors on the AIX, including Direct Subscription and the KASE.

1. Distribution plan

The Issuer is offering up to 15,294,118 Shares at the Offer Price of 1,482 Tenge per Share to retail and institutional investors, both resident and non-resident of Kazakhstan, simultaneously through the bookbuild procedure on the AIX and the KASE and exclusively to Kazakhstani and foreign retail investors by Direct Subscription through Tabys application or Kazpost offices. The following categories of investors are entitled to apply for the Shares:

(1) citizens of Kazakhstan,

(2) institutional investors resident in Kazakhstan, and

(3) non-resident investors in Kazakhstan (both retail and institutional) (except in the United States and any other jurisdictions where distribution may be prohibited by applicable laws).

Minimum number of shares in one Application: 1 (one Share).

Maximum number of the Shares per Application not limited.

One person may submit an unlimited number of Applications (multiple subscriptions are allowed).

2. Prioritising the satisfaction of investor requests

Applications shall be granted in full or in part in accordance with the following order of priority:

1) Applications of retail investors who are citizens of Kazakhstan in the maximum possible, at the discretion of the Issuer, number of the total number of placed the Shares;

2) Applications of other investors, including institutional investors (residents and non-residents) in the maximum possible, at the discretion of the Issuer, number of the Shares of the total number of placed the Shares less the number of the Shares necessary to fully satisfy all applications of citizens of Kazakhstan.

The Fund and the Issuer may, in their sole discretion, refuse to grant any application, in whole or in part, where such grant results or may result in a high concentration of the Shares held by one person or a group of related persons; and/or – a breach of applicable legal requirements and/or applicable compliance procedures.

3. Additional terms and conditions:

In case the aggregate number of shares indicated in Applications of retail investors of citizens of Kazakhstan exceeds the number of shares to be placed the size of the maximum number of satisfied bids will be reduced pro-rata until the demand (aggregate number of shares indicated in Applications of retail investors) and supply (number of shares to be placed) are equalised, unless another procedure is stipulated by the Issuer.

When distributing shares among different groups of investors during their initial public offering, the Application period within the Subscription Period shall not be taken into account.

Right of first refusal of current shareholders

KEGOC's shareholders are the Fund (90 per cent 1 share), UAPF – 7.25% of the shares, 23 legal entities in the aggregate holding approximately 0.9 per cent of the shares and more than 36,645 individuals holding in the aggregate 1.9 per cent of the shares. Under the Law on Joint Stock Companies, the Issuer is required to offer to current shareholders to purchase the Shares at a price of 1,482 Tenge per unit, with applications from current shareholders being granted in priority order in proportion to their shareholding. Applications from current shareholders will be accepted within 30 calendar days from the Application Acceptance Announcement Date and settlement will be made within 5 business days after each application is made. Consequently, if any of the current shareholders express their written intention to purchase the Shares and pay the price of the Shares on the due date, the number of the Shares offered for sale to all investors will be reduced and the extent of the reduction in the Offering will be known to the Issuer one or two days prior to the receipt of the register of accepted applications (AIX and KASE). If the pre-emptive right of purchase is waived by a major shareholder before the final deadline for accepting bids, the Issuer will post this information on the AIX and the KASE.

Non-alienation of Shares

The Issuer has covenanted to the Bookrunners that until 180 days after the Closing Date, they will not, subject to certain exceptions, without the prior written consent of such Bookrunners (i) issue, offer, place, dispose of, encumber (including pledge) or otherwise dispose of, directly or indirectly, any Shares or other shares of the Issuer or any securities convertible into or exercisable or exchangeable for the Shares or other shares of the Issuer; or (ii) issue, offer, place, dispose of, grant any options or derivative securities or instruments the underlying assets of which are, directly or indirectly, any Shares or other shares of the Issuer, or any securities convertible into the Shares or realisable or exchangeable for the Shares or other shares of the Issuer; or (iii) make any application for registration in respect of any Shares or other shares of the Issuer, or any securities convertible into the Shares or exercisable or exchangeable for the Shares or other shares of the Issuer and/or any rights thereto, with any securities regulator or securities registrar, stock exchange or listing authority or other similar authority or body in any country or jurisdiction under the laws of any country or jurisdiction; or (iv) enter into any swap or any other agreement or any transaction (including unilateral transaction) which are transfer, fully or partially, directly or indirectly, any right to the Shares or other shares of the Issuer, or any securities convertible into the Shares or realisable or exchangeable for the Shares or other shares of the Issuer (v) direct or permit any third party to do (or publicly announce an intention to do) any of the foregoing.

Other rights and relations of the Bookrunners

The Bookrunners and their respective affiliates have participated in transactions and provided various underwriting, advisory and other services to the Issuer and its affiliates for which they have received customary fees, and they and their respective affiliates may provide such services to the Issuer and its respective affiliates in the future. As a result, the Bookrunners and their respective affiliates may have a commercial interest in continuing to provide services to the Issuer and its relevant affiliates that may materially affect the Offering.

INDEPENDENT AUDITORS

The consolidated financial statements of the Issuer as at and for the years ended 31 December 2021 and 2022, and for the six months ended 30 June 2023 have been audited by RSM Qazaqstan LLP, independent auditors, as stated in their audit report set out in this Prospectus. Registered address: Kazakhstan, Almaty, Dostyk Avenue 43, office 302; Internet resource: www.rsm.kz, contact email addresses: aisulu.narbayeva@rsm.kz and aibek.mirmanov@rsm.kz. RSM Qazaqstan LLP operates on the basis of the state licence for auditing activities in the Republic of Kazakhstan No. 19024411 issued by the Ministry of Finance on 24 December 2019. RSM Qazaqstan LLP is a member of the Chamber of Auditors of the Republic of Kazakhstan. RSM Qazaqstan LLP does not have any interest in the Issuer.

The consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 have been audited by Ernst & Young LLP, independent auditors, as stated in their audit report set out in this Prospectus. Registered address: Kazakhstan, 050060, Almaty, Al-Farabi Ave. 77/7, Esentai Tower; Internet resource: www.ey.com, tel. +7 727 258 59 60, fax +7 727 258 59 61. Ernst & Young LLP operates on the basis of the state licence for auditing activities in the Republic of Kazakhstan No. 0000003 issued by the Ministry of Finance on 15 July 2005. Ernst & Young LLP is a member of the Chamber of Auditors of the Republic of Kazakhstan. Ernst & Young LLP does not have any interest in the Issuer.

GLOSSARY

Advertising Law	Law of the Republic of Kazakhstan dated 19 December 2003 No. 508 "On Advertising" and AIX Business Rules
AFSA	Astana Financial Services Authority, an independent regulator of the AIFC, established in accordance with the Constitutional Law of the Republic of Kazakhstan "On the International Financial Centre Astana" to regulate financial services and related activities in the AIFC;
AIFC	Astana International Financial Centre;
AIFC MAR	AIFC Market Rules No. FR0003 of 17 October 2017 (AIFC Market Rules No. FR0003 of 2017), as amended;
AIX	Astana International Exchange Ltd. acting as the stock exchange of the Astana International Financial Centre;
AIX Business Rules	AIX Business Rules adopted by AIX Board on 12 November 2017, as amended;
AIX CSD	Astana International Exchange Central Securities Depository Ltd. is a private company registered under the applicable laws of AIFC, which is responsible for daily cash operations, securities settlement and depositary activities;
AIX CSD Business Rules	AIX Central Securities Depository Business Rules adopted by AIX CSD Board on 6 June 2022, as amended;
AIX Offering	the offering of the Shares on the AIX;
Application Acceptance Announcement Date	date following announcement on collection of applications from the current shareholders to comply with pre-emptive right to purchase the Issuer's shares;
Batys Transit	Batys Transit JSC;
Bookrunners, Financial advisors and Underwriters	Halyk Finance JSC, SkyBridge Invest JSC, Freedom Finance JSC, Jusan Invest JSC, BCC Invest JSC acting as joint coordinators and joint bookrunners to provide advisory and underwriting services to the Issuer;
CCGT	Combined Cycle Gas Turbines;
Central Depository	Central Securities Depository JSC of Kazakhstan;
Charter	current Charter of the Issuer;
CHP	cogeneration or combined heat and power;
Civil Code	Civil Code of the Republic of Kazakhstan (General Part) of 27 December 1994 and Civil Code of the Republic of Kazakhstan (Special Part) of 1 July 1999 No. 409-I;

Code of Administrative Offences of the Republic of Kazakhstan	Code of the Republic of Kazakhstan dated 5 July 2014 No. 235-V "On Administrative Offences";
Connected Person	a person defined under the AIX Business Rules as a director of the Issuer or a person controlling the Issuer or a person who holds more than 5% of the voting shares of the Issuer or a person controlling the Issuer;
Constitutional Council	the collective body of constitutional jurisdiction in Kazakhstan;
CPC	Caspian Pipeline Consortium;
CSTO	Collective Security Treaty Organisation;
DCP	design and estimate documentation;
Direct Subscription	direct subscription to the offering of the Shares through the Tabys application or at Kazpost offices pursuant to the AIFC MAR;
EBRD	European Bank for Reconstruction and Development;
EEU	Eurasian Economic Union;
EPO	energy producing organisations;
EUR or Euro	the single currency of the European Economic and Monetary Union;
European Union or EU	European Union;
Financial Statements	the audited consolidated financial statements of the Issuer as at and for the periods ending 31 December 2020, 2021, 2022 and 30 June 2023;
FS	feasibility study;
Fund's Group	a group of companies including (i) the Fund; (ii) entities in which the Fund holds more than 50 % of the voting or participating interests (the "**Fund Entities**"); (iii) subsidiaries of the Fund Entities in which the Fund Entities hold more than 50 % of the voting or participating interests (the "subsidiary undertakings"); and (iv) companies in which the subsidiary undertakings hold more than 50 % of the voting or participating interests;
Fund or Samruk-Kazyna	National Welfare Fund Samruk-Kazyna Joint Stock Company;
GDP	gross domestic product;
GMS or General Meeting of Shareholders	general meeting of shareholders of the Issuer;
Government	the Government of the Republic of Kazakhstan;

GRES-1	Limited Liability Partnership "Ekibastuz GRES-1 named after Bulat Nurzhanov";
GRES-2	Joint Stock Company "Station Ekibastuzskaya GRES-2";
Group	the Issuer and its subsidiaries;
HPP	hydroelectric power;
IBRD	the International Bank for Reconstruction and Development;
IFRS	the International Financial Reporting Standards;
IMF	the International Monetary Fund;
IPO	initial public offering;
Issuer or KEGOC	joint stock company "KEGOC" (Kazakhstan Electricity Grid Operating Company);
JSC	Joint Stock Company;
KASE	Joint Stock Company "Kazakhstan Stock Exchange";
KASE Offering	the offering of the Shares on the KASE;
KISC	Kazakhstan Interbank Settlement Centre RSE;
KOREM	KOREM JSC (Kazakhstan's electricity and capacity market operator);
Law on Electric Power Industry	the Law of the Republic of Kazakhstan dated 9 July 2004 No. 588-II "On Electric Power Industry";
Law on Joint Stock Companies	the Law of the Republic of Kazakhstan dated 13 May 2003 No. 415-II "On Joint Stock Companies";
Law on Natural Monopolies	the Law of the Republic of Kazakhstan No. 204-VI "On Natural Monopolies and Regulated Markets" dated 27 December 2018;
Law on the NWF	the Law of the Republic of Kazakhstan "On the National Welfare Fund" dated 1 February 2012;
Law on State Property	Law of the Republic of Kazakhstan dated 1 March 2011 No. 413-IV "On State Property";
LLP	Limited Liability Partnership;
LPG	liquefied petroleum gas;
MNE	the Ministry of National Economy of the Republic of Kazakhstan;
MEI	the monthly estimated indicator established in accordance with the legislation governing the republican budget for the relevant years;
MoE	the Ministry of Energy of the Republic of Kazakhstan;

MSE	medium and small enterprises;
NMRC	the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan – the relevant state body regulating the activities of natural monopolies in Kazakhstan, including the calculation and implementation of tariffs;
NBK	the National Bank of the Republic of Kazakhstan;
NDC	the National Dispatch Centre;
NEG	the national electric grid, as defined in the Law on Electric Power Industry, consisting of a set of substations, switchgears, interregional and/or interstate transmission lines and transmission lines carrying out the delivery of electric energy of electric power plants, with a voltage of 220 kilovolts and above;
Offering	AIX Offering, KASE Offering and Direct Subscription
Overhead power lines or OL	a device for transmission of electrical energy through wires located in the open air and attached by means of insulators and fittings to supports or brackets and posts on engineering structures (bridges, overpasses, etc.);
Prospectus	this Prospectus of the Issuer;
PJSC	Public Joint Stock Company;
RBA	regulated base of assets involved;
RDC	regional dispatch centre;
RK or Kazakhstan	the Republic of Kazakhstan;
Russia or RF	the Russian Federation;
REC	Regional power grid company;
Relationship Agreement	The Relationship Agreement between the Issuer and the Fund dated 6 October 2014 to regulate certain aspects of the relationship between the Issuer and the Fund;
RES	renewable energy sources
SALD	special automatic load disconnection;
Samruk	Kazakhstan Holding for Management of State Assets SAMRUK JSC;
Samruk-Kazyna Procurement Procedure	Procedure establishing the rules of procurement of goods, works and services, adopted in respect of the Fund and legal entities, in which the Fund directly or indirectly owns on the rights of ownership or by way of trust management 50 and more per cent of voting shares (participatory

	interest), approved by the Board of Directors of the Fund on 3 March 2022, as amended and supplemented;
Securities Market Law	Law of the Republic of Kazakhstan dated 2 July 2003 No. 461 "On Securities Market";
Seller	the AIX Trading Member participating in the subscription as bookrunner on behalf of the Issuer;
State Commission	State Commission on Modernisation of the Economy of the Republic of Kazakhstan;
Single Purchaser or RFC for RES LLP or RFC	Settlement and Financial Centre for Renewable Energy Support LLP with 100% state participation, defined as a single purchaser of MoE and carrying out centralised purchase and centralised sale of planned volumes of electricity and other activities in the electricity market;
substation or SS	An electrical installation used for the conversion and distribution of electrical energy and consisting of transformers or other energy converters, switchgear, control devices and auxiliary facilities;
System Operator or SO	is a national company appointed by the MoE that performs centralized operational dispatch management, ensures parallel operation with power systems of other states, maintains balance in the power system, provides system services and purchases auxiliary services from wholesale electricity market entities, as well as transmits electricity through the NEG, maintains its maintenance and operational readiness;
SPP	solar power plant;
Tabys application	a mobile application developed by the AIX under the brand name "Tabys" and leased out to the issuers or their duly authorised agents for the purpose of the Direct Subscription in connection with AIX listing. The application can be downloaded to the investors' personal mobile devices from the App Store or Google Play or accessed with assistance at the KazPost offices. Terms and conditions for use of Tabys application are available at www.tabysapp.kz.
Tenge	the official currency of Kazakhstan;
TCT	temporary compensatory tariff;
TPS	thermal power station;
UAPF	United Accumulative Pension Fund Joint Stock Company;
UES	Unified electric power system;
USD or U.S. Dollars	the official currency of the United States;
U.S. Securities Act	U.S. Securities Act of 1933 (as amended);
U.S.	the United States of America;

VAT	Value Added Tax;
WPP	wind power plant.

CONSULTANTS, BANKS AND AUDITORS OF THE ISSUER

Issuer	KEGOC Joint Stock Company (Kazakhstan Electricity Grid Operating Company) Legal address: Z00T2D0, Astana city, Almaty district, 59 Tauelsizdik Ave. phone number: +7(7172)-21-11-08. Contact e-mail of the Issuer in relation to investor relations ir@kegoc.kz, Internet resource: www.kegoc.kz.
Financial advisor and Underwriter	Halyk Finance JSC, SkyBridge Invest JSC, Freedom Finance JSC, Jusan Invest JSC, BCC Invest JSC.
Legal Adviser	Zan Hub Law Firm (Kazakhstan) Kazakhstan, Z05T3E5 Mangilik El Avenue 55/21, Astana 2nd floor, office 250.
Auditor	For the years ended 31 December 2021 and 2022, and for the six months ended 30 June 2023: RSM Qazaqstan LLP, Kazakhstan, Almaty, Dostyk Avenue 43, office 302. For the year ended 31 December 2020: Ernst & Young LLP, Kazakhstan, Almaty, Al-Farabi Ave. 77/7, Esentai Tower.

FINANCIAL STATEMENT

Kazakhstan Electricity Grid Operating Company JSC

Interim consolidated financial statements

For the six months ended 30 June 2023

with independent Auditor's report

CONTENTS

ТОО «RSM Qazaqstan»
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Бизнес-Центр «D43», офис 302
Тел.: +7 727 339 87 78
www.rsm.kz

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Board of Directors and Management of Kazakhstan Electricity Grid Operating Company JSC

Opinion

We have audited the interim consolidated financial statements of Kazakhstan Electricity Grid Operating Company JSC and its subsidiary (hereinafter the "Group"), which comprise the interim consolidated statement of financial position as at June 30, 2023, and the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six months then ended, and notes to the interim consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim consolidated financial statements present fairly, in all material respects, the interim consolidated financial position of the Group as at June 30, 2023, and its interim consolidated financial performance and its interim consolidated cash flows for six months 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 interim consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 interim consolidated financial statements of the current period. These matters were addressed in the context of our audit of the interim consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	*How our audit addressed the key audit matter*
Valuation of property, plant and equipment	
As at 30 June 2023, the carrying value of assets of the National Electricity Grid ("NES") amounted to 719.314.087 thousand tenge (31 December 2022: 733.464.524 thousand tenge). The NES assets are accounted for at fair value in accordance with the Group's accounting policy. At each reporting date, the Group analyzes to what extent the fair value of the NES assets differs significantly from their carrying value. In order to assess the possible fluctuations in the fair values Management of the Group determines the replacement cost of assets most exposed to the risk of changes in fair value. Due to the significance of the carrying amount of the NES assets, as well as significant use of professional judgement and estimates by Management when analyzing changes in the fair value of the NES assets, this issue was one of the key audit matters. Information on the NES assets and analysis of changes in fair value of the NES assets is presented in *Notes 4 and 6* to the interim consolidated financial statements.	We have received from the Group's management an analysis of possible changes in the fair value of NES assets. We reviewed the assumptions underlying the Management's analysis. Thus, we analyzed the assumptions regarding the price index used by the Group in determining replacement cost. We compared changes in tariffs for services provided by the Group, forecasts of tariff growth in comparison with current tariffs. We analyzed information, disclosed in *Notes 4 and 6* to the interim consolidated financial statements.

RSM

Compliance with covenants under credit facility agreements

In accordance with terms of loan agreements and bond programs, the Group is required to comply with certain financial and non-financial covenants. Breaching of these covenants may lead to the request of early repayment of loans and bonds and funding shortages. Compliance with covenants was one of the matters of most significance in the audit, because it has major impact on the going concern assumption used in preparation of the interim consolidated financial statements, and on classification of loans and bonds in the interim consolidated statement of financial position. Information on compliance with covenants is disclosed in *Note 28* to the interim consolidated financial statements.	We examined the terms of credit facilities and reviewed financial and non-financial covenants. We compared data used in the calculations with the data presented in the interim consolidated financial statements. We reviewed mathematical accuracy of calculations of the financial ratios. We analyzed the management evaluation of the risk that breach of any covenants is likely within the next 12 months and the potential impact of breach on the going concern basis. We analyzed information received from creditors in relation to compliance with covenants as of 30 June 2023. We also analyzed information disclosed in the interim consolidated financial statements.

Responsibilities of management and those charged with governance for the interim consolidated financial statements

Management is responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free form material misstatement, whether due to fraud or error. In preparing the interim consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the preparation of the Group's interim consolidated financial statements.

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

Our objectives are to obtain reasonable assurance about whether the interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 interim consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing , we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the interim consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the interim consolidated financial statements, including the disclosures, and whether the interim consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the interim consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is Aisulu Narbayeva.

RSM Qazaqstan LLP

Aisulu Narbayeva
Auditor / General Director
RSM Qazaqstan LLP

Auditor qualification certificate # 0000137
dated 21 October 1994

State audit license for audit activities
on the territory of the Republic of Kazakhstan
#19024411 issued by the Ministry of finance of the
Republic of Kazakhstan on 24 December 2019

43, Dostyk Avenue, office 302
Almaty, 050010, Republic of Kazakhstan

7 August 2023

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

In thousands of tenge	Notes	30 June 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	6	**853.223.235**	859.129.917
Intangible assets		**3.174.437**	3.453.791
Advances paid for non-current assets	6	**10.312.532**	6.118.449
Investment in associate	7	**2.671.730**	2.747.455
Long-term receivables from related parties	26	**449.981**	514.613
Other financial assets, non-current portion	11	**3.779.200**	1.968.564
		873.611.115	873.932.789
Current assets			
Inventories	8	**4.746.867**	3.207.155
Trade account receivable	9	**22.653.859**	21.047.390
VAT recoverable and other prepaid taxes		**301.792**	871.258
Prepaid income tax		**116.157**	128.400
Other current assets	10	**2.119.851**	1.649.971
Other financial assets, current portion	11	**47.433.813**	57.196.672
Restricted cash	12	**1.948.206**	1.015.462
Cash and cash equivalents	13	**28.901.077**	27.563.092
		108.221.622	112.679.400
Total assets		**981.832.737**	986.612.189

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2023

In thousands of tenge	Notes	For the six months period ended 30 June 2023	For the six months period ended 30 June 2022
Operating activities			
Profit before tax		**28.537.211**	17.034.019
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization		**25.473.092**	32.446.065
Finance costs	23	**6.891.997**	5.865.602
Finance income	23	**(3.752.316)**	(2.513.680)
(Positive) / negative foreign exchange difference, net		**(489.104)**	748.669
Accrual of provision for expected credit losses		**909.966**	212.195
Accrual of allowance for obsolete inventories	22	**(3.482)**	59.344
Loss from disposal of property, plant and equipment and intangible assets		**3.203**	41.876
Gain from recovery of loss from revaluation of property, plant and equipment		**(155)**	(85.102)
Share of loss/(gain) of associate	7	**75.725**	(121.995)
Income from government grants		**(26.621)**	(13.744)
Working capital adjustments			
Change in inventories		**(1.536.230)**	(898.737)
Change in trade accounts receivable		**(2.845.617)**	(5.426.022)
Change in VAT recoverable and other prepaid taxes		**569.466**	1.417.070
Change in other current assets		**(674.884)**	(1.408.239)
Change in trade and other accounts payable		**(2.484.371)**	273.102
Change in contract liabilities		**(493.840)**	(328.304)
Change in taxes payable other than income tax		**1.467.709**	892.494
Change in other current liabilities		**(608.945)**	(375.367)
Change in other non-current liabilities		**(13.522)**	–
		50.999.282	47.819.246
Interest and fees paid on loans	27	**(414.283)**	(456.105)
Coupon interest paid	27	**(9.002.500)**	(6.627.500)
Payment of commission on bank guarantees		**(62.620)**	(382.017)
Corporate income tax paid		**(7.368.348)**	(4.796.803)
Interest received		**4.018.258**	2.514.833
Net cash flows received from operating activities		**38.169.789**	38.071.654

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2023

In thousands of tenge	Notes	30 June 2023	31 December 2022
Equity and liabilities			
Equity			
Share capital	14	**126.799.554**	126.799.554
Treasury shares	14	**(930)**	(930)
Asset revaluation reserve	14	**489.229.537**	489.297.133
Retained earnings		**47.401.031**	37.469.407
		663.429.192	653.565.164
Non-current liabilities			
Borrowings, non-current portion	15	**10.590.681**	11.367.844
Bonds payable, non-current portion	16	**149.457.511**	133.394.155
Deferred tax liability	25	**121.521.599**	123.971.284
Long-term accounts payables	17	**2.163.124**	4.146.691
Deferred income, non-current portion		**649.517**	676.138
Other liabilities, non-current portion		**-**	13.522
		284.382.432	273.569.634
Current liabilities			
Borrowings, current portion	15	**1.216.719**	5.530.813
Bonds payable, current portion	16	**8.083.978**	6.058.889
Trade and other accounts payable	17	**14.543.690**	21.713.025
Dividends payable	14	**-**	17.014.309
Obligations under the contract		**1.175.750**	1.669.590
Deferred income, short-term portion		**53.243**	53.243
Tax debt other than corporate income tax	18	**3.444.280**	1.933.096
Corporate Income Tax Debt		**806.840**	267.335
Other current liabilities	19	**4.696.613**	5.237.091
		34.021.113	59.477.391
Total liabilities		**318.403.545**	333.047.025
Total equity and liabilities		**981.832.737**	986.612.189
Book value per ordinary share (in tenge)	14	**2.539**	2.500

The accounting policies and explanatory notes on pages 7 to 47 are an integral part of these interim consolidated financial statements.

Chairman of the Management Board — *Aitzhanov N.E.*

Chief Accountant — *Mukanova D.T.*

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2023

In thousands of tenge	Notes	For the three months period ended 30 June 2023	2022	For the six months period ended 30 June 2023	2022
Continuing operations					
Revenue from contracts with customers	20	**53.746.479**	47.957.472	**114.350.128**	102.777.951
Cost of sales	21	**(37.390.806)**	(37.465.959)	**(79.303.395)**	(78.522.413)
Gross profit		**16.355.673**	10.491.513	**35.046.733**	24.255.538
General and administrative expenses	22	**(2.213.825)**	(1.867.664)	**(4.675.519)**	(3.772.577)
Selling expenses		**(106.837)**	(58.510)	**(217.523)**	(121.403)
Impairment recovery / (impairment) of property, plant and equipment	6	**114**	(2.141)	**155**	85.102
Operating profit		**14.035.125**	8.563.198	**30.153.846**	20.446.660
Finance income	23	**1.964.006**	1.412.650	**3.752.316**	2.513.680
Finance costs	23	**(3.677.852)**	(3.017.140)	**(6.891.997)**	(5.865.602)
Foreign exchange gain/(loss), net	24	**108.808**	(94.848)	**489.104**	(748.669)
Share of (loss)/profit of associate	7	**(9.922)**	80.458	**(75.725)**	121.995
Other income		**307.766**	33.692	**2.215.106**	1.001.270
Other expenses		**(43.814)**	(120.635)	**(195.473)**	(223.120)
Accrual of provision for expected credit losses	9, 10, 11, 12, 13	**(856.260)**	(220.811)	**(909.966)**	(212.195)
Profit before tax		**11.827.857**	6.636.564	**28.537.211**	17.034.019
Corporate income tax expense	25	**(2.282.934)**	(1.148.641)	**(5.519.853)**	(3.021.619)
Profit for the reporting period		**9.544.923**	5.487.923	**23.017.358**	14.012.400
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the period		**9.544.923**	5.487.923	**23.017.358**	14.012.400
Earnings per share					
Basic and diluted profit for the year attributable to ordinary equity holders of the parent (in tenge)	14	**36,71**	21,10	**88,53**	53,89

The accounting policies and explanatory notes on pages 7 to 47 are an integral part of these interim consolidated financial statements.

Chairman of the Management Board Aitzhanov N.E.

Chief Accountant Mukanova D.T.

KEGOC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of tenge	Notes	For the six months period ended 30 June 2023	30 June 2022
Investing activities			
Withdraw of bank deposits		**7.253.277**	26.600.719
Replenishment of bank deposits		**(59.207)**	(17.102.851)
Change in restricted cash	12	**(867.526)**	–
Revenue from the sale of fixed assets and intangible assets		**98.249**	1.189.269
Acquisition of fixed assets		**(25.794.585)**	(25.593.896)
Acquisition of intangible assets		**(157.307)**	(17.675)
Acquisition of debt securities (notes of the National Bank of the Republic of Kazakhstan, bonds of DBK and KMG)	11	**(46.854.824)**	–
Redemption of debt securities (notes of the National Bank of the Republic of Kazakhstan, bonds of DBK and KMG)	11	**47.555.591**	14.000.000
Redemption of DSFK bonds by the issuer	11	**24.108**	2.014
Partial refund to Eximbank Kazakhstan	11	**23.876**	134.111
Net cash flows used in investing activities		**(18.778.348)**	(788.309)
Financing activities			
Issue of bonds	27	**16.867.599**	–
Dividends paid	14	**(30.167.639)**	(13.220.929)
Repayment of borrowings	27	**(4.835.136)**	(7.490.906)
Principal repayment of lease liability	27	**–**	(111.895)
Net cash flows used in financing activities		**(18.135.176)**	(20.823.730)
Net change in cash and cash equivalents		**1.256.265**	16.459.615
Effect of exchange rate changes on cash and cash equivalents		**(74.405)**	(265.704)
Effect of accrual of provision on expected credit losses on cash and cash equivalents	13	**156.125**	(32.235)
Cash and cash equivalent, as at 1 January		**27.563.092**	11.933.828
Cash and cash equivalents, as at 30 June	13	**28.901.077**	28.095.504

Non-cash transactions:

During the six months of 2023, the Group capitalized the cost of coupon interest on bonds in the cost of property, plant and equipment in the amount of 3.579.384 thousand tenge *(Note 6)*.

The accounting policies and explanatory notes on pages 7 to 47 are an integral part of these interim consolidated financial statements.

Chairman of the Management Board ______ *Aitzhanov N.E.*

KEGOC

Chief Accountant ______ *Mukanova D.T.*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2023

In thousands of tenge	Share capital	Treasury Shares	Asset revaluation reserve	Retained earnings	Total
As at 1 January 2022	126.799.554	(930)	569.845.780	40.492.413	737.136.817
Profit for the period	–	–	–	14.012.400	14.012.400
Total comprehensive income	–	–	–	14.012.400	14.012.400
Transfer of asset revaluation reserve *(Note 14)*	–	–	(46.420)	46.420	–
Dividends *(Note 14)*	–	–	–	(13.220.929)	(13.220.929)
As at 30 June 2022	126.799.554	(930)	569.799.360	41.330.304	737.928.288
As at 1 January 2023	**126.799.554**	**(930)**	**489.297.133**	**37.469.407**	**653.565.164**
Profit for the period	**–**	**–**	**–**	**23.017.358**	**23.017.358**
Total comprehensive income	**–**	**–**	**–**	**23.017.358**	**23.017.358**
Transfer of asset revaluation reserve *(Note 14)*	**–**	**–**	**(67.596)**	**67.596**	**–**
Dividends *(Note 14)*	**–**	**–**	**–**	**(13.153.330)**	**(13.153.330)**
As at 30 June 2023	**126.799.554**	**(930)**	**489.229.537**	**47.401.031**	**663.429.192**

The accounting policies and explanatory notes on pages 7 to 47 are an integral part of these interim consolidated financial statements.

Chairman of the Management Board ______________ Aitzhanov N.E.

Chief Accountant ______________ Mukanova D.T.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kazakhstan Electricity Grid Operating Company JSC (the "Company" or "KEGOC") was established in accordance with the Government Resolution of the Republic of Kazakhstan No. 1188 dated 28 September 1996 by transferring of some assets of the former National Energy System "Kazakhstanenergo".

As at 31 December 2022 and 30 June 2023 the Company's major shareholder was Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

In 2014 the Company placed 10 percent minus one share on the Kazakhstan Stock Exchange.

KEGOC is the national Company, which provides electricity transmission, dispatch, and electricity production-consumption balancing services in Kazakhstan. As the state-appointed system operator. the Company provides centralized dispatching control, ensures parallel work with energy systems of other countries, maintains the balance in energy system, provides system services and acquires auxiliary services from wholesale entities at energy market, as well as transmits electricity through unified power system (the "NES"), ensures its technical support and maintenance, The NES consists of substations, distribution devices, interregional and international power transmission lines which provide the output of electricity of electrical stations with the voltage of 220 kW and more.

On April 19, 2023, the Head of State signed the Law "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan (hereinafter referred to as the RK) on Administrative Reform", which provides, among other things, amendments to the Law "On Electricity Industry" (hereinafter referred to as the Law) in terms of changing the target model of the wholesale electricity market from July 1, 2023 by introducing the institution of the Single Purchaser of Electricity (hereinafter referred to as the Single Purchaser) and switching the balancing electricity market from simulation to real time (hereinafter referred to as BEM).

For reference: A single purchaser is a legal entity with one hundred percent state participation, determined by the authorized body, carrying out centralized purchase and centralized sale of planned volumes of electrical energy.

With this model of the wholesale market, the Single Purchaser in the context of each hour makes a centralized purchase of the declared planned volumes of electric energy from energy producing organizations (hereinafter referred to as EPO), with the exception of renewable sources of electricity (hereinafter referred to as RES), which have bilateral agreements, within their marginal tariffs, sells electricity energy at an average price for all consumers and with a shortage of electricity in the unified electric power system of the Republic of Kazakhstan (hereinafter referred to as the UES of the Republic of Kazakhstan) carries out its planned import.

The centralized purchase of electricity from wholesale market entities is carried out by the Single Purchaser in the order of priority specified in the Law.

In view of the fact that the model of the Single Purchaser excludes the "*targeting*" of the distribution of electrical energy (*from the station to the consumer*), the system operator introduces a new service - for the use of NES, which provides maintenance and maintenance of the NES in operational readiness, provided to all market participants, with the exception of conditional consumer, on the basis of the concluded contract.

For reference: a conditional consumer is a wholesale consumer who purchases electrical energy from EPO, included in the same group of persons, an industrial complex and a qualified consumer, determined in accordance with the Law of the Republic of Kazakhstan "On Supporting the Use of RES".

If imbalances are allowed by the deviation of the participants of the wholesale electricity market from the declared planned volume of production - consumption of electricity, the participant of the wholesale market switches to the BEM.

BEM provides for the financial responsibility of participants by targeting the distribution of payment for imbalances at prices prevailing at BEM, which should lead to a decrease in electricity consumption by consumers during peak hours, as well as stimulate EPO through increased payment for additional electricity generation. All BEM entities independently or through a market provider enter into agreements with the BEM Settlement Center for the financial settlement of imbalances.

For reference: BEM *settlement center is an organization determined by the authorized body that carries out centralized purchase and sale of balancing electricity and negative imbalances at* BEM.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

The physical regulation of the volumes of production and consumption, import and export of electricity both in the wholesale electricity market and in the BEM is carried out by the System Operator through the formation and approval of the daily schedule for the production and consumption of electricity in the balancing market system.

This innovation is aimed at solving the problem of the predicted shortage of electricity for the next three to five years and creating equal conditions for the competitiveness of all participants included in the list of wholesale electricity market entities formed by the System Operator in accordance with by-laws.

As at 30 June 2023 and 31 December 2022 the Company has stake in the following company:

		Percentage of ownership	
Company	**Activities**	**30 June 2023**	31 December 2022
Energoinform JSC (“Energoinform”)	Maintenance of the KEGOC’s IT system	**100%**	100%

The Company and its subsidiary is collectively referred to as the “Group”.

The head office of the Company is registered at the address: Republic of Kazakhstan, Z00T2D0, Astana, Tauelsizdik avenue, building 59.

The accompanying interim consolidated financial statements of the Group were approved by the Chairman of the Management Board and the Chief Accountant of the Company on August 7, 2023.

2. BASIS OF PREPARATION

The interim consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These interim consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment, which are stated at revalued amounts and financial assets measured at fair value as described in the accounting policies and notes to these interim consolidated financial statements. The interim consolidated financial statements are presented in Kazakhstan Tenge (“Tenge” or “KZT”) and all values are rounded to the nearest thousands, except when otherwise indicated.

The Group has prepared the interim consolidated financial statements on the basis that it will continue to operate as going concern.

Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the following term apply:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee. including:

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

2. BASIS OF PREPARATION

Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards. interpretations and amendments adopted to the existing standards and interpretations adopted by the Company for the first time

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as at 1 January 2023. The Group has not early adopted any standard interpretation or amendment that has been issued but is not yet effective.

In 2023, the Group first applied the amendments and clarifications below, but they did not have an impact on its interim consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB released IFRS 17 Insurance Contracts, a comprehensive new financial reporting standard for insurance contracts that addresses recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life and non-life insurance, direct insurance and reinsurance), regardless of the type of entity that issues them, and to certain guarantees and financial instruments with conditions discretionary participation. There are several exceptions to the scope. The main objective of IFRS 17 is to provide an accounting model for insurance contracts that is more efficient and consistent for insurers. Unlike the requirements of IFRS 4, which are primarily based on previous local accounting policies, IFRS 17 provides a comprehensive accounting model for insurance contracts, covering all relevant aspects of accounting. IFRS 17 is based on a general model, supplemented by the following:

- Certain modifications for insurance contracts with direct participation terms (variable fee method).
- Simplified approach (premium distribution approach) mainly for short-term contracts.

This standard is not applicable to the Group.

Amendments to IAS 8 – Determination of Accounting Estimates

The amendments to IAS 8 clarify the difference between changes in accounting estimates and changes in accounting policies and corrections of errors. It also explains how organizations use measurement methods and inputs to develop accounting estimates.

These amendments did not have a material effect on the interim consolidated financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards. interpretations and amendments adopted to the existing standards and interpretations adopted by the Company for the first time (continued)

Amendments to IAS 1 and Practice Guideline No. 2 on the Application of IFRS – Accounting Policies Disclosures

The amendments to IAS 1 and Practice Note 2 on the Application of IFRS Making Judgments of Materiality provide guidance and examples to help entities apply materiality judgments when disclosing accounting policies. The amendments should help entities disclose more useful information about accounting policies by replacing the requirement for entities to disclose “significant information” about accounting policies with a requirement to disclose “material information” about accounting policies, and by adding guidance on how entities should apply the concept materiality in making decisions on disclosure of information about accounting policies.

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

Amendments to IAS 12 - Deferred Tax on Assets and Liabilities Arising from a Single Transaction

The amendments to IAS 12 Income Taxes narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. The amendments had no impact on the interim consolidated financial statements of the Group.

Current versus non-current classification

The Group presents assets and liabilities in the interim consolidated statement of financial position based on current/non-current classification.

An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

The Group measures financial instruments such as financial assets measured at fair value at each reporting date and non-financial assets (NPG assets) at fair value when their fair value differs significantly from their carrying value.

Fair value is the price that would be received from sale of 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The principal or the most advantageous market must be accessible to by the Group. 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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) market 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 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Group's finance management determines the policies and procedures for both recurring fair value measurement, such as NES assets and unquoted trading financial assets, and for non-recurring measurement, if any.

External valuers are involved for valuation of NES assets. Involvement of external valuers is decided upon annually by the finance management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The finance management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the finance management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the finance management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The finance management, in conjunction with the Group's external values, also compares each the changes in the fair value of each asset of revalued class of property, plant and equipment in accordance with Group accounting policy with relevant external sources to determine whether the change is reasonable. The finance management and external values discusses the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currency transactions

The consolidated financial statements of the Group are presented in tenge. Tenge is also the functional currency of the Group companies. Each company in the Group determines its own functional currency, and items included in the financial statements of each company are measured in that functional currency.

Foreign currency transactions are initially recognized by the Group companies in their functional currency at the spot rate ruling on the date the transaction qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are recognized in interim consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

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

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Exchange rates for foreign currencies in which the Group had significant transactions are represented as follows:

Exchange rate as at the end of the year (to KZT)	**30 June 2023**	31 December 2022
1 USD	**452,26**	462,65
1 EUR	**490,7**	492,86
1 RUB	**5,14**	6,43

Average exchange rate for the six months period (to KZT)	**30 June 2023**	30 June 2022
1 USD	**448,82**	449,96
1 EUR	**488,37**	492,38
1 RUB	**5,54**	6,08

Property, plant and equipment

Property, plant and equipment, except for NES assets, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, 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 Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

NES assets are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation reserve is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in interim consolidated statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is computed on a straight-line basis over the estimated useful lives set out in the following table:

Buildings	60 years
NES assets	
Structures, machinery and equipment of NES	8-100 years
Transport and other fixed assets	
Other machinery and equipment and vehicles	2-50 years
Other fixed assets not included in other groups	2-20 years

Land is not depreciated.

The useful lives and residual values of property, plant and equipment are reviewed annually and, where applicable, adjustments are made on a prospective basis.

If expectations differ from previous estimates, the changes are accounted for 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 amounts of the carrying amount of property, plant and equipment and on depreciation expenses recognized in the interim consolidated statement of comprehensive income.

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

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets of the Group, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit and loss in the period in which expenditure is incurred.

Intangible assets of the Group consist primarily of licenses and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 3 to 5 years.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the interim statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At each reporting date, the Group assesses 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 Group 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 to sell and its value in use. 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.

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 to sell, 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 Group bases its impairment calculation on value in use, 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 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations (including impairment on inventories) are recognized in the interim consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for NES assets previously revalued with the revaluation taken to OCI. For such assets, the impairment is recognized in OCI up to the amount of any previous revaluation. For assets previously impaired, except for goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation surplus.

Investments in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies. The factors considered in determining whether there is significant influence or joint control are similar to those considered when determining whether there is control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, an investment in an associate is initially recognized at cost. The carrying amount of the investment subsequently increases or decreases as a result of the recognition of the Group's share of the post-acquisition changes in net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized or separately tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the associate's financial performance. If there has been a change recognized directly in equity of the associate, the Group recognizes its share of the change and discloses that fact, where applicable, in the consolidated statement of changes in equity. Unrealized gains and losses arising from the Group's transactions with an associate are eliminated to the extent that the Group has an interest in the associate.

The Group's share of associate's profit is presented directly in the consolidated statement of comprehensive income. It represents the profit attributable to the shareholders of the associate and is therefore defined as profit after taxes and non-controlling interest in the associate's subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in an associate (continued)

The associate's financial statements are prepared for the same reporting period as the Group's financial statements. If necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

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 amortized 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 Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section *Revenue recognition*.

In order for a financial asset to be classified and measured at amortized 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost includes trade receivables, and loans issued.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the interim consolidated statement of financial position at fair value with net changes in fair value recognized in the interim consolidated statement of profit or loss. This category includes instruments which the Group has classified at fair value through profit and loss.

Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's interim consolidated statement of financial position) when:

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

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

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

Recognition of expected credit losses

The Group recognizes an allowance for expected credit losses on financial assets measured at amortized cost at an amount equal to lifetime expected credit losses if the credit loss has increased significantly since initial recognition.

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions *(Note 4)*;
- Trade receivables and other current and financial assets including cash and cash equivalents (*Notes 9, 10, 11, 12, 13*).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

***Financial assets* (*continued*)**

Recognition of expected credit losses (continued)

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, loans and borrowings, and bonds issued.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Borrowings and bonds issued

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the interim consolidated statement of comprehensive income.

Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the interim consolidated statement of comprehensive income.

Offsetting of financial instruments

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

Inventory

Inventories are accounted for on a FIFO basis.

Inventories are valued at the lower of cost and net realizable value.

Net realizable 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.

Cash and cash equivalents

Cash and cash equivalents in the in the interim consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity till 3 (three) months or less.

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Restricted cash

If cash is restricted in use for the period not exceeding 12 (twelve) months from the reporting date, such cash is treated as current asset and an appropriate disclosure is provided in the notes to the interim consolidated financial statements. If cash is restricted in use for the period exceeding 12 (twelve) months from the reporting date, such cash is reflected within non-current assets.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the interim consolidated statement of comprehensive income, net of any reimbursement.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The Group recognizes revenue to reflect the provision of promised services to consumers in the amount of compensation that the Group expects to be entitled to receive in exchange for goods or services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Group, when recognizing revenue, takes the following steps:

1) Identification of the contract with the consumer;
2) Identification of the obligation to be executed under the contract;
3) Determination of transaction price;
4) Distribution of the transaction price between certain duties to be performed under the contract;
5) Recognition of proceeds at the time of (or as far as) the performance of the obligations to be performed under the contract.

Revenue from rendering of services is recognized by reference to the stage of completion. The Group receives its revenue from rendering of transmission services of electricity from power generators to wholesale and major customers, technical dispatching of the input of electricity into the energy system and consumption of electricity, organization of balancing of electricity producing and consumption and ensuring a contractual power supply with energy systems of neighboring countries and other.

Tariffs for accruing income on services for the transmission of electrical energy, technical dispatching and balancing the production / consumption of electrical energy are approved by the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter referred to as the “Committee”).

Income from services to ensure the contractual values of electrical energy flows with the energy systems of neighboring states are recognized in accordance with the terms of contracts concluded on the basis of the Agreement between the Government of the Republic of Kazakhstan and the Government of the Russian Federation *"On measures to ensure parallel operation of the Unified Energy Systems of the Republic of Kazakhstan and the Russian Federation"* .

Trade receivables

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *Financial instruments – initial recognition and subsequent measurement.*

Contract liabilities

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

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale. interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the interim consolidated statement of comprehensive income.

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 capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease

The Group 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.

The Group as a lessee

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

i) Right-of-use assets

The Group recognizes 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 recognized, 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, as follows:

- Software – 5 years

If ownership of the leased asset transfers to the Group 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.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes 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. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized 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 its incremental borrowing rate at the lease commencement date because 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.

iii) Short-term leases and leases of low-value assets

The Group 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 not contain a purchase option). 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 recognized as expense on a straight-line basis over the lease term.

Pension obligations

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees' salaries, but no more than 350.000 tenge per month (2022: 300.000 tenge) to accumulative pension funds. Pension fund payments are withheld from employees' salaries and included with payroll expenses in the interim consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current income tax

Current income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the interim consolidated statement of comprehensive income. 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 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized 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, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred 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 recognized 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 utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is unlikely that sufficient taxable income will be available to enable all or part of the deferred tax assets to be utilized.

Unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent that it is probable that future taxable profit will allow the use of deferred tax assets.

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

Deferred tax relating to items recognized outside of profit or loss is also not recognized in profit or loss. Deferred tax items are recognized in accordance with the underlying transactions either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset against each other if there is a legal right to offset current tax assets and liabilities and the deferred taxes relate to the same taxable company and tax authority.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

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

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the interim consolidated financial statements but are disclosed in the interim consolidated financial statements unless the possibility of any outflow in settlement is remote.

A contingent asset is not recognized in the interim consolidated financial statements but disclosed in the interim consolidated financial statements when an inflow of economic benefits is probable.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures, and the disclosure of contingent liabilities and assets. 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.

Estimates and assumptions

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 described below. The Group based its assumptions and estimates on parameters available when the interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment

The Group performed revaluation of NES assets as at 1 December 2022. The Group engaged Grant Thornton Appraisal LLP an accredited independent appraiser, to assess the fair value of the NES assets.

The revalued NES assets represent one class of assets according to IFRS 13, based on the nature, characteristics and risk of the property. Input data for determining the fair value of NES assets refer to Level 3 in the fair value hierarchy (unobservable inputs).

The fair value of NES assets was determined using the cost method. The cost method was used because the assets are highly specialized and historically these assets have never been sold. As part of the cost method, the method of determining the cost of replacement or the cost of reproduction was applied, according to which the full replacement cost of fixed assets was calculated minus all types of accumulated depreciation, as well as the method of calculation by analogues, the method of specific indicators and the method of indexing past costs.

The estimated current replacement cost was subsequently compared to the recoverable amount determined based on a discounted cash flow model. The cash flows in the model are taken from the Group's approved budget for the next 5 (five) years. When forecasting the Group's income, the tariffs approved by the Committee for regulated services for the transmission of electricity, technical dispatching and balancing the production and consumption of electricity for the period from October 1, 2021 to September 30, 2026 were taken into account. Based on the results of the analysis, the recoverable amount of property, plant and equipment exceeded its current replacement cost.

As a result of the valuation, the fair value of NPG assets as at the valuation date (December 1, 2022) amounted to 774.045.986 thousand tenge. The decrease in the revalued value of NES assets in the amount of 100.105.029 thousand tenge was recognized in other comprehensive income for 2022, taking into account the corresponding deferred tax benefit in the amount of 20.021.005 thousand tenge. An increase in the value of certain previously depreciated assets was recognized in the statement of comprehensive income in the amount of 949.895 thousand tenge, together with a decrease in the value of certain assets in the amount of 4.524.870 thousand tenge.

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

Revaluation of property, plant and equipment (continued)

The decrease in the fair value of NES assets based on the results of the valuation is mainly due to a decrease in metal prices by about 15% compared to the previous year.

In assessment of the fair value in 2021 the following main assumptions have been applied:

Discount rate (WACC)	12,97%
Long term growth rate	3,09%
Average remaining useful life of the primary asset	40 years

An increase in the discount rate by 0.5% or a decrease in the long-term growth rate by 0.5% would result in a decrease in the fair value of the Group's property, plant and equipment by 46.537.397 thousand tenge or 24.247.101 thousand tenge, respectively.

Useful life of property, plant and equipment

During 2022, the Group carried out a technical inventory of NES assets to determine the technical condition of fixed assets. Based on the results of the inventory, the remaining useful lives of property, plant and equipment were revised. The overall effect of changes in useful lives amounted to 3.732.520 thousand tenge (decrease in depreciation), which was recognized in profit or loss in the statement of comprehensive income for the year ended 31 December 2022.

The useful lives and residual values of property, plant and equipment are reviewed at the end of each annual reporting period and adjusted if necessary.

The Group estimates the remaining useful life of property, plant and equipment at least at the end of each financial year and, if expectations differ from previous estimates, the changes are accounted for as changes in estimates in accordance with IAS *8 Accounting Policies, Changes in Accounting Estimates and mistakes*."

Taxes

There is uncertainty regarding the interpretation of complex tax laws and the amount and timing of future taxable profits. Given the significant diversity of the Group's international operations, and the long-term nature and complexity of existing contractual relationships, differences arising between actual results and assumptions made, or future changes in such assumptions, may result in future adjustments to already reported expenses or corporate income savings. tax. Based on reasonable assumptions, the Group creates provisions for possible consequences of tax audits. The amount of such allowances depends on various factors, such as the results of previous audits and different interpretations of tax laws by the Group and the relevant tax authority. Such differences of interpretation may arise on a wide range of issues depending on the activities and nature of the operations of the Group.

Since the Group assesses the occurrence of litigation in connection with tax legislation and the subsequent cash outflow as unlikely, a contingent liability has not been recognized.

Fair value of financial instruments

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

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

Fair value of financial instruments (continued)

Bonds DSFK

On December 28, 2017, in accordance with the Decision of the Government of the Republic of Kazakhstan dated November 7, 2017, the Group purchased bonds of Special Financial Company DSFK LLP (hereinafter referred to as DSFK bonds), paying for the acquisition with funds placed with JSC RBK bank (hereinafter − RBK bank). The nominal amount of deposits placed with RBK bank before the purchase of bonds amounted to 1.498.249 thousand tenge. DSFK bonds have a coupon rate of 0.01% per annum and a maturity of 15 years. The bonds are secured by a financial guarantee of Kazakhmys Corporation LLP in the amount of 411.883 thousand tenge. The guarantee can be used at the request of the Group, but not earlier than the fifth anniversary from the date of issue of the bonds. DSFK bonds were carried at fair value through profit or loss.

During the six months ended 30 June 2023, the Group repeatedly requested Kazakhmys Corporation LLP to make payment under the guarantee. In connection with the default on the part of Kazakhmys Corporation LLP, the Group filed a pre-trial claim against Kazakhmys Corporation LLP.

The management of the Group believes that as at 30 June 2023 the fair value of the DSFK bonds is nil, as the Group's claim to the guarantor to buy back the bond was rejected.

Estimated allowance for expected credit losses on receivables

The Group uses an allowance matrix to calculate ECLs for receivables. Allowance rates are set based on the number of days past due for groups of different customer segments with similar loss characteristics (i.e. by geographic region, product type, customer type and rating, collateral through letters of credit and other forms of credit risk insurance).

Initially, the allowance matrix is based on observed data on the occurrence of defaults in past periods. The Group will update the matrix to adjust past credit loss experience based on forward-looking information. At each reporting date, observable data on the level of default in previous periods are updated and changes in forward estimates are analysed.

Estimating the relationship between historical observed default rates, projected economic conditions and ECLs is a significant estimate. ECLs are sensitive to changes in circumstances and projected economic conditions. The Group's past history of credit losses and the forecast of economic conditions may also not be indicative of an actual customer default in the future.

5. OPERATIONAL SEGMENTS INFORMATION

Geographic information

Revenues from external customers based on the geographic locations of the customers represent the following:

	For the six months ended	
In thousands of Tenge	**30 June 2023**	30 June 2022
Revenue from Kazakhstan customers	**99.707.153**	90.442.593
Revenue from Russian customers	**13.994.896**	11.972.172
Revenue from Uzbekistan customers	**222.290**	358.482
Revenue from Kyrgyz customers	**425.789**	4.704
Total revenue per interim consolidated statement of comprehensive income	**114.350.128**	102.777.951

Management analyzes revenue and profit before tax in accordance with IFRS.

For the six-month period ended June 30, 2023, revenue from one customer of the Group, the Samruk-Energy group, including its joint ventures, amounted to 12.299.747 thousand tenge, and includes revenue from electricity transmission and related support, maintenance services power grid assets (for the six-month period ended June 30, 2022: 11.886.232 thousand tenge).

For management purposes, all of the Group's activities constitute one operating segment.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS

In thousands of tenge	**Land**	**Building**	**NES assets**	**Vehicles and other property, plant and equipment**	**Construction in-progress**	**Total**
Cost						
As at 1 January 2022	1.965.212	19.110.271	1.874.498.349	47.969.510	59.430.985	2.002.974.327
Additions	228	–	–	805.664	10.509.678	11.315.570
Transfers	–	68.215	760.634	418.097	(1.246.946)	–
Transfers to intangible assets	–	–	–	–	(340.261)	(340.261)
Disposals	–	(16.846)	(119.451)	(232.275)	(28.837)	(397.409)
As at 30 June 2022	1.965.440	19.161.640	1.875.139.532	48.960.996	68.324.619	2.013.552.227
As at 1 January 2023	**1.973.225**	**20.480.769**	**1.571.605.523**	**51.529.119**	**87.155.146**	**1.732.743.782**
Additions	**–**	**48.760**	**6.565**	**1.862.928**	**17.264.248**	**19.182.501**
Transfers	**–**	**104.313**	**8.967.599**	**599.684**	**(9.671.596)**	**–**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**(3.349)**	**(3.349)**
Disposals	**–**	**(4.046)**	**(397.070)**	**(254.802)**	**(574)**	**(656.492)**
As at 30 June 2023	**1.973.225**	**20.629.796**	**1.580.182.617**	**53.736.929**	**94.743.875**	**1.751.266.442**
Accumulated depreciation and impairment						
As at 1 January 2022	–	(4.935.891)	(994.516.999)	(27.234.670)	(285.451)	(1.026.973.01)
Charge for the period	–	(232.745)	(30.212.997)	(1.589.187)	–	(32.034.929)
Transfers		1.022	–	(1.022)	–	–
Disposals	–	9.252	68.797	211.943	–	289.992
Reversal of impairment	–	–	–	–	85.102	85.102
As at 30 June 2022	–	(5.158.362)	(1.024.661.19)	(28.612.936)	(200.349)	(1.058.632.84)
As at 1 January 2023	–	**(5.394.035)**	**(838.140.999)**	**(29.818.605)**	**(260.226)**	**(873.613.865)**
Charge for the period	**–**	**(253.005)**	**(23.078.757)**	**(1.701.320)**	**–**	**(25.033.082)**
Transfers	**–**	**464**	**2.708**	**(3.172)**	**–**	**–**
Disposals	**–**	**1.841**	**348.518**	**253.226**	**–**	**603.585**
Reversal of impairment	**–**	**–**	**–**	**–**	**155**	**155**
As at 30 June 2023	**–**	**(5.644.735)**	**(860.868.530)**	**(31.269.87)**	**(260.071)**	**(898.043.207)**
Net book value						
As at 1 January 2022	1.965.212	14.174.380	879.981.350	20.734.840	59.145.534	976.001.316
As at 30 June 2022	1.965.440	14.003.278	850.478.333	20.348.060	68.124.270	954.919.381
As at 1 January 2023	**1.973.225**	**15.086.734**	**733.464.524**	**21.710.514**	**86.894.920**	**859.129.917**
As at 30 June 2023	**1.973.225**	**14.985.061**	**719.314.087**	**22.467.058**	**94.483.804**	**853.223.235**

If NES assets were measured using the cost model, net of accumulated depreciation, the carrying amount would be as follows:

In thousands of tenge	**30 June 2023**	31 December 2022
Cost	**457.897.727**	449.000.591
Accumulated depreciation	**(153.597.155)**	(147.975.065)
Net book value	**304.300.572**	301.025.526

As at 30 June 2023 and 31 December 2022 the cost of fully amortized property, plant and equipment, which is still in use amounted to 14.388.149 thousand tenge and 13.720.023 thousand tenge, respectively.

6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS (continued)

Capitalized costs on issued bonds

During the six-month period ended June 30, 2023, the Group capitalized the cost of coupon interest on bonds issued, net of investment income, in the amount of 3.579.384 thousand tenge (for the six-month period ended June 30, 2022: 1.547.170 thousand tenge) (Note 16).

Construction in progress

Construction in progress, mainly represented by equipment and construction and installation works for the implementation of the project "Strengthening the electrical network of the Western zone of the UES of Kazakhstan. Construction of power grid facilities" and "Reconstruction of 220-500 kV overhead lines of Aktobe MES, Sarbai MES and Western MES branches of KEGOC JSC (stage 1)" with the planned commissioning date in the 4th quarter of 2023.

Advances paid for non-current assets

As at June 30, 2023, advances paid for long-term assets are mainly represented by advances paid to suppliers for construction works and services under the project "Strengthening the power grid of the Western zone of the UES of Kazakhstan. Construction of power grid facilities" and other projects.

7. INVESTMENTS IN ASSOCIATE

The Group has 20% share in Batys Transit JSC. Principal place of operations and country of incorporation of Batys Transit JSC ("Batys Transit") is the Republic of Kazakhstan. The main activity of Batys Transit is realization of a project on construction and exploitation of interregional power line, which connects the North Kazakhstan region with Aktobe region and construction and exploitation of street lighting networks in Atyrau city. Batys Transit has bonds traded on the Kazakhstan Stock Exchange. The following table illustrates the summarized financial information about Batys Transit:

In thousands of tenge	**30 June 2023**	31 December 2022
Current assets	**19.493.149**	20.914.108
Fixed assets	**17.770.208**	16.890.064
Short-term liabilities	**(4.049.729)**	(4.078.403)
Long term duties	**(19.854.979)**	(19.988.494)
Net assets	**13.358.649**	13.737.275

In thousands of tenge	**30 June 2023**	31 December 2022
Group's share in net assets	**2.671.730**	2.747.455
Carrying amount of the investments	**2.671.730**	2.747.455

In thousands of tenge	**30 June 2023**	30 June 2022
Statement of comprehensive income		
Revenue	**6.912.013**	5.711.168
Net profit	**(378.626)**	609.976
Group's share in profit of Batys Transit	**(75.725)**	121.995

As at 30 June 2023 and 31 December 2022, the associate had no contingent liabilities or future capital commitments.

8. INVENTORIES

In thousands of tenge	**30 June 2023**	31 December 2022
Raw and other materials	**2.480.248**	1.387.482
Spare parts	**1.939.481**	1.694.995
Fuel and lubricants	**239.802**	113.467
Other inventory	**493.061**	420.418
Less: allowance for obsolete inventories	**(405.725)**	(409.207)
	4.746.867	3.207.155

Movement in the allowance for obsolete inventories was as follows:

In thousands of tenge	**2023**	2022
As at 1 January	**409.207**	337.986
Charge	**34.840**	114.928
Reversal	**(38.322)**	(55.584)
Write-off	**–**	(5.578)
As at 30 June	**405.725**	391.752

9. TRADE ACCOUNTS RECEIVABLE

In thousands of tenge	**30 June 2023**	31 December 2022
Trade accounts receivable	**26.154.627**	23.661.039
Less: allowance for expected credit losses and impairment	**(3.500.768)**	(2.613.649)
	22.653.859	21.047.390

The movement in the allowance for expected credit losses is represented as follows:

In thousands of tenge	**2023**	2022
As at 1 January	**2.613.649**	2.273.985
Charge	**1.147.059**	591.101
Recovery of the previously accrued reserve	**(240.357)**	(187.382)
Write-off	**(19.583)**	(123.006)
As at 30 June	**3.500.768**	2.554.698

As at June 30, 2023, trade receivables included receivables from the consumer JSC National Electric Grids of Uzbekistan in the amount of 1.631.724 thousand tenge (December 31, 2022: 1.797.097 thousand tenge).

As at June 30, 2023, the allowance for expected credit losses on debt from National Electric Grids of Uzbekistan JSC amounted to 1.576.123 thousand tenge (December 31, 2022:1.612.146 thousand tenge).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE ACCOUNTS RECEIVABLE (continued)

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

		Trade accounts receivable				
			Days past due			
In thousands of tenge	**Total**	**Current**	**30-90 days**	**91-180 days**	**181-270 days**	**Above 271 days**
30 June 2023						
Percentage of expected credit losses	**13.38%**	**0.83%**	**17.75%**	**48.53%**	**66.45%**	**98.06%**
Estimated total gross carrying amount in case of default	**26.154.627**	**20.864.687**	**1.754.262**	**691.062**	**342.007**	**2.502.609**
Expected credit losses	**(3.500.768)**	**(172.749)**	**(311.309)**	**(335.394)**	**(227.252)**	**(2.454.064)**
	22.653.859	**20.691.938**	**1.442.953**	**355.668**	**114.755**	**48.545**
31 December 2022						
Percentage of expected credit losses	11.05%	0.67%	15.04%	46.65%	78.78%	98.34%
Estimated total gross carrying amount in case of default	23.661.039	20.877.332	227.223	64.951	207.166	2.284.367
Expected credit losses	(2.613.649)	(139.479)	(34.172)	(30.302)	(163.200)	(2.246.496)
	21.047.390	20.737.853	193.051	34.649	43.966	37.871

Trade accounts receivable were denominated in the following currencies:

In thousands of tenge	**30 June 2023**	31 December 2022
Tenge	**22.598.258**	20.862.439
US Dollars	**55.601**	184.951
	22.653.859	21.047.390

10. OTHER CURRENT ASSETS

In thousands of tenge	**30 June 2023**	31 December 2022
Advances paid for the supply of materials and services	**927.233**	1.263.783
Future expenses	**857.445**	35.224
Other receivables from related parties for property, plant and equipment and construction in progress *(Note 26)*	**399.974**	399.974
Loans issued to employees	**469**	469
Other	**873.874**	691.913
Less: allowance for expected credit losses and impairment	**(939.144)**	(741.392)
	2.119.851	1.649.971

Movement in the provision for expected credit losses and impairment of other current assets are as follows:

In thousands of tenge	**2023**	2022
As at 1 January	**741.392**	485.933
Charge	**218.538**	62.608
Recovery of the previously accrued reserve	**(18.090)**	(9.824)
Write-off	**(2.696)**	(7.166)
As at 30 June	**939.144**	531.551

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS

In thousands of tenge	**30 June 2023**	31 December 2022
Financial assets at amortized cost		
Bonds of Samruk-Kazyna	**30.021.390**	30.072.911
Notes of the National Bank of the Republic of Kazakhstan	**17.035.332**	19.062.907
Funds held in Eximbank Kazakhstan	**2.146.370**	2.165.823
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1.918.466**	1.968.564
Funds in DeltaBank	**1.230.000**	1.230.000
Funds held in Kazinvestbank	**1.201.850**	1.201.850
Bonds of JSC Development Bank of Kazakhstan (DBK)	**991.843**	–
Bonds of JSC NC Kazmunaigas (KMG)	**868.891**	–
Accrued interest on bonds of Samruk-Kazyna	**254.333**	254.333
Bank deposits	**91.331**	7.434.744
Accrued interest on Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**15.708**	18.945
Accrued interest on bonds of JSC NC Kazmunaigas	**8.478**	–
Accrued interest on bonds of JSC Development Bank of Kazakhstan	**7.459**	–
Minus: allowance for impairment of funds held in Eximbank Kazakhstan	**(2.146.370)**	(2.165.823)
Minus: provision for depreciation of funds held in DeltaBank	**(1.230.000)**	(1.230.000)
Minus: allowance for impairment of funds held in Kazinvestbank	**(1.201.850)**	(1.201.850)
Minus: allowance for expected credit losses of other financial assets	**(285)**	(24.899)
	51.212.946	58.787.505
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	**67**	377.731
Total other financial assets	**51.213.013**	59.165.236
Other current financial assets	**47.433.813**	57.196.672
Other non-current financial assets	**3.779.200**	1.968.564
Total other financial assets	**51.213.013**	59.165.236

Movement in the provision for impairment of other financial assets are as follows:

In thousands of tenge	**2023**	2022
As at 1 January	**4.622.572**	5.002.324
Charge	**22**	25.629
Recovery of the previously accrued reserve	**(44.089)**	(302.211)
As at 30 June	**4.578.505**	4.725.742

Bonds of Samruk-Kazyna JSC

In 2020, the Group purchased coupon bonds of Samruk-Kazyna at Kazakhstan Stock Exchange JSC. The maturity date of the bonds is December 3, 2023. The bonds were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

Upon initial recognition, a premium of 213.089 thousand tenge was accrued on the purchased coupon bonds. For 6 months of 2023, the amount of depreciation of the premium amounted to 51.521 thousand tenge (for 6 months of 2022: 47.765 thousand tenge).

Bonds of Development Bank of Kazakhstan JSC

On June 27 and 29, 2023, the Group purchased 1.150.000 and 1.000.000 coupon international bonds of Development Bank of Kazakhstan JSC on the international market, respectively, at a rate of 5.75% per annum for a total amount of 2.192.000 US dollar (equivalent to 987.757 thousand tenge), with a maturity date of May 12, 2025. The bonds were classified as carried at amortized cost.

On initial recognition, a premium of 42.000 US dollar (the tenge equivalent of 18.790 thousand) was accrued. For 6 months of 2023, the premium amortization amounted to 59 thousand tenge.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS (continued)

Bonds of NC KazMunaiGas JSC

On June 27 and 28, 2023, the Group purchased 1.479.000 and 521.000 coupon international bonds of NC KazMunaiGas JSC on the international market, respectively, at a rate of 4.75% per annum for a total amount of USD 1.920.000 (equivalent to 867.067 thousand tenge), with a maturity date of April 19, 2027. The bonds were classified as carried at amortized cost.

A discount of 80.000 (equivalent in tenge 35.792 thousand) was accrued on initial recognition. For 6 months of 2023, the discount amortization amounted to 72 thousand tenge.

Notes of the National Bank of the Republic of Kazakhstan

During the six months of 2023, the Group acquired short-term discount notes of the National Bank of the Republic of Kazakhstan on Kazakhstan Stock Exchange JSC in the total amount of 45.000.000 thousand tenge (for the six months ended 30 June 2022: - no acquisitions). The amount of repayments of notes of the National Bank of the Republic of Kazakhstan for the six-month period ended June 30, 2023 amounted to 47.555.591 thousand tenge (for the six months ended June 30, 2022: 14.000.000 thousand tenge). During the six months ended 30 June 2023 the Group recognized finance income in the amount of 528,017 thousand tenge (for the six months ended 30 June 2022: 353,519 thousand tenge) *(Note 23).*

Bank deposits

As at 30 June 2023 and 31 December 2022, bank deposits include accrued interest income of 97 thousand tenge and 1.482 thousand tenge, respectively. Information about banks is provided in *Note 27* under credit risk

Funds held by Eximbank Kazakhstan JSC (hereinafter referred to as Eximbank Kazakhstan)

On August 27, 2018, by a resolution of the Board of the National Bank of the Republic of Kazakhstan, it was decided to deprive Ekimbank Kazakhstan of a license in terms of accepting deposits, opening bank accounts for individuals. As a result, the Group has reclassified cash and equivalents held with Eskimbank to other financial assets and has accrued a provision for expected credit losses of 100%.

During the six months ended June 30, 2023, the Eximbank Kazakhstan Liquidation Commission made a payment in the amount of 53.6 thousand dollar (equivalent in tenge 23.876 thousand as at the date of payment) in accordance with the approved register of creditors' claims dated June 13, 2019 (for six months ending June 30, 2022: 309.7 thousand dollars, which is equivalent to 134.111 thousand tenge at the date of payment). The Group has recognized a corresponding recovery in the impairment allowance.

Kazinvestbank and DeltaBank

No payments were made during the six months ended 30 June 2023 and 2022.

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On April 26, 2019, the Group purchased Eurobonds of the Ministry of Finance of the Republic of Kazakhstan in the amount of 4.200.000 bonds at a rate of 3.875% per annum and maturity until October 2024 for a total amount 4.368 thousand dollar (equivalent in tenge to 1.918.466 thousand tenge at the reporting date).

Bonds of Special Financial Company DSFK LLP

During the six months ended June 30, 2023 and 2022, Special Financial Company DSFK LLP redeemed bonds worth 24,108 thousand tenge and 2,014 thousand tenge, respectively.

As at 30 June 2023, the Group revalued the fair value of the bonds and reduced their carrying amount to nil tenge, recognizing the loss from the revaluation of financial instruments in the amount of 353.623 thousand tenge as part of finance costs in the interim consolidated statement of comprehensive income *(Note 23).*

Other financial assets were represented in the following currencies:

In thousands of tenge	**Interest rate**	**30 June 2023**	31 December 2022
Tenge	0,01 – 15,5%	**47.314.516**	49.771.142
US Dollar	1 – 5,75%	**3.898.497**	9.394.094
		51.213.013	59.165.236

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. RESTRICTED CASH

In thousands of tenge	**30 June 2023**	31 December 2022
Cash reserved for return on guarantee obligations	**1.084.056**	1.015.833
Funding accounts	**867.526**	–
Less: provision for expected credit losses	**(3.376)**	(371)
	1.948.206	1.015.462

During the six months ended June 30, 2023 and 2022, no interest accrued on cash held receivable on short-term guarantee obligations.

During the six months ended June 30, 2023, a funding deposit was placed with Halyk Bank of Kazakhstan JSC as part of financing mortgage lending to the Company's employees. At the end of the reporting period, the amount of the deposit amounted to 867.179 thousand tenge, the accrued income was 347 thousand tenge.

The movement in the allowance for expected credit losses on restricted cash is as follows:

In thousands of tenge	**30 June 2023**	30 June 2022
As at 1 January	**371**	258
Charge	**3.347**	42
Recovery of the previously accrued reserve	**(342)**	(3)
As at 30 June	**3.376**	297

As at 30 June 2023 and 31 December 2022, restricted cash, including funds scheduled to be redeemed, was denominated in tenge.

13. CASH AND CASH EQUIVALENTS

In thousands of tenge	**30 June 2023**	31 December 2022
Cash in reverse REPO operations	**12.039.096**	–
Short-term deposits in tenge	**11.087.421**	22.775.139
Short-term deposits in foreign currency	**5.353.185**	–
Current bank accounts in tenge	**299.040**	4.918.470
Current bank accounts in foreign currency	**142.406**	48.162
Cash on hand in tenge	**6.714**	4.232
Money on special accounts in tenge	**655**	654
Less: allowance for expected credit losses	**(27.440)**	(183.565)
	28.901.077	27.563.092

The Group, as part of diversification, placed part of free liquidity in money market instruments, such as reverse repos secured by government securities.

During the period ended 30 June 2023, the Group placed short-term deposits with banks at 1,75-16,1% per annum in tenge, as well as on current accounts with banks at 0.06% per annum.

The movement in the allowance for expected credit losses on cash and cash equivalents is as follows:

In thousands of tenge	**2023**	2022
As at 1 January	**183.565**	775
Charge	**86.056**	61.015
Reversal	**(242.181)**	(28.780)
As at 30 June	**27.440**	33.010

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. CASH AND CASH EQUIVALENTS (continued)

As at 30 June 2023 and 31 December 2022, cash and cash equivalents were denominated in the following currencies:

In thousands of tenge	**30 June 2023**	31 December 2022
Tenge	**23.425.168**	27.514.941
US dollar	**5.475.883**	47.775
Russian rouble	**25**	14
Euro	**1**	1
Others	**–**	361
	28.901.077	27.563.092

14. EQUITY

As at June 30, 2023 and December 31, 2022, the share capital of the Company amounted to 260.000.000 issued shares, of which 259.998.610 shares were placed and fully paid for a total of 126.799.554 thousand tenge.

Own redeemed shares

In November 2016, the Group bought back 1.390 outstanding shares on the open market for the total amount of 930 thousand tenge.

Asset revaluation reserve

The asset revaluation reserve is represented by the increase in value as a result of the revaluation of NES Group assets carried out as at December 1, 2022 (the previous revaluation was carried out as at December 1, 2021) (Note 6). The transfer from the asset revaluation reserve to retained earnings as a result of the disposal of NES assets for the six-month period ended June 30, 2023 amounted to 67.596 thousand tenge (for the six-month period ended June 30, 2022: 46.420 thousand tenge).

Dividends

In May 2022, shareholders approved the distribution of dividends for the second half of 2021. The amount to be paid was 13.220.929 thousand tenge for all holders of ordinary shares of the Company, which is equal to 50.85 tenge per one ordinary share. Dividends in the amount of 13.220.929 thousand tenge were paid on June 17, 2022.

In October 2022, shareholders approved the distribution of 100% of net profit for the 1st half of 2022, as well as a portion of retained earnings of previous periods. The amount payable was 17.014.309 thousand tenge for all holders of ordinary shares of the Company, which is equal to 65.44 tenge per one ordinary share. Dividends were paid on January 12, 2023.

In May 2023, shareholders approved the distribution of 100% of net profit for the second half of 2022, as well as a portion of retained earnings of previous periods. The amount to be paid was 13.153.330 thousand tenge for all holders of ordinary shares of the Company, which is equal to 50.59 tenge per one ordinary share. Dividends were paid on May 29, 2023.

Earnings per share

Basic and diluted earnings per share are calculated by dividing net income for the period by the weighted average number of ordinary shares outstanding during the period. The Group had a weighted average number of ordinary shares outstanding of 259.998.610 shares during the period ended June 30, 2023 (for the six-month period ended June 30, 2022: 259,998,610 shares). For the six-month period ended June 30, 2023 and 2022, basic and diluted earnings per share were 88.53 tenge and 53.89 tenge, respectively.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY (continued)

Book value per share

In accordance with the decision of the Exchange Council of Kazakhstan Stock Exchange JSC (hereinafter referred to as the "KASE") dated October 4, 2010, the financial statements must contain data on the book value per share (common and preferred) as at the reporting date, calculated in accordance with the approved KASE rules.

In thousands of tenge	**30 June 2023**	31 December 2022
Total assets	**981.832.737**	986.612.189
Less: intangible assets	**(3.174.437)**	(3.453.791)
Less: total liabilities	**(318.403.545)**	(333.047.025)
Net assets	**660.254.755**	650.111.373
Number of ordinary shares	**259.998.610**	259.998.610
Book value per ordinary share, tenge	**2.539**	2.500

15. LOANS

In thousands of tenge	**30 June 2023**	31 December 2022
International Bank of Reconstruction and Development (IBRD)	**11.807.400**	12.575.944
European Bank of Reconstruction and Development (EBRD)	**–**	4.322.713
	11.807.400	16.898.657
Less: current portion of loans repayable within 12 months	**(1.216.719)**	(5.530.813)
	10.590.681	11.367.844

As at 30 June 2023 and 31 December 2022 accrued and unpaid interest on loans amounted to 205.982 thousand tenge and 252.227 thousand tenge, respectively. As at June 30, 2023 and December 31, 2022, the unamortized portion of the fee for arranging loans was 36.013 thousand tenge and 20.450 thousand tenge, respectively.

Loans were denominated in the following currencies:

In thousands of tenge	**30 June 2023**	31 December 2022
US dollars	**11.807.400**	12.575.944
Euro	**–**	4.322.713
	11.807.400	16.898.657

"Modernization of the National Electric Grid of Kazakhstan" II stage

In 2008, the following credit lines were opened for the implementation of the project "Modernization of the National Electric Grid of Kazakhstan" II stage:

Two credit lines in the amount of 127.500 thousand euro and 75.000 thousand euro provided by the EBRD for a period of 15 (fifteen) years, of which the first 4 (four) years were a grace period. The loan bears interest at the six-month interbank EUROBOR plus a 3.85% margin and is repaid twice a year. As at 30 June 2023, the principal amount of the loan was repaid in full (as at 31 December 2022: 8.626 thousand euro (equivalent in tenge 4.251.360 thousand).

"Scheme of power distribution of the Moinak HPP"

In 2009, for the implementation of the Moinak HPP Power Distribution Scheme, the Group received a credit line in the amount of USD 48,000 thousand provided by the IBRD for 25 (twenty-five) years, of which the first 5 (five) years were a grace period. The credit line is guaranteed by the Government of the Republic of Kazakhstan. The loan bears interest at six-month interbank LIBOR plus a fixed spread of 0.85% and is repaid twice a year. In May 2013, the undrawn portion of the credit line from IBRD in the amount of USD 3,274 thousand was canceled due to the fact that the amount of actual costs incurred during this project turned out to be less than expected. As at

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2023 and December 31, 2022, the outstanding balance of the loan is 25.717 thousand US dollars (equivalent in tenge 11.637.430 thousand) and 26.836 thousand US dollars (equivalent in tenge 12.415.520 thousand), respectively .

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. BONDS PAYABLE

In thousands of tenge	**30 June 2023**	31 December 2022
Nominal value of issued bonds	**150.941.100**	134.941.100
Accrued coupon interest	**8.083.978**	6.058.889
Less: discount on bonds issued	**(1.398.332)**	(1.457.789)
Less: transaction costs	**(85.257)**	(89.156)
	157.541.489	139.453.044
Less: current portion of bonds repayable within 12 months	**(8.083.978)**	(6.058.889)
	149.457.511	133.394.155

Under the State Program "Nurly Zhol" the Group placed two tranches of coupon bonds on "Kazakhstan Stock Exchange" JSC to finance the projects "Construction of 500 kW line Semey − Ak-togay − Taldykorgan − Alma":

(a) During the period from June to August 2016, the Group placed coupon bonds in the amount of 47.500.000 thousand tenge with a floating rate equal to the inflation rate in the Republic of Kazakhstan plus a margin of 2,9% maturing until 2031 (the minimum rate of the consumer price index is set at the 5% level. The coupon rate for the period from January 1, 2022 to May 26, 2022 was 9,9% per annum, from May 27, 2022 to May 26, 2023 14,9% per annum, from May 27, 2023 to June 30, 2023 was 18, 9% per annum.

All bonds within this tranche were purchased by the Unified Accumulative Pension Fund.

The bonds were placed at a discount of 111.945 thousand tenge.

(b) In August 2017, the Group placed the second tranche of coupon bonds in the amount of 36.300.000 thousand tenge with a fixed rate of 11,5%. All bonds within this tranche were purchased by the Unified Accumulative Pension Fund and other organizations.

In order to implement the investment projects "Reconstruction of the 220-500 kV overhead lines of the branches of KEGOC JSC", "Strengthening the electrical network of the Western zone of the UES of Kazakhstan. Construction of power grid facilities»:

- On May 28, 2020, bonds of KEGOC JSC were placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a nominal value of 9.700.000 thousand tenge with a yield of 11% per annum. The bonds were placed at a discount in the amount of 667.593 thousand tenge. As a result of trades, 89,6% of bonds in terms of attraction volume were purchased by STBs (second-tier banks), 9,9% - by other institutional investors, 0,5% - by other legal entities.

- On January 27, 2021, the bonds of KEGOC JSC were successfully placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a nominal value of 8.869.672 thousand tenge with a weighted average yield to maturity of 11,62% per annum. The bonds were placed at a discount in the amount of 380.267 thousand tenge, the accrued coupon interest on the placement date was 159,900 thousand tenge. As a result of trades, 22,6% of the bonds by volume of attraction were purchased by broker-dealer organizations, 72,8% - by other institutional investors, 4,6% - by other legal entities.

- On October 21, 2021, the bonds of KEGOC JSC were successfully placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a nominal value of 16.430.328 thousand tenge with a weighted average yield to maturity of 11,5% per annum. The bonds were placed at a discount in the amount of 562.427 thousand tenge, the accrued coupon interest on the placement date was 717.914 thousand tenge. As a result of trades, 86,7% of the bonds by the volume of attraction were purchased by the Eurasian Development Bank and banks, 13,3% - by other institutional investors.

- On December 21, 2022, KEGOC's green bonds were successfully placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a total volume of 16.141.100 thousand tenge with a margin of 3%. Securities were placed as part of the second issue of bonds of the second bond program of the issuer in the amount of 35 billion tenge, maturing until 2037. In the context of the main categories of investors, 50.4% of the total volume of active applications fell on the share of banks, 49,6% - on the share of other institutional investors.

- On March 30, 2023, KEGOC's green bonds were successfully placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a total volume of 16.000.000 thousand tenge with a margin of 3%. The securities were placed as part of the second issue of bonds of the issuer's second bond program, maturing until 2037. The investors were the Development Bank of Kazakhstan JSC and the European Bank for Reconstruction and Development (EBRD).

During the six-month period ended 30 June 2023, the Group capitalized the cost of coupon interest on bonds issued less investment income in the amount of 3.579.384 thousand tenge(for 6 months 2022: 1,547,170 thousand tenge) *(Note 23)* .

The movements in the bonds for reconciliation with the statement of cash flows are presented in *Note 27*.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of tenge	**30 June 2023**	31 December 2022
Accounts payable for property, plant and equipment and construction in progress	**10.304.260**	17.076.998
Accounts payable for purchased electricity	**4.271.121**	6.986.171
Accounts payable for inventories and work and services rendered	**2.605.959**	2.493.858
Less: discount	**(474.526)**	(697.311)
	16.706.814	25.859.716
Less: current portion of trade payables repayable within 12 months	**14.543.690**	21.713.025
	2.163.124	4.146.691

As at 30 June 2023 and 31 December 2022 trade and other accounts payable are denominated in the following currencies:

In thousands of tenge	**30 June 2023**	31 December 2022
Tenge	**14.388.067**	19.480.873
Russian rouble	**2.262.330**	6.325.079
US dollar	**56.417**	53.764
	16.706.814	25.859.716

Accounts payable for property, plant and equipment and construction in progress include debt to a related party of Karabatan utility solutions LLP, details of which are disclosed in Note 26.

18. TAXES PAYABLE OTHER THAN INCOME TAX

In thousands of tenge	**30 June 2023**	31 December 2022
VAT payable	**2.834.042**	682.925
Contributions payable to pension fund	**204.303**	401.717
Individual income tax	**143.248**	350.859
Social security obligations	**130.184**	185.992
Social tax	**111.947**	282.789
Property tax	**–**	3.190
Other	**20.556**	25.624
	3.444.280	1.933.096

19. OTHER CURRENT LIABILITIES

In thousands of tenge	**30 June 2023**	31 December 2022
Due to employees	**3.399.074**	3.996.978
Other	**1.297.539**	1.240.113
	4.696.613	5.237.091

Due to employees mainly comprise of salaries payable and provision for unused vacation.

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

	For the three months ended		For the six months ended	
In thousands of tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Electricity transmission	**37.948.493**	33.332.258	**80.024.067**	71.679.371
Services for technical dispatching	**7.825.689**	7.241.738	**16.802.884**	15.800.830
Services for the organization of balancing the production and consumption of electricity	**4.880.512**	4.580.748	**10.617.571**	9.903.751
Income from the sale of electricity to compensate for the interstate balance of electricity flows	**2.441.682**	2.193.349	**5.569.286**	4.066.334
Power regulation services	**67.201**	120.431	**222.290**	358.482
Income from the sale of purchased electricity	**22.170**	4.704	**22.170**	4.704
Other	**560.732**	484.244	**1.091.860**	964.479
	53.746.479	47.957.472	**114.350.128**	102.777.951

	For the three months ended		For the six months ended	
In volumes MW/h	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Electricity transmission	**13.324.611**	11.917.146	**28.093.965**	25.520.558
Services for technical dispatching	**24.922.577**	23.665.809	**53.512.369**	51.636.699
Services for the organization of balancing the production and consumption of electricity	**48.690.921**	46.742.323	**104.098.429**	101.065.768
Income from the sale of electricity to compensate for the interstate balance of electricity flows	**272.044**	279.692	**845.234**	470.565
Power regulation services (MW)	**65**	116	**215**	335
Income from the sale of purchased electricity	**2.817**	629	**2.817**	629

	For the three months ended		For the six months ended	
In thousands of tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Revenue recognition timeline				
The goods are transferred at a certain point in time	**2.463.852**	2.198.053	**5.591.456**	4.071.038
The services are provided over a period of time	**51.282.627**	45.759.419	**108.758.672**	98.706.913
Total revenue from contracts with customers	**53.746.479**	47.957.472	**114.350.128**	102.777.951

Discounts to customers are authorized by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies.

21. COST OF SALES

	For the three months ended		For the six months ended	
In thousands of Tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Depreciation and amortization	**12.497.896**	15.995.735	**24.967.478**	31.975.003
Expenses for the purchase of electricity in order to compensate for the interstate balance	**5.895.839**	4.858.920	**14.733.831**	10.458.413
Payroll expenses and other deductions related to payroll	**6.450.500**	5.292.279	**13.291.215**	10.422.598
Technological consumption of electrical energy	**4.932.632**	3.855.755	**12.826.055**	11.914.878
taxes	**1.943.008**	2.428.337	**3.863.175**	4.793.996
Operating and repair costs	**2.215.162**	2.087.257	**3.435.738**	3.606.153
For the purchase of services to ensure the readiness of power to bear the load	**1.035.010**	1.175.357	**2.070.021**	2.350.714
Security costs	**386.681**	369.435	**761.736**	732.791
Stocks	**455.816**	307.025	**666.572**	480.386
Cost of purchased electricity	**22.170**	4.704	**22.170**	4.704
Other	**1.556.092**	1.091.155	**2.665.404**	1.782.777
	37.390.806	37.465.959	**79.303.395**	78.522.413

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended		For the six months ended	
In thousands of tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Payroll expenses and other deductions related to payroll	**930.778**	898.361	**2.264.626**	1.978.425
Depreciation and amortization	**245.874**	231.371	**491.542**	458.374
Support costs	**200.947**	128.207	**421.988**	260.705
Third-party company services	**172.104**	130.553	**327.369**	239.579
Taxes other than income tax	**77.733**	53.688	**153.957**	98.790
Consulting services	**36.899**	57.318	**104.727**	129.766
insurance costs	**28.971**	6.523	**55.768**	13.108
Travel expenses	**21.023**	14.420	**43.244**	20.286
Materials	**20.310**	30.294	**33.143**	36.259
Communal expenses	**14.144**	14.684	**32.819**	41.011
Expenses for the maintenance of the Board of Directors	**23.323**	3.995	**25.262**	32.115
Trainings and education	**13.972**	7.753	**17.016**	7.277
Change in provision for inventory inventory *(Note 8)*	**7.304**	(10.775)	**(3.482)**	59.344
Other	**420.443**	301.272	**707.540**	397.538
	2.213.825	1.867.664	**4.675.519**	3.772.577

23. FINANCE INCOME/(COSTS)

	For the three months ended		For the six months ended	
In thousands of tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Finance income				
Interest income on deposits, current accounts and quoted bonds	**1.900.817**	1.437.439	**3.690.458**	2.525.429
Income from notes of the National Bank of the Republic of Kazakhstan *(Note 11)*	**383.778**	110.704	**528.017**	353.519
Income from reverse REPO operation	**333.174**	–	**333.174**	–
Amortization of discount on long-term receivables *(Note 26)*	**16.507**	19.559	**33.619**	39.616
Amortization of discount on other financial assets	**72**	–	**72**	–
Income from revaluation of DSFK financial instruments *(Note 11)*	–	7.558	–	30.180
Other	–	–	**18.998**	–
	2.634.348	1.575.260	**4.604.338**	2.948.744
Less: interest capitalized in the cost of qualifying property, plant and equipment *(Note 6)*	**(670.342)**	(162.610)	**(852.022)**	(435.064)
	1.964.006	1.412.650	**3.752.316**	2.513.680
Finance costs				
Bond coupon	**5.618.022**	3.406.055	**10.178.988**	6.587.805
Expense from revaluation of DSFC financial instruments *(Note 11)*	**353.623**	–	**353.623**	–
Interest on borrowings	**173.166**	224.672	**345.067**	442.241
Discounting costs	**121.692**	160.159	**286.143**	362.287
Commission on bank guarantees	**31.799**	184.042	**62.489**	371.259
Amortization of premium on other financial assets	**20.935**	18.896	**58.536**	54.747
Amortization of commission for arranging a loan	**303**	13.411	**6.795**	26.823
Other costs on bonds issued	**12.981**	1.180	**31.762**	2.674
	6.332.521	4.008.415	**11.323.403**	7.847.836
Less: interest capitalized into cost of qualifying asset *(Note 6)*	**(2.654.669)**	(991.275)	**(4.431.406)**	(1.982.234)
	3.677.852	3.017.140	**6.891.997**	5.865.602

Discounting expenses are mainly represented by the amortization of the discount on long-term accounts payable to related party Karabatan utility solutions LLP *(Note 26).*

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. FOREIGN EXCHANGE LOSS, NET

Due to the change in the Tenge exchange rate for the period ended June 30, 2023, the Group recognized a net foreign exchange gain of 489.104 thousand tenge (for the period ended June 30, 2022: a net foreign exchange loss of 748.669 thousand tenge).

25. CORPORATE INCOME TAX EXPENSE

	For the three months ended		For the six months ended	
In thousands of tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Current income tax				
Current income tax expense	**3.180.147**	3.017.891	**7.845.477**	7.009.490
Adjustments in respect of current income tax of previous year	**124.061**	(13.348)	**124.061**	(20.738)
Deferred tax				
Deferred income tax benefit	**(1.021.274)**	(1.855.902)	**(2.449.685)**	(3.967.133)
Total income tax expense reported in interim consolidated statement of comprehensive income	**2.282.934**	1.148.641	**5.519.853**	3.021.619

The income tax rate in the Republic of Kazakhstan is 20% in 2023 and 2022.

A reconciliation of the 20% income tax rate and actual income tax recorded in the interim consolidated statement of comprehensive income is provided below:

	For the three months ended		For the six months ended	
In thousands of tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Profit before tax from continuing operations	**11.827.857**	6.636.564	**28.537.211**	17.034.019
Tax calculated according to the official rate of 20%	**2.365.571**	1.327.313	**5.707.442**	3.406.804
Adjustments for the previous year's current corporate income tax	**124.061**	(13.348)	**124.061**	(20.738)
Interest income from securities	**(167.307)**	(167.143)	**(334.495)**	(334.336)
Other non-deductible expenses / (non-taxable income)	**(39.391)**	1.819	**22.845**	(30.111)
Corporate income tax expense recognized in profit or loss	**2.282.934**	1.148.641	**5.519.853**	3.021.619

Tax effect on temporary differences leading to deferred income tax assets and liabilities at 30 June 2023 and 31 December 2022 is provided below:

	Interim consolidated statement of financial position				Interim consolidated statement of comprehensive income	
					For the six months ended	
In thousands of tenge	**30 June 2023**	31 December 2022	30 June 2022	31 December 2021	**30 June 2023**	30 June 2022
Accounts receivable	**314.130**	241.886	223.705	196.234	**72.244**	27.471
Accrued liabilities	**576.269**	805.685	569.193	610.002	**(229.416)**	(40.809)
Property, plant and equipment	**(122.411.998)**	(125.018.855)	(148.295.923)	(152.276.394)	**2.606.857**	3.980.471
Deferred tax benefit	**–**	–	–	–	**2.449.685**	3.967.133
Net deferred tax liabilities	**(121.521.599)**	(123.971.284)	(147.503.025)	(151.470.158)	**–**	–

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. CORPORATE INCOME TAX EXPENSE (continued)

For the six-month period ended June 30, 2023 and 2022, the change in net deferred liabilities is as follows:

In thousands of tenge	**30 June 2023**	31 December 2022
As at 1 January	**(123.971.284)**	(151.470.158)
Deferred corporate income tax benefit recognized in profit or loss	**2.449.685**	3.967.133
As at 30 June	**(121.521.599)**	(147.503.025)

The Group offsets tax assets and tax liabilities only to the extent that it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to corporate income tax, which are levied on the same tax authority.

As at 30 June 2023, corporate income tax prepayments amounted to 116.157 thousand tenge (31 December 2022: 128.400 thousand tenge) and corporate income tax debt amounted to 806.840 thousand tenge (31 December 2022: 267.335 thousand tenge).

26. TRANSACTIONS WITH RELATED PARTIES

Related parties include key management personnel of the Group, entities in which the key management personnel of the Group directly or indirectly hold a significant interest, as well as other entities controlled by JSC "NWF "Samruk-Kazyna" or where JSC "NWF "Samruk-Kazyna" ' there is a significant impact. Transactions with related parties were carried out on terms agreed between the parties, which do not necessarily correspond to market rates, with the exception of certain regulated services, which are provided on the basis of tariffs offered to related and third parties.

Related party transactions for the period ended June 30, 2023 and 2022 are as follows:

In thousands of tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Joint ventures Samruk-Kazyna	Associates of the Group
	2023	**23.502.823**	**3.224.956**	**1.367.317**	**300.920**
Service implementation	2022	17.185.415	3.660.169	1.221.686	183.429
	2023	**13.040.926**	**955.821**	**–**	**30.206**
Purchases of services and goods	2022	11.431.681	915.130	–	21.553
Amortization of discount on long-term receivables	**2023**	**33.619**	**–**	**–**	**–**
	2022	39.616	–	–	–
Amortization of discount on long-term accounts payable	**2023**	**222.786**	**–**	**–**	**–**
	2022	299.558	–	–	–

Receivables and payables as at 30 June 2023 and 31 December 2022 from transactions with related parties are follows:

In thousands of tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Joint ventures Samruk-Kazyna	Associates of the Group
Short-term trade receivables for the sale of services	**2023**	**2.698.986**	**424.011**	**98.571**	**71.520**
	2022	4.196.537	706.405	137.722	58.744
Accounts receivable for sale of fixed assets	**2023**	**769.616**	**–**	**–**	**–**
	2022	694.735	–	–	–
Accounts payable for the property complex	**2023**	**4.243.350**	**–**	**–**	**–**
	2022	6.379.501	–	–	–
Short-term trade and other payables for purchased services	**2023**	**1.940.013**	**175.515**	**42.685**	**4.910**
	2022	1.446.569	208.615	582	8.821

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Revenue and cost of sales, trade accounts receivable and payable

The sale of services to related parties is mainly represented by electricity transmission, services for technical dispatching and organization of balancing the production and consumption of electricity, services for maintaining the readiness of electric power. Acquisitions of services from related parties mainly include telecommunications services, energy services, purchase of electricity, purchase of power capacity maintenance services, postal services and software technical support.

Other accounts receivable

On September 30, 2015, the Group sold buildings and structures with a complex of equipment and adjacent land plots located in Astana to a related party, Kazpost JSC, for 2.161.476 thousand tenge. In accordance with the sale agreement, Kazpost JSC will pay the debt in equal monthly installments until June 2027. Accordingly, the Group has discounted future cash flows at a market discount rate of 10.37%. As at June 30, 2023, the unamortized discount on receivables from Kazpost JSC amounted to 139.500 thousand tenge. As at 30 June 2023, net debt amounted to 630.116 thousand tenge, where 449.981 thousand tenge was included in long-term receivables from related parties (as at 31 December 2022, net debt amounted to 694.735 thousand tenge, the amount of long-term receivables from related parties in 514.613 thousand tenge). For the six months ended 30 June 2023 the Group recognized income from discount amortization in the amount of 33.619 thousand tenge (for the six months ended 30 June 2022: 39.616 thousand tenge) *(Note 23)*.

As at 30 June 2023, the Group had receivables for the sale of property, plant and equipment of Balkhashskaya TES JSC, a related party, in the amount of 220.494 thousand tenge (31 December 2022: 220.494 thousand tenge). In accordance with the sale agreement, Balkhash TPP JSC had to pay the debt by the end of 2018, however, as at June 30, 2023, the debt had not been repaid. Due to the suspension of the construction of the Balkhash TPP, the management of the Group decided to accrue a provision for expected credit losses in the amount of 100% in 2018.

The total ECL for trade receivables from related parties as at 30 June 2023 was 306.511 thousand tenge (31 December 2022: 312.336 thousand tenge).

Accounts payables for property complex and amortization of discount

In November-December 2020, the Group acquired a property complex from a related party – Karabatan Utility Solutions LLP for 11.794.689 thousand tenge. In accordance with the sale and purchase agreement, the Group is required to pay the debt in equal annual installments until March 25, 2025. Accordingly, the Group has discounted future cash flows at a market rate of 10.25%. As at June 30, 2023, the unamortized discount on accounts payable of Karabatan Utility Solutions LLP amounted to 474.526 thousand tenge (31 December 2022: 697.311 thousand tenge).

As at 30 June 2023, net debt amounted to 4.243.350 thousand tenge, of which 2.163.124 thousand tenge were included in long-term payables from related parties. For the six months ended 30 June 2023, the Group recognized an expense from amortization of the discount on long-term accounts payable in the amount of 222.786 thousand tenge.

Other

The amount of the guarantee of the Government of the Republic of Kazakhstan under the IBRD loan as at June 30, 2023 amounted to 11.829.758 thousand tenge (as at December 31, 2022: 12.590.206 thousand tenge).

The remuneration of key management personnel and all other related expenses (taxes, deductions, sick leave, vacation pay, material assistance, etc.) included in payroll expenses in the accompanying interim consolidated statement of comprehensive income amounted to 327.590 thousand tenge for the period ending June 30, 2023 (for the six months ended June 30, 2022: 105.133 thousand tenge).

The remuneration of key management personnel mainly consists of salaries and performance-based remuneration.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings, bonds payable, trade and other payables. The main purpose of these financial liabilities is to finance the Group's investment projects and operations. The Group has trade and other receivables, cash and cash equivalents, short-term deposits that arrive directly from its operations, as wells as investments in debt securities.

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term borrowings with floating interest rates *(Notes 15 and 16)*.

The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which the borrowings are denominated. With all other variables held constant, loans with floating interest rate loans have following impact on the Group's profit before tax:

In thousands of tenge	**Increase/ (decrease) in basis points* / in percentage**	**Effect on profit before tax**
For the six months ended 30 June 2023		
LIBOR	**245/(245)**	**(289.829)/289.829**
EURIBOR	**136/(136)**	**–/–**
Inflation rate in the Republic of Kazakhstan	**1%/0%**	**(795.504)/–**
For the six months ended 30 June 2022		
LIBOR	125/(25)	(462.041)/92.408
EURIBOR	20/(20)	(16.923)/16.923
Inflation rate in the Republic of Kazakhstan	1%/0%	(474.185)/–

* *1 basis point = 0.01%.*

Assumptions about changes in basis points in the interest rate sensitivity analysis are based on currently observable market conditions, which are significantly more volatile than in previous years.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities. Also, the Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar, Euro and Russian Rouble exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

In thousands of tenge	**Increase/(decrease) in the exchange rate in absolute terms (Tenge)**	**Increase/(decrease) in exchange rate**	**Effect on profit before tax**
As at 30 June 2023			
US dollar	**95,03/(95,03)**	**21%/(21%)**	**(511.106)/511.106**
Euro	**88,28/(88,28)**	**17,99%/(17,99%)**	**–/–**
Russian rouble	**1,13/(1,13)**	**22,05%/(22,05%)**	**(498.838)/498.838**
As at 31 December 2022			
US dollar	97,16/(97,16)	21%/(21%)	(630.606)/630.606
Euro	88,67/(88,67)	17,99%/(17,99%)	(777.656)/777.656
Russian rouble	1,42/(1,42)	22,05%/(22,05%)	(1.394.677)/1.394.677

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk that the Group will incur financial losses because counterparties fail to meet their obligations under a financial instrument or customer agreement. The Group is exposed to credit risk from its operations, primarily trade receivables *(Note 9)*, and investing activities, including deposits with banks and investments in debt securities *(Notes 11, 12 and 13)*.

Trade accounts receivables

Customer credit risk is managed by each business unit in accordance with the Group's policies, procedures and controls for managing customer credit risk. Whether an impairment should be recognized is reviewed at each reporting date using an allowance matrix to measure expected credit losses. Allowance rates are calculated based on the number of days past due for groups of different customer segments with similar loss incurrence characteristics (i.e., by product type, etc.). The estimates reflect probability-weighted results, the time value of money and reasonable and supportable information about past events, current conditions and projected future economic conditions that is available at the reporting date.

Financial instruments and cash deposits

Credit risk arising from balances in accounts with banks and financial institutions is managed by the Group Treasury in accordance with the Group's policy. Surplus funds are invested only in the accounts of approved counterparties and within the credit limits set for each counterparty. Credit limits set for counterparties are reviewed annually by the Group's Board of Directors and may be changed within a year after approval by the Group's Finance Committee. Limits are set in order to minimize the concentration of risks and thus mitigate financial losses arising from a potential counterparty default.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position as at 30 June 2023 and 31 December 2022 is represented by their carrying amounts.

The following table shows the balance of cash and cash equivalents, bank deposits placed with banks at the reporting date, using Standard & Poor's and Moody's credit ratings, less provisions:

		Rating		30 June	31 December
In thousands of tenge	**Location**	**2023**	2022	**2023**	2022
Halyk Bank Kazakhstan JSC	Kazakhstan	**BB+/stable**	BB+/stable	**11.295.475**	14.981.871
Jysan Bank JSC	Kazakhstan	**B1/positive**	B+/stable	**5.753.873**	12.227.652
ForteBank JSC	Kazakhstan	**BB-/stable**	BB-/negative	**1.030.172**	6.161.681
Bank Center Credit JSC	Kazakhstan	**B+/stable**	B+/stable	**814.325**	2.612.282
Eurasian Bank JSC	Kazakhstan	**B1/stable**	B/positive	**–**	12
JSC "Kazpost"	Kazakhstan	**–**	–	**–**	9
CB Moskommertsbank (JSC)	Russia	**–**	–	**19**	6
JSC "Kazakhstan Sustainability Fund"	Kazakhstan	**BBB-/stable**	–	**2.911.226**	–
Ministry of Finance of the Republic of Kazakhstan	Kazakhstan	**BBB-/stable**	–	**5.127.002**	–
ASIAN DEVELOPMENT BANK	Philippines	**–**	–	**2.707.265**	–
JSC EURASIAN DEVELOPMENT BANK	Kazakhstan	**BBB-/negative**	–	**1.293.603**	–
				30.932.960	35.983.513

Liquidity risk

The Group's management has established the necessary liquidity risk management system in accordance with the requirements of liquidity management and short-term, medium-term and long-term financing. The Group manages liquidity risk by maintaining adequate reserves, bank borrowings and available credit lines, by constantly monitoring forecast and actual cash flows and by comparing the maturities of financial assets and liabilities.

The Group assessed the concentration of risk in relation to debt refinancing and concluded that it would be low. The Group has access to a variety of sufficient sources of funding.

The following tables reflect the contractual terms of the Group for its financial liabilities based on contractual undiscounted cash flows.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

In thousands of tenge	On demand	Due more than 1 month but not later than 3 months	Due more than 3 months but not later than 1 year	Due more than 1 year but not later than 5 years	Due more than 5 years	Total
As at 30 June 2023						
Borrowings	**–**	**679.534**	**1.171.024**	**6.096.516**	**7.839.777**	**15.786.851**
Bonds payable	**–**	**5.791.176**	**17.340.036**	**92.474.610**	**282.150.579**	**397.756.401**
Trade and other accounts payable	**–**	**12.463.464**	**2.358.938**	**2.358.938**	**–**	**17.181.340**
	–	**18.934.174**	**20.869.998**	**100.930.064**	**289.990.356**	**430.724.592**
As at 31 December 2022						
Borrowings	–	4.936.035	1.070.082	5.852.617	8.347.857	20.206.591
Bonds payable	–	4.532.400	13.597.200	72.518.399	240.497.448	331.145.447
Trade and other accounts payable	–	19.480.214	2.358.938	4.717.875	–	26.557.027
	–	**28.948.649**	**17.026.220**	**83.088.891**	**248.845.305**	**377.909.065**

Capital management

The main objective of the Group's capital management is to ensure that the Group will be able to continue to operate as a going concern while maximizing returns for shareholders by optimizing the debt-to-equity ratio. The Group manages its capital taking into account changes in economic conditions. In order to manage or change its capital, the Group may change the payment of dividends to shareholders, return capital to shareholders, or issue new shares. The Group manages capital using a debt-to-equity ratio, which is debt divided by total liability plus equity. The task of the Group is to keep the coefficient at a level no higher than 0.5. Debt includes all loans and bonds. Capital equals the sum of all liabilities and total share capital.

	30 June 2023	31 December 2022
Debt/capital	**0,17**	0,16

In thousands of tenge	**30 June 2023**	31 December 2022
Long-term borrowings and long-term bonds payable	**160.048.192**	144.761.999
Short-term borrowings and short-term bonds payable	**9.300.697**	11.589.702
Debt	**169.348.889**	156.351.701
Total liabilities	**318.403.545**	333.047.025
Equity	**663.429.192**	653.565.164
Total equity and liabilities	**981.832.737**	986.612.189

The capital structure of the Group includes share capital, as disclosed in *Note 14*, reserves and retained earnings.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy

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

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Assets measured at fair value

In thousands of tenge	**30 June 2023**	**Level 1**	**Level 2**	**Level 3**
Revalued property, plant and equipment				
NES assets (*Note 6*)	**719.314.087**	**–**	**–**	**719.314.087**
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	**67**	**–**	**–**	**67**

In thousands of tenge	31 December 2022	Level 1	Level 2	Level 3
Revalued property, plant and equipment				
NES assets (*Note 6*)	733.464.524	–	–	733.464.524
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	377.731	–	–	377.731

Assets for which fair values are disclosed

In thousands of tenge	**30 June 2023**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Other financial assets *(Note 11)*	**51.212.946**	**–**	**51.212.946**	**–**

In thousands of tenge	31 December 2022	Level 1	Level 2	Level 3
Financial assets				
Other financial assets *(Note 11)*	58.787.505	–	58.787.505	–

Liabilities for which fair values are disclosed

In thousands of tenge	**30 June 2023**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities				
Bonds payable (*Note 16*)	**157.541.489**	**–**	**157.541.489**	**–**
Borrowings (*Note 15*)	**11.807.400**	**–**	**11.807.400**	**–**

In thousands of tenge	31 December 2022	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable (*Note 16*)	139.453.044	–	139.453.044	–
Borrowings (*Note 15*)	16.898.657	–	16.898.657	–

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy (continued)

For the years ended 30 June 2023 and 31 December 2022, there were no transitions between Level 1, 2, and 3 of the fair value of financial instruments.

Fair values of financial instruments

As at 30 June 2023 and 31 December 2022, management determined that the fair value of the Group's financial instruments, such as trade receivables and payables, other financial assets, cash and cash equivalents, restricted cash, approximated their carrying amounts mainly due to the short maturities of these instruments. Loans and bonds issued by the Group are carried at amortized cost, which approximates their fair value.

Change in liabilities arising from financing activities

In thousands of tenge	**1 January 2023**	**Cash Flows**	**Accrued interest**	**Paid interest**	**Foreign exchange movement**	**Other**	**30 June 2023**
Borrowings	**16.898.657**	**(4.835.136)**	**345.067**	**(414.283)**	**(193.700)**	**6.795**	**11.807.400**
Bonds payable	**139.453.044**	**16.867.599**	**10.178.988**	**(9.002.500)**	**–**	**44.358**	**157.541.489**
Total	**156.351.701**	**12.032.463**	**10.524.055**	**(9.416.783)**	**(193.700)**	**51.153**	**169.348.889**

In thousands of tenge	1 January 2022	Cash Flows	Accrued interest	Paid interest	Foreign exchange movement	Other	30 June 2022
Borrowings	49.493.952	(7.490.906)	442.241	(456.105)	3.385.582	26.824	45.401.588
Bonds payable	121.705.499	–	6.587.805	(6.627.500)	–	62.730	121.728.534
Lease liability	111.895	(111.895)	–	–	–	–	–
Total	171.311.346	(7.602.801)	7.030.046	(7.083.605)	3.385.582	89.554	167.130.122

The "Other" column shows the amortization of discounts and premiums on financial liabilities. The Group classifies interest paid as cash flows from operating activities.

28. COMMITMENTS AND CONTINGENCIES

Terms of business

Kazakhstan continues economic reforms and the development of legal, tax and administrative infrastructure that would meet the requirements of a market economy. The stability of the Kazakh economy in the future will largely depend on the progress of these reforms, as well as on the effectiveness of the measures taken by the government in the field of economy, financial and monetary policy.

Taxation

Kazakhstani tax laws and regulations are subject to constant change and varying interpretations. There are frequent cases of divergence of opinion between local, regional and republican tax authorities, including opinion on the recognition of revenue, expenses and other items of financial statements. The currently applied system of fines and penalties for detected offenses based on the laws in force in Kazakhstan is very severe. As a result, the amount of additional tax assessments, penalties and interest may exceed the amount charged to expenses to date not accrued as at June 30, 2023.

Management believes that as at 30 June 2023 the interpretation of applicable law is appropriate and the Group's tax position will be sustained.

28. COMMITMENTS AND CONTINGENCIES (continued)

Terms of loan agreements

As disclosed in *Note 15*, the Group has entered into loan agreements with the EBRD and IBRD. Due to the fact that the loan agreement with the EBRD has been fully executed in accordance with the repayment schedule, as at June 30, 2023, there is no need to fulfill the terms of the loan agreement in terms of financial covenants.

The Group also issued bonds *(Note 16)* and is required to comply with the following covenants:

- debt to EBITDA ratio of no more than 3:1 (as at June 30, 2023 – 1,61);
- the ratio of Debt to Equity is not more than 0,6:1 (as at June 30, 2023 - 0,26);
- self-financing ratio of at least 20% (as at June 30, 2023 - 155%);
- debt service ratio of at least 1,2 (as at June 30, 2023 - 11,8);
- liquidity of at least 1:1 (30 June 2023 – 3,2);
- the ratio of net debt to EBITDA is not more than 4:1 (as at June 30, 2023 - 0.8).

The Group's management believes that all covenants stipulated by the terms of the bond issue have been complied with.

Insurance

As at 30 June 2023, the Group insured production assets for the amount of 542.550.435 thousand tenge. The specified amount does not include the result of the revaluation of NES assets carried out as at December 1, 2022, since the procedure for concluding an insurance contract was carried out before December 1, 2022. In the event of an insured event, the insurance payment is made within the sum insured. The Group did not insure the remaining production assets. Since the absence of insurance does not imply a decrease in the value of assets or the creation of liabilities, no provision has been made in these consolidated financial statements for contingencies arising from the deterioration or loss of such assets.

Contractual obligations

In order to ensure the reliability of the national electric grid through the reconstruction of 220-500 kV transmission lines that have already reached and will reach their standard service life in the coming years and to improve the reliability of electricity supply to consumers in the Western zone of the UES of Kazakhstan, as well as to maintain production assets in working condition, the Group has developed capital investment plan.

The five-year (2021-2025) investment program of KEGOC for a total amount of 274.760.648 thousand tenge was approved by joint order No.122 of the sectoral state body dated April 7, 2021 and the department of the authorized body No. 21-OD dated March 11, 2021 in accordance with legislation on natural monopolies of the Republic of Kazakhstan and is subject to 100% execution. However, KEGOC may make changes to it and adjust the cost and timing of individual events.

As at 30 June 2023, capital commitments under contracts entered into by the Group under the investment plan amounted to 36.939.196 thousand tenge (31 December 2022: 57.388.081 thousand tenge).

Activity regulation

Tariffs for the transmission of electrical energy and technical dispatching of supply to the network and consumption of electrical energy and organization of balancing the production and consumption of electrical energy

In accordance with order No. 79-OD of the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter - KREM) dated August 16, 2021, the following tariffs were approved:

1) for the transmission of electrical energy:
    - from October 1, 2021 to September 30, 2022 – 2,797 tenge/kWh (excluding VAT);
    - from October 1, 2022 to June 30, 2023 – 2,848 tenge/kWh (excluding VAT).
2) for technical dispatching of supply to the network and consumption of electrical energy:
    - from October 1, 2021 to September 30, 2022 – 0,306 tenge/kWh (excluding VAT);
    - from October 1, 2022 to June 30, 2023 – 0,314 tenge/kWh (excluding VAT).
3) on the organization of balancing the production and consumption of electrical energy:
    - from October 1, 2021 to September 30, 2022 – 0,098 tenge/kWh (excluding VAT);
    - from October 1, 2022 to June 30, 2023 – 0,102 tenge/kWh (excluding VAT).

28. COMMITMENTS AND CONTINGENCIES (continued)

Activity regulation (continued)

By Order No. 67-OD dated April 22, 2022 of the CREAM of the Republic of Kazakhstan with entry into force from June 1, 2022 to May 31, 2023, temporary compensatory tariffs for regulated services of KEGOC were approved.

KEGOC does not agree with the said order due to the fact that, in accordance with the Law of the Republic of Kazakhstan on natural monopolies, the savings accumulated by the cost items of the tariff estimate in 2017 and 2018 were directed to the implementation of the Investment Program. Thus, KEGOC did not inflict losses on consumers and did not receive unjustified income. In this connection, this Order No. 67-OD dated April 22, 2022 is being challenged by KEGOC in court.

This Order has been suspended for the duration of the trial.

If the Group had applied the temporary compensatory tariffs, the Group's profit for the six months ended 30 June 2023 would have decreased by 3.245.513 thousand tenge.

Order No. 79-OD dated August 16, 2021 on approving tariffs, tariff estimates for regulated services of KEGOC for 2021-2026, and Order No. 92-OD dated July 3, 2023, are in force for the duration of the trial.

Order No. 92-OD dated July 3, 2023 approved changes in tariffs and tariff estimates for regulated services for the transmission of electric energy through the national electric grid, for the use of the national electric grid, for technical dispatching of supply to the grid and consumption of electric energy, for organizing production balancing - electricity consumption of KEGOC JSC with commissioning from July 1, 2023:

1) for the transmission of electrical energy through the national electrical network in the amount of:
   from July 1, 2023 to September 30, 2023 – 2,935 tenge/kWh (excluding VAT);
   from October 1, 2023 to September 30, 2024 – 3,381 tenge / kWh (without VAT);
   from October 1, 2024 to September 30, 2025 – 3,492 tenge / kWh (without VAT);
   from October 1, 2025 to September 30, 2026 - 3,564 tenge / kWh (without VAT).
2) for the use of the national electrical network in the amount of:
   from July 1, 2023 to September 30, 2023 - 1,651 tenge/kWh (excluding VAT);
   from October 1, 2023 to September 30, 2024 – 1,943 tenge/kWh (excluding VAT);
   from October 1, 2024 to September 30, 2025 – 2,002 tenge/kWh (without VAT);
   from October 1, 2025 to September 30, 2026 – 2,056 tenge / kWh (without VAT).
3) on technical dispatching of supply to the network and consumption of electric energy in the amount o:
   from July 1, 2023 to September 30, 2023 – 0,320 tenge / kWh (excluding VAT);
   from October 1, 2023 to September 30, 2024 – 0,339 tenge / kWh (excluding VAT);
   from October 1, 2024 to September 30, 2025 – 0,351 tenge / kWh (excluding VAT);
   from October 1, 2025 to September 30, 2026 – 0,356 tenge / kWh (excluding VAT).
4) on the organization of balancing the production and consumption of electrical energy in the amount of:
   from July 1, 2023 to September 30, 2023 – 0,057 tenge / kWh (excluding VAT);
   from October 1, 2023 to September 30, 2024 – 0,060 tenge / kWh (excluding VAT);
   from October 1, 2024 to September 30, 2025 – 0,064 tenge / kWh (excluding VAT);
   from October 1, 2025 to September 30, 2026 – 0,066 tenge / kWh (excluding VAT.

29. SUBSEQUENT EVENTS

As disclosed in Note 1, from July 1, 2023, changes regarding the target model of the wholesale electricity market will come into force by introducing the institution of the Single Electricity Purchaser and switching the balancing electricity market from simulation to real time. The Group is reviewing the impact of the amendments on its financial statements.

Kazakhstan Electricity Grid Operating Company JSC

Consolidated financial statements

For the year ended 31 December 2022

with independent Auditor's report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Board of Directors and Management of Kazakhstan Electricity Grid Operating Company JSC

Opinion

We have audited the consolidated financial statements of Kazakhstan Electricity Grid Operating Company JSC and its subsidiary (hereinafter the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

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

Key audit matter	***How our audit addressed the key audit matter***
Valuation of property, plant and equipment	
As of 31 December 2022, the carrying value of assets of the National Electricity Grid ("NES") amounted to 733.464.524 thousand tenge (31 December 2021: 879.981.350 thousand tenge). The NES assets are accounted for at fair value in accordance with the Group's accounting policy. At each reporting date, the Group analyzes to what extent the fair value of the NES assets differs significantly from their carrying value. In order to assess the possible fluctuations in the fair values Management of the Group determines the replacement cost of assets most exposed to the risk of changes in fair value. Due to the significance of the carrying amount of the NES assets, as well as significant use of professional judgement and estimates by Management when analyzing changes in the fair value of the NES assets, this issue was one of the key audit matters. Information on the NES assets and analysis of changed in fair value of the NES assets is presented in Notes 4 and 6 to the consolidated financial statements.	We obtained from Management of the Group the valuation report prepared by an external valuation expert. We assessed the competence and objectivity of the external expert engaged by the Group. We reviewed valuation report and reviewed the valuation methodology. We compared the NES assets in the register of property, plant and equipment with the list of assets assessed by the external expert. We compared other input data, used by the external expert, such as the development plan for 2023-2027 approved by Management, tariffs and electricity volume forecast with internal data sources. We compared tariffs for the services, used in the calculation of value in use, with tariffs approved by authorized government body. We compared discount rate and long-term growth rate with general market indicators and other available information. We reviewed mathematical accuracy of the cash flow model and evaluated sensitivity analysis. We analyzed the accounting entries, reflected in the consolidated financial statement, in relation to revaluation. We analyzed information, disclosed in Notes 4 and 6 to the consolidated financial statements.

Compliance with covenants under credit facility agreements

In accordance with terms of loan agreements and bond programs, the Group is required to comply with certain financial and not financial covenants. Breaching of these covenants may lead to the request of early repayment of loans and bonds and funding shortages.

Compliance with covenants was one of the matters of most significance in the audit, because it has major impact on the going concern assumption used in preparation of the consolidated financial statements, and on classification of loans and bonds in the consolidated statement of financial position.

Information on compliance with covenants is disclosed in Note 29 to the consolidated financial statements.

We examined the terms of credit facilities and reviewed financial and not financial covenants.

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

We reviewed mathematical accuracy of calculations of the financial ratios.

We analyzed the management evaluation of the risk that breach of any covenants is likely within the next 12 months and the potential impact of breach on the going concern basis. We analyzed information received from creditors in relation to compliance with covenants as of 31 December 2022.

We also analyzed information disclosed in the consolidated financial statements.

Other information included in the Group's 2022 annual report

Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 Annual report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free form material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing , we exercise professional judgment and maintain professional skepticism throughout the audit. We also

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

RSM

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is Aisulu Narbayeva.

RSM Qazaqstan LLP

Aisulu Narbayeva
Auditor / General Director
RSM Qazaqstan LLP

Auditor qualification certificate # 0000137
dated 21 October 1994

State audit license for audit activities
on the territory of the Republic of Kazakhstan
#19024411 issued by the Ministry of finance of
the Republic of Kazakhstan on 24 December
2019

43, Dostyk Avenue, office 302
Almaty, 050010, Republic of Kazakhstan

28 February 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

In thousands of Tenge	Notes	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	6	**859.129.917**	976.001.316
Intangible assets		**3.453.791**	3.165.491
Advances paid for non-current assets	6	**6.118.449**	5.431.849
Investment in associate	7	**2.747.455**	2.278.332
Long-term receivables from related parties	27	**514.613**	634.192
Other financial assets, non-current portion	11	**1.968.564**	32.309.237
		873.932.789	1.019.820.417
Current assets			
Inventories	8	**3.207.155**	2.590.383
Trade account receivable	9	**21.047.390**	12.991.260
VAT recoverable and other prepaid taxes		**871.258**	3.231.654
Prepaid corporate income tax		**128.400**	817.245
Other current assets	10	**1.649.971**	974.072
Other financial assets, current portion	11	**57.196.672**	40.187.573
Restricted cash	12	**1.015.462**	670.902
Cash and cash equivalents	13	**27.563.092**	11.933.828
		112.679.400	73.396.917
Total assets		**986.612.189**	1.093.217.334

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Notes	31 December 2022	31 December 2021
Equity and liabilities			
Equity			
Share capital	14	**126.799.554**	126.799.554
Treasury shares	14	**(930)**	(930)
Asset revaluation reserve	14	**489.297.133**	569.845.780
Retained earnings		**37.469.407**	40.492.413
		653.565.164	737.136.817
Non-current liabilities			
Borrowings, non-current portion	15	**11.367.844**	35.639.645
Bonds payable, non-current portion	16	**133.394.155**	117.142.516
Deferred tax liability	25	**123.971.284**	151.470.158
Long-term payables	17	**4.146.691**	5.972.684
Deferred income, non-current portion		**676.138**	-
Other liabilities, non-current portion		**13.522**	171.628
		273.569.634	310.396.631
Current liabilities			
Borrowings, current portion	15	**5.530.813**	13.854.307
Bonds payable, current portion	16	**6.058.889**	4.562.983
Trade and other accounts payable, current portion	17	**21.713.025**	18.512.531
Dividends payable	14	**17.014.309**	-
Contract liabilities		**1.669.590**	2.064.346
Deferred income, current portion		**53.243**	18.325
Lease liabilities, current portion	27	**-**	111.895
Taxes payable other than income tax	18	**1.933.096**	2.403.728
Income tax payable		**267.335**	-
Other current liabilities	19	**5.237.091**	4.155.771
		59.477.391	45.683.886
Total liabilities		**333.047.025**	356.080.517
Total equity and liabilities		**986.612.189**	1.093.217.334
Book value per ordinary share (in Tenge)	14	**2.500**	2.823

The accounting policies and explanatory notes on pages 7 to 49 are an integral part of these consolidated financial statements.

Chairman of the Management Board _______________ *Moldabaev K.T.*

Chief Accountant _______________ *Mukanova D.T.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December 2022

In thousands of Tenge	Notes	2022	2021
Continuing operations			
Revenue from contracts with customers	20	**217.255.548**	186.443.137
Cost of sales	21	**(166.355.885)**	(120.682.903)
Gross profit		**50.899.663**	65.760.234
General and administrative expenses	22	**(9.020.431)**	(8.539.823)
Selling expenses		**(310.355)**	(381.235)
Gain from recovery of loss from revaluation of property, plant and equipment	6	**949.895**	2.869.512
Loss from revaluation of property, plant and equipment	6	**(4.524.870)**	(10.813.536)
Operating profit		**37.993.902**	48.895.152
Finance income	23	**5.726.115**	5.368.222
Finance costs	23	**(13.294.934)**	(11.670.429)
Foreign exchange gain, net	24	**114.963**	451.045
Share of profit of an associate	7	**469.123**	260.739
Income from sale of an asset held for sale	27	**–**	2.182.037
Other income		**2.488.310**	1.739.332
Other expenses		**(500.704)**	(563.892)
(Accrual)/recovery of provision for expected credit losses	9,10,11, 12,13	**(528.687)**	110.078
Profit before tax		**32.468.088**	46.772.284
Corporate income tax expense	25	**(5.720.479)**	(7.607.838)
Profit for the year from continuing operations		**26.747.609**	39.164.446
Discontinued operations			
Profit after tax for the year from discontinued operations	26	**–**	13.471.466
Profit for the year		**26.747.609**	52.635.912
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax			
(Loss)/gain from revaluation of property, plant and equipment	4	**(100.105.029)**	325.744.754
Income tax effect	25	**20.021.005**	(65.148.951)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods, net of tax		**(80.084.024)**	260.595.803
Total comprehensive (loss)/income for the year, net of tax		**(53.336.415)**	313.231.715
Earnings per share			
Basic and diluted profit for the year attributable to ordinary equity holders of the parent (in tenge)	14	**102,88**	202,45
Earnings per share from continuing operations			
Basic and diluted profit for the year attributable to ordinary equity holders of the parent (in tenge)	14	**102,88**	150,63

The accounting policies and explanatory notes on pages 7 to 49 are an integral part of these consolidated financial statements.

Chairman of the Management Board _____ *Moldabaev K.T.*

Chief Accountant _____ *Makanova D.T.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

In thousands of Tenge	Notes	2022	2021
Operating activities			
Profit before tax from continuing operations		**32.468.088**	46.772.284
Profit before tax from discontinued operations	26	**–**	17.506.488
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation		**61.202.463**	36.867.809
Finance costs	23	**13.294.934**	11.681.665
Finance income	23	**(5.726.115)**	(7.562.497)
Foreign exchange gain/(loss), net		**(114.963)**	(451.045)
Accrual of provision for expected credit losses		**528.687**	297.853
Accrual of allowance for obsolete inventories		**77.931**	1.074
Loss from disposal of property, plant and equipment and intangible assets		**94.956**	151.639
Gain from recovery of loss from revaluation of property, plant and equipment	6	**(949.895)**	(2.869.512)
Loss from revaluation of property, plant and equipment	6	**4.524.870**	10.813.536
Share of profit of an associate	7	**(469.123)**	(260.739)
Income from government grants		**(42.708)**	(30.430)
Working capital adjustments			
Change in inventories		**(694.703)**	(197.629)
Change in trade accounts receivable		**(8.847.516)**	(12.850.642)
Change in other current assets		**(924.897)**	2.037.418
Change in VAT recoverable and other prepaid taxes		**2.360.396**	(2.753.788)
Change in trade and other accounts payable		**5.505.375**	5.894.563
Change in contract liabilities		**(394.756)**	(1.245.578)
Change in other non-current liabilities		**(158.106)**	69.216
Change in taxes payable other than corporate income tax		**(427.761)**	2.400.671
Change in other current liabilities		**1.189.689**	(324.363)
Cash flows from operating activities		**102.496.846**	105.947.993
Interest paid	28	**(1.336.740)**	(1.167.132)
Coupon interest paid	28	**(12.727.000)**	(11.538.332)
Lease interest paid		**–**	(45.050)
Commissions paid on bank guarantees		**(1.172.412)**	(990.818)
Interest received		**5.658.863**	5.971.573
Corporate income tax paid		**(12.240.835)**	(14.309.266)
Net cash flows received from operating activities		**80.678.722**	83.868.968

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Notes	2022	2021
Investing activities			
Withdraw of bank deposits		**44.735.130**	97.222.309
Replenishment of bank deposits		**(23.523.047)**	(93.421.164)
Gain from sale of property, plant and equipment and intangible assets		**2.378.537**	203.673
Purchase of property, plant and equipment		**(49.476.255)**	(40.214.058)
Purchase of intangible assets		**(693.486)**	(36.653)
Acquisition of debt securities (National Bank notes, bills of Ministry of Finance of the Republic of Kazakhstan)	11	**(36.933.373)**	(66.747.566)
Redemption of debt securities (National Bank notes, bills of Ministry of Finance of the Republic of Kazakhstan)	11	**32.117.343**	78.930.920
Repurchase of DSFK bonds by the issuer	11	**12.671**	54.453
Partial return of funds from Kazinvestbank and Eximbank Kazakhstan		**173.876**	331.697
Dividends from an associate		**–**	203.095
Cash and cash equivalent of disposed company (RFC)	26	**–**	(38.847.799)
Net cash flows used in investing activities		**(31.208.604)**	(62.321.093)
Financing activities			
Issue of bonds	28	**16.141.100**	25.235.121
Dividends paid	14	**(13.220.929)**	(41.529.578)
Repayment of borrowings	28	**(35.865.915)**	(14.614.808)
Principal repayment of lease liability	28	**(111.895)**	(436.606)
Net cash flows used in financing activities		**(33.057.639)**	(31.345.871)
Net change in cash and cash equivalents		**16.412.479**	(9.797.996)
Effect of exchange rate changes on cash and cash equivalents		**(600.425)**	(115.531)
Effect of accrual of provision on expected credit losses on cash and cash equivalents		**(182.790)**	(19.850)
Cash and cash equivalent, as at 1 January		**11.933.828**	21.867.205
Cash and cash equivalents, as at 31 December	13	**27.563.092**	11.933.828

Non-cash operations:

During 2022, the Group capitalized the cost of coupon interest on bonds in the cost of property, plant and equipment in the amount of 3.401.402 thousand tenge (*Note 6*).

The accounting policies and explanatory notes on pages 7 to 49 are an integral part of these consolidated financial statements.

Chairman of the Management Board — *Moldabaev K.T.*

Chief Accountant — *Mukanova D.T.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

In thousands of Tenge	Share capital	Treasury shares	Asset revaluation reserve	Retained earnings	Total
As at 1 January 2021	126.799.554	(930)	309.836.582	65.921.264	502.556.470
	–				
Profit for the year		–	–	52.635.912	52.635.912
Income from revaluation of property, plant and equipment, net of income tax *(Note 4)*	–	–	260.595.803	–	260.595.803
Total comprehensive income	–	–	260.595.803	52.635.912	313.231.715
Dividends *(Note 14)*	–	–	–	(41.529.578)	(41.529.578)
Disposal of a subsidiary *(Note 26)*	–	–	–	(37.121.790)	(37.121.790)
Transfer of asset revaluation reserve *(Note 14)*	–	–	(586.605)	586.605	–
As at 31 December 2021	126.799.554	(930)	569.845.780	40.492.413	737.136.817
Profit for the year	–	–	–	**26.747.609**	**26.747.609**
Gain from revaluation of property, plant and equipment, net of income tax *(Note 4)*	–	–	**(80.084.024)**	–	**(80.084.024)**
Total comprehensive income	–	–	**(80.084.024)**	**26.747.609**	**(53.336.415)**
Dividends *(Note 14)*	–	–	–	**(30.235.238)**	**(30.235.238)**
Transfer of asset revaluation reserve *(Note 14)*	–	–	**(464.623)**	**464.623**	–
As at 31 December 2022	**126.799.554**	**(930)**	**489.297.133**	**37.469.407**	**653.565.164**

The accounting policies and explanatory notes on pages 7 to 49 are an integral part of these consolidated financial statements.

Chairman of the Management Board — Moldabaev K.T.

Chief Accountant — Mukanova D.T.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Kazakhstan Electricity Grid Operating Company JSC (the "Company" or "KEGOC") was established in accordance with the Government Resolution of the Republic of Kazakhstan №1188 dated 28 September 1996 by transferring of some assets of the former National Energy System "Kazakhstanenergo".

As at 31 December 2022 the Company's major shareholder was Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter "Samruk-Kazyna") (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

In 2014 the Company placed 10 percent minus one share on the Kazakhstan Stock Exchange.

KEGOC is the national Company, which provides electricity transmission, dispatch and electricity production-consumption balancing services in Kazakhstan. As the state-appointed system operator, the Company provides centralized dispatching control, ensures parallel work with energy systems of other countries, maintains the balance in energy system, provides system services and acquires auxiliary services from wholesale entities at energy market, as well as transmits electricity through unified power system (the "NES"), ensures its technical support and maintenance. The NES consists of substations, distribution devices, interregional and international power transmission lines which provide the output of electricity of electrical stations with the voltage of 220 kW and more.

As at 31 December 2022 and 31 December 2021 the Company owned the following subsidiary:

		Percentage of ownership	
Companies	**Activities**	**31 December 2022**	31 December 2021
Energoinform JSC ("Energoinform")	Maintenance of the KEGOC's IT system	**100%**	100%

The Company and its subsidiary are hereinafter referred as the "Group"

In accordance with Decree of the Government of the Republic of Kazakhstan #858 from 30 November 2021 and gift contract from 30 December 2021, the Group transferred free of charge 100% of shares in subsidiary RFC LLP to ownership of State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan. As of 31 December 2021, RFC LLP has been classified as discontinued operations and disposed from the Group *(Note 26)*.

The Company's registered office is located at 59 Tauelsyzdyk Ave., Astana, Z00T2D0, the Republic of Kazakhstan.

These consolidated financial statements were approved by the Chairman of the Management Board and Chief Accountant of the Company on 28 February 2023.

2. BASIS OF PREPARATION

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

These consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment, which are stated at revalued amounts and financial assets measured at fair value as described in the accounting policies and notes to these consolidated financial statements. The consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" or "KZT") and all values are rounded to the nearest thousands, except when otherwise indicated.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2. BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the following term apply:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments adopted to the existing standards and interpretations adopted by the Company for the first time

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Company during the year adopted the following new and revised standards effective from 1 January 2022:

- Amendments to IFRS 3: References to the Conceptual Framework:;
- Amendments to IAS 16 Leases: Rental concessions related to Covid-19 effective after 30 June 2021;
- Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract:;
- Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards - subsidiary adopts International Financial Reporting Standards for the first time;
- Amendments to IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted to the existing standards and interpretations adopted by the Company for the first time (continued)

Amendments to IAS 16 Leases : Rental concessions related to Covid-19 effective after 30 June 2021

In May 2021, the IASB issued a document “Property, Plant and Equipment: Receipts before Intended Use”, which prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

These amendments are effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to those items of property, plant and equipment that became available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. These amendments did not have any impact on the Group’s consolidated financial statements.

Amendments to IFRS 9 Financial Instruments: Fees in the ’10 per cent’ test for derecognition of financial liabilities

The IASB issued an amendment to IFRS 9 Financial Instruments as part of Annual Improvements to IFRS Standards 2018–2020. The amendment to IFRS 9 clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. Such amounts include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity shall apply this amendment to financial liabilities that have been modified or replaced on or after the start date of the annual reporting period in which the entity first applies this amendment.

This amendment did not have any impact on the Group’s consolidated financial statements.

The management believes that amendments to IFRS 3, IAS 37 and IFRS 1 – are not applicable to the Group.

New and revised IFRS – issued but not yet effective

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

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IAS 8: Definition of Accounting Estimates;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on the current classification of liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and revised IFRS - issued but not yet effective (continued)

Amendments to IAS 8: Definition of Accounting Estimates;

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group’s consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 for application of IFRS “Making Materiality Judgements” in which it provides guidance and examples to help entities to apply materiality judgements in disclosure of information about accounting policy. The amendments aim to help entities to provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, declare of an effective date for these amendments is not necessary.

*Amendments to IAS 12: - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*In May 2021, the IASB issued amendments to IAS 12that narrow the scope of the initial recognition of exemption of deferred taxes on initial recognition of assets and liabilities in accordance with IAS 12 , so that it no longer applies to transactions that result in give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. The Group is currently analyzing the possible impact of these amendments.

The management believes that IFRS 17 Insurance Contracts are not applicable to the Group’s consolidated financial statements.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset as current when it is:

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

All other assets are classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

The Group measures financial instruments, such as financial assets measured at fair value at each reporting date, and non-financial assets (NES assets) at fair value when fair value differs materially from their carrying value. Also, fair values of financial instruments measured at amortized cost are disclosed in *Note 28*.

Fair value is the price that would be received from sale of 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 Group. The fair value of an asset or a liability is measured using the assumptions that would be used by the market participants 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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) market 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 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Group’s finance management determines the policies and procedures for both recurring fair value measurement, such as NES assets and unquoted trading financial assets, and for non-recurring measurement, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

External valuers are involved for valuation of NES assets. Involvement of external valuers is decided upon annually by the finance management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The finance management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the finance management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the finance management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The finance management, in conjunction with the Group's external values, also compares each the changes in the fair value of each asset of revalued class of property, plant and equipment in accordance with Group accounting policy with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currency transactions

The Group's consolidated financial statements are presented in Tenge ("KZT"), which is also the Group's parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are recognized in consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of 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 is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Exchange rates for foreign currencies in which the Group had significant transactions are represented as follows:

Exchange rate as at the end of the year (to KZT)	**31 December 2022**	31 December 2021
1 USD	**462,65**	431, 80
1 EUR	**492,86**	489,10
1 RUB	**6,43**	5,76

Average exchange rate for the year (to KZT)	**2022**	2021
1 USD	**460,48**	426,03
1 EUR	**484,22**	503,88
1 RUB	**6,96**	5,79

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment, except for NES assets, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, 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 Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

NES assets are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation reserve is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in consolidated statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation is computed on a straight-line basis over the estimated useful lives set out in the following table:

Buildings	60 years
NES assets	
Structures, machinery and equipment of NES	8-100 years
Transport and other fixed assets	
Other machinery and equipment and vehicles	2-50 years
Other fixed assets not included in other groups	2-20 years

Land is not depreciated.

The useful lives and residual values of property, plant and equipment are reviewed annually and, where applicable, adjustments are made on a prospective basis.

If expectations differ from previous estimates, the changes are accounted for 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 amounts of the carrying amount of property, plant and equipment and on depreciation expenses recognized in the consolidated statement of comprehensive income.

An item of property, plant and equipment is derecognized 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 profit or loss in the year the asset is derecognized.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets of the Group, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit and loss in the period in which expenditure is incurred.

Intangible assets of the Group consist primarily of licenses and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 3 to 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Impairment of non-financial assets

At each reporting date, the Group assesses 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 Group 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 to sell and its value in use. 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.

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 to sell, 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 Group bases its impairment calculation on value in use, 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 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations (including impairment on inventories) are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for NES assets previously revalued with the revaluation taken to OCI. For such assets, the impairment is recognized in OCI up to the amount of any previous revaluation. For assets previously impaired, except for goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount. In these cases, the reversal is treated as a revaluation surplus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognized its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

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 amortized 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 Group's business model for managing them. With the exception of trade account receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade account receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section *Revenue recognition*

In order for a financial asset to be classified and measured at amortized 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets(continued)

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 recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost includes trade account receivables, and loans issued.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss. This category includes instruments which the Group has classified at fair value through profit and loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

Recognition of expected credit losses

The Group recognizes an allowance for expected credit losses on financial assets measured at amortized cost equal to the lifetime expected credit loss if the credit loss has increased significantly since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets(continued)

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions *(Note 4)*;
- Trade account receivables and other current financial assets including cash and cash equivalents except for assets at fair value through profit or loss (*Notes 9, 10, 11, 12, 13*).

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, loans and borrowings, bonds issued, and lease liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

<u>Borrowings and bonds- issued</u>

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

<u>Trade and other payables</u>

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Offsetting of financial instruments

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

Inventory

Inventories are accounted for on a FIFO basis.

Inventories are valued at the lower of cost and net realizable value.

Net realizable 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.

Cash and cash equivalents

Cash and cash equivalents in the in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity till 3 (three) months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Restricted cash

If cash is restricted in use for the period not exceeding 12 (twelve) months from the reporting date, such cash is treated as current asset and an appropriate disclosure is provided in the notes to the consolidated financial statements. If cash is restricted in use for the period exceeding 12 (twelve) months from the reporting date, such cash is reflected within non-current assets.

Provisions

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

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The Group recognizes revenue to reflect the provision of promised services to consumers in the amount of compensation that the Group expects to be entitled to receive in exchange for goods or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Group, when recognizing revenue, takes the following steps:

1) Identification of the contract with the consumer;
2) Identification of the obligation to be executed under the contract;
3) Determination of transaction price;
4) Distribution of the transaction price between certain duties to be performed under the contract;
5) Recognition of proceeds at the time of (or as far as) the performance of the obligations to be performed under the contract.

Revenue from rendering of services is recognized by reference to the stage of completion. The Group receives its revenue from rendering of transmission services of electricity from power generators to wholesale and major customers, technical dispatching of the input of electricity into the energy system and consumption of electricity, organization of balancing of electricity producing and consumption and ensuring a contractual power supply with energy systems of neighboring countries and other.

Tariffs for services of electricity transmission, technical dispatch, organization of balancing of production/consumption of electricity are approved by the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter referred to as the "Committee").

Revenues from providing a contractual power supply with energy systems of neighboring countries are recognized in accordance with terms of contracts conducted on the basis of Agreement between the Government of Republic of Kazakhstan and Russian Federation *On Measures Securing Parallel Operation of Unified Power Systems of the Republic of Kazakhstan and Russian Federation.*

Also, until 30 December 2021, with the launch of the energy capacity market in the Republic of Kazakhstan, the Group provides services to ensure the readiness of electricity capacity to bear the power load. Revenues from the provision of services to ensure the readiness of electricity capacity to bear the power load are recognized monthly based on the volume of services rendered. The volume of the service for ensuring the readiness of electric power to bear the power load for each specific buyer is the maximum, for the respective month, electric power consumption, indicated in the act on the actual maximum volume of electric power consumption for a month. The Group terminated the provision of these services on 30 December 2021 due to the disposal of RFC LLP *(Note 26).*

Trade account receivables

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *Financial instruments – initial recognition and subsequent measurement.*

Contract liabilities

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

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the consolidated statement of comprehensive income.

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 capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease

The Group 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.

The Group as a lessee

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

i) Right-of-use assets

The Group recognizes 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 recognized, 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, as follows:

- Software – 5 years

If ownership of the leased asset transfers to the Group 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

i) Lease liabilities

At the commencement date of the lease, the Group recognizes 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. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized 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 its incremental borrowing rate at the lease commencement date because 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.

ii) Short-term leases and leases of low-value assets

The Group 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 not contain a purchase option). 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 recognized as expense on a straight-line basis over the lease term.

Pension obligations

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees' salaries, but no more than 300,000 tenge per month (2021: 212,500 tenge) to accumulative pension funds. Pension fund payments are withheld from employees' salaries and included with payroll expenses in the consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current corporate income tax

Current income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current corporate income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. 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 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized 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, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred 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 recognized 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 utilized.

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 asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset 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 realized 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 recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

Dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the consolidated financial statements unless the possibility of any outflow in settlement is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures, and the disclosure of contingent liabilities and assets. 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.

Estimates and assumptions

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 described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of property, plant and equipment

The Group performed revaluation of NES assets as at 1 December 2022. The Group engaged Grant Thornton Appraisal LLP, an accredited independent appraiser, to assess the fair value of the NES assets.

The revalued NES assets represent one class of assets according to IFRS 13, based on the nature, characteristics and risk of the property. Input data for determining the fair value of NES assets refer to Level 3 in the fair value hierarchy (unobservable inputs).

Fair value of NES assets was determined by using the cost approach. The cost approach has been used due to highly specialized nature of the assets and because there is no history of such assets ever being sold. Within cost approach, the method of determining the replacement cost or the cost of reproduction was used to calculate the total cost of replacement of fixed assets less all types of accumulated depreciation, as well as the method of calculation by analogues, the method of specific indicators and the method of indexation of past costs.

The apprised current replacement cost was subsequently compared to the recoverable amount determined based on a discounted cash flow model. The cash flows in the model are taken from the Group's approved budget for the next 5 (five) years. When forecasting the Group's income, the tariffs approved by the Committee for regulated services for the transmission of electricity, technical dispatching and organization of balancing the production and consumption of electricity for the period from 1 October 2021 to 30 September 2026 were taken into account. Based on the results of the analysis, the recoverable amount of property, plant and equipment exceeded its current replacement cost.

As a result of the valuation, the fair value of NES assets as of the valuation date (1 December 2022) amounted to 774.045.986 thousand tenge. The decrease in the revalued value of NES assets in the amount of 100.105.029 thousand tenge was recognized in other comprehensive income for 2022, taking into account the related deferred tax benefit in the amount of 20.021.005 thousand tenge. An increase in the value of certain previously impaired assets was recognized in the statement of comprehensive income in the amount of KZT 949.895 thousand, together with a decrease in the value of certain assets in the amount of 4.524.870 thousand tenge.

The decrease in the fair value of NES assets based on the results of the valuation is mainly due to decrease in metal prices by about 15% compared to the previous year.

In assessment of the fair value in 2022 the following main assumptions have been applied:

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

Fair value of property, plant and equipment (continued)

Discount rate (WACC)	12,97%
Long term growth rate	3,09%
Average remaining useful life of the primary asset	40 years

An increase in the discount rate by 0,5% or a reduction in long term growth rate by 0,5% would result in a decrease in the fair value of the Group's property, plant and equipment for approximately 46.537.397 thousand tenge or 24.247.101 thousand tenge, respectively.

Useful life of property, plant and equipment

During 2022, the Group carried out a technical inventory of NES assets to determine the technical condition of fixed assets. Based on the results of the inventory, the remaining useful lives of property, plant and equipment were revised. The total effect of changes in useful lives amounted to 3.732.520 thousand tenge (additional depreciation expense), which was recognized in profit or loss in the statement of comprehensive income for the year ended 31 December 2022.

The useful lives and residual values of property, plant and equipment are reviewed at the end of each annual reporting period and adjusted if necessary.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and benefit already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

Fair value of financial instruments

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

Bonds DSFK

On 28 December 2017, in accordance with the Decree of the Government of the Republic of Kazakhstan dated 7 November 2017, the Group acquired bonds of Special Financial Company DSFK LLP ("DSFK bonds") using the funds placed with RBK Bank JSC ("RBK Bank"). The nominal value of deposits placed with RBK Bank before the transaction was 1.498.249 thousand tenge. DSFK bonds carry coupon interest of 0,01% per annum (paid annually) and mature in 15 years. The bonds are secured by a financial guarantee of Kazakhmys Corporation LLP of 411.883 thousand tenge. The guarantee is exercisable upon request of the Group not earlier than the fifth anniversary after the inception of the bonds.

Management of the Group believed that at 31 December 2021 DSFK bonds were non-recoverable. Accordingly, management of the Group believed that fair value of DSFK bonds were limited to their recoverable amount that was equal to the fair value of the guarantee. The Group does not hold the bonds for all contractual cash flows, so as at 31 December 2021, the bonds were classified as financial instruments at fair value through profit or loss. As at 31 December 2022, the Group revalued the fair value of the bonds at a discount rate of 18,9% which represented the market discount rate as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Estimated allowance for expected credit losses on receivables

The Group uses the estimated reserves matrix to calculate the ECL for receivables. Valuation reserve rates are set depending on the number of days of delay in payment for groups of different customer segments with similar loss characteristics (i.e., by geographic region, product type, type and rating of customers, collateral by letters of credit and other forms of credit risk insurance).

Initially, observable data on the occurrence of defaults in past periods underlies in the basis of the estimated reserves matrix. The Group will update the matrix to adjust past experience with credit losses, considering forward-looking information. At each reporting date, the observed default level data in previous periods are updated and changes in forecast estimates are analyzed.

The assessment of relationship between historical observed default levels, forecasted economic conditions, and ECL is a significant estimate. The value of the ECL is sensitive to changes in circumstances and projected economic conditions. Past experience of occurrence of credit losses and the forecast of economic conditions may also not be indicative of actual default of the buyer in the future.

5. OPERATING SEGMENTS INFORMATION

Geographic information

Revenues from external customers based on the geographic locations of the customers represent the following:

n thousands of Tenge	**2022**	2021
Revenue from Kazakhstan customers	**189.094.392**	168.375.485
Revenue from Russian customers	**27.488.474**	17.155.351
Revenue from Uzbekistan customers	**645.538**	878.486
Revenue from Kyrgyz customers	**27.144**	33.815
Total revenue per consolidated statement of comprehensive income	**217.255.548**	186.443.137

Management analyses the Group's revenue and profit before tax determined in accordance with IFRS.

For the year ended 31 December 2022 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to 25.301.707 thousand tenge and includes revenue from electricity transmission and the provision of related support (for the year ended 31 December 2021: 24.780.095 thousand tenge).

Operating segments

For management purposes, until 30 December 2021 the Group's activities are organized into business units based on their services, and has three reportable operating segments, as follows:

- *Electricity transmission services and related support.* Electricity transmission is regulated by the Law as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee;
- *Ensure readiness of electricity capacity to bear the power load*. From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the sustainability of the power system of the Republic of Kazakhstan. Balance sustainability refers to the ability of a power system to meet consumer demand for electricity at any given time;
- *Sale of purchased electricity.* The sale of purchased electricity segment includes the renewable energy sector (hereinafter − "RES") created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV On Supporting the Use of Renewable Energy Sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS INFORMATION (continued)

Due to disposal of the subsidiary RFC LLP on 30 December 2021, disclosure of information on operating segments does not seem appropriate, since the lines of activity Ensuring the readiness of electricity capacity to bear the power load and Sale of purchased electricity were excluded from ongoing activity (Note 26).

6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS

In thousands of Tenge	Land	Building	NES assets	Vehicles and other property, plant and equipment	Construction -in-progress	Total
Cost						
As at 1 January 2021	1.965.212	18.716.304	1.177.808.066	45.140.958	35.810.371	1.279.440.911
Additions	–	256.716	7.314	766.419	41.715.516	42.745.965
Transfers	–	162.809	14.769.795	2.661.509	(17.594.113)	–
Transfers to intangible assets	–	–	693.824.746	–	–	693.824.746
Transfers from inventory	–	–	(9.559.573)	–	–	(9.559.573)
Transfers to non-current assets for sale	–	–	–	–	(297.463)	(297.463)
Disposals	–	(25.558)	(2.351.999)	(539.854)	(203.326)	(3.120.737)
Disposals SDC	–	–	–	(59.522)	–	(59.522)
As at 31 December 2021	1.965.212	19.110.271	1.874.498.349	47.969.510	59.430.985	2.002.974.327
Additions	**8.013**	**866.801**	**5.412**	**2.127.904**	**44.884.834**	**47.892.964**
Transfers	**–**	**530.713**	**13.996.038**	**2.139.303**	**(16.666.054)**	**–**
Gain on revaluation (OCI)	**–**	**–**	**(310.481.158)**	**–**	**–**	**(310.481.158)**
Revaluation (through profit or loss)	**–**	**–**	**(5.013.211)**	**–**	**–**	**(5.013.211)**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**(444.355)**	**(444.355)**
Disposals	**–**	**(27.016)**	**(1.399.907)**	**(707.598)**	**(50.264)**	**(2.184.785)**
As at 31 December 2022	**1.973.225**	**20.480.769**	**1.571.605.523**	**51.529.119**	**87.155.146**	**1.732.743.782**
Accumulated depreciation and impairment						
As at 1 January 2021	–	(4.504.237)	(597.351.150)	(24.866.176)	(240.904)	(626.962.467)
		(447.684)	(32.774.688)	(2.935.735)	–	(36.158.107)
Charge for the period	–	135	(135)	–	–	–
Transfers	–	–	(368.079.992)	–	–	(368.079.992)
Gain on revaluation (OCI)	–	–	1.703.832	–	–	1.703.832
Disposals		15.895	1.985.134	535.286	43.736	2.580.051
Reversal of impairment		–	–	–	(88.283)	(88.283)
Disposals SDC		–	–	31.955	–	31.955
As at 31 December 2021	–	(4.935.891)	(994.516.999)	(27.234.670)	(285.451)	(1.026.973.011)
Charge for the period	**–**	**(476.778)**	**(56.659.373)**	**(3.229.783)**	**–**	**(60.365.934)**
Transfers	**–**	**1.022**	**28.559**	**(29.581)**	**–**	**–**
Gain on revaluation (OCI)	**–**	**–**	**210.376.129**	**–**	**–**	**210.376.129**
Revaluation (through profit or loss)	**–**	**–**	**1.414.851**	**–**	**23.385**	**1.438.236**
Disposals	**–**	**17.612**	**1.215.834**	**675.429**	**1.840**	**1.910.715**
As at 31 December 2022	**–**	**(5.394.035)**	**(838.140.999)**	**(29.818.605)**	**(260.226)**	**(873.613.865)**
Net book value						
As at 1 January 2021	1.965.212	14.212.067	580.456.916	20.274.782	35.569.467	652.478.444
As at 31 December 2021	1.965.212	14.174.380	879.981.350	20.734.840	59.145.534	976.001.316
As at 31 December 2022	**1.973.225**	**15.086.734**	**733.464.524**	**21.710.514**	**86.894.920**	**859.129.917**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS (continued)

If NES assets were measured using the cost model, net of accumulated depreciation, the carrying amount would be as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Cost	**449.000.591**	435.418.856
Accumulated depreciation	**(147.975.065)**	(135.932.403)
Net book value	**301.025.526**	299.486.453

As at 31 December 2022 and 31 December 2021 the cost of fully amortized property, plant and equipment, which is still in use amounted to 13.720.023 thousand tenge and 13.679.221 thousand tenge, respectively.

Capitalized costs on issued bonds

During the year ended 31 December 2022 the Group capitalized the cost of coupon interest on issued bonds amounted to 3.401.402 thousand tenge less investment income (2021 year: 1.592.927 thousand tenge) *(Note 16)*.

Construction in progress

Construction in progress is mainly represented by equipment and construction works as part of the implementation of the project “Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches “Aktobe MES”, “Sarbaiskie MES”, and “Western MES” (stage 1)” and “Strengthening the Electricity Grid of the Western Zone of the UES of Kazakhstan Construction of power grid facilities” with the planned date of commissioning in the 4th quarter of 2023.

Advances paid for non-current asset

As at 31 December 2022 advances paid for non-current assets are mainly represented by advances paid to suppliers for construction work and services under the project of Strengthening the Electricity Grid of the Western Zone of the UES of Kazakhstan Construction of power grid facilities” and other projects.

7. INVESTMENTS IN ASSOCIATE

The Group has 20% share in Batys Transit JSC. Principal place of operations and country of incorporation of Batys Transit JSC (“Batys Transit”) is the Republic of Kazakhstan. The main activity of Batys Transit is realization of a project on construction and exploitation of interregional power line, which connects the North Kazakhstan region with Aktobe region and construction and exploitation of street lighting networks in Atyrau city. Batys Transit has bonds traded on the Kazakhstan Stock Exchange. The following table illustrates the summarized financial information about Batys Transit:

In thousands of Tenge	**31 December 2022**	31 December 2021
Current assets	**20.914.108**	20.480.453
Non-current assets	**16.890.064**	12.136.672
Current liabilities	**(4.078.403)**	(6.285.494)
Non-current liabilities	**(19.988.494)**	(14.939.971)
Net assets	**13.737.275**	11.391.660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN ASSOCIATE (continued)

In thousands of Tenge	**31 December 2022**	31 December 2021
Group's share in net assets	**2.747.455**	2.278.332
Carrying amount of the investments	**2.747.455**	2.278.332

In thousands of Tenge	**31 December 2022**	31 December 2021
Revenue	**11.754.864**	9.505.004
Net profit	**2.345.615**	1.303.697
Group's share in profit of Batys Transit	**469.123**	260.739

As at 31 December 2022 and 31 December 2021, the associate had no contingent liabilities or future capital commitments.

8. INVENTORIES

In thousands of Tenge	**31 December 2022**	31 December 2021
Raw and other materials	**1.387.482**	1.390.943
Spare parts	**1.694.995**	1.175.291
Fuel and lubricants	**113.467**	87.850
Other inventory	**420.418**	274.285
Less: allowance for obsolete inventories	**(409.207)**	(337.986)
	3.207.155	2.590.383

Movement in the allowance for obsolete inventories was as follows:

In thousands of Tenge	**2022**	2021
At 1 January	**337.986**	**363.273**
Charge	**284.593**	**99.941**
Reversal	**(206.662)**	**(98.867)**
Write-off	**(6.710)**	**(26.361)**
At 31 December	**409.207**	**337.986**

9. TRADE ACCOUNTS RECEIVABLE

In thousands of Tenge	**31 December 2022**	31 December 2021
Trade accounts receivable	**23.661.039**	15.265.245
Less: allowance for expected credit losses and impairment	**(2.613.649)**	(2.273.985)
	21.047.390	12.991.260

Movement in the provision for expected credit losses was as follows:

In thousands of Tenge	**2022**	2021
At 1 January	**2.273.985**	2.902.262
Charge	**1.419.642**	2.681.628
Reversal	**(956.972)**	(2.151.483)
Write-off	**(123.006)**	(1.158.422)
At 31 December	**2.613.649**	2.273.985

As at 31 December 2022 trade accounts receivable included accounts receivable from the customer National Electric Grids of Uzbekistan JSC, in the amount of 1.797.097 thousand tenge (31 December 2021: 1.583.830 thousand tenge).

As at 31 December 2022 provision for debts from National Electric Grids of Uzbekistan JSC amounted to 1.612.146 thousand tenge (31 December 2021: 1.503.743 thousand tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE ACCOUNTS RECEIVABLE (continued)

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

		Trade account receivables				
			Days past due			
In thousands of Tenge	**Total**	**Current**	**30-90 days**	**91-180 days**	**181-270 days**	**Above 271 days**
31 December 2022						
Percentage of expected credit losses	**10.05%**	**0.67%**	**15.04%**	**46.65%**	**78.78%**	**98.34%**
Estimated total gross carrying amount in case of default	**23.661.039**	**20.877.332**	**227.223**	**64.951**	**207.166**	**2.284.367**
Expected credit losses	**(2.613.649)**	**(139.479)**	**(34.172)**	**(30.302)**	**(163.200)**	**(2.246.496)**
	21.047.390	**20.737.853**	**193.051**	**34.649**	**43.966**	**37.871**
31 December 2021						
Percentage of expected credit losses	14.90%	0.69%	10.01%	31.06%	54.95%	98.73%
Estimated total gross carrying amount in case of default	15.265.245	12.610.051	390.392	108.326	34.134	2.122.342
Expected credit losses	(2.273.985)	(87.068)	(39.084)	(33.651)	(18.756)	(2.095.426)
	12.991.260	12.522.983	351.308	74.675	15.378	26.916

Trade accounts receivable were denominated in the following currencies:

In thousands of Tenge	**31 December 2022**	31 December 2021
Tenge	**20.862.439**	11.902.968
Russian Rouble	**184.951**	79.644
US Dollars	**–**	1.008.648
	21.047.390	12.991.260

10. OTHER CURRENT ASSETS

In thousands of Tenge	**31 December 2022**	31 December 2021
Advances paid for goods and services	**1.263.783**	491.362
Other receivables for property, plant and equipment and constructions *(Note 27)*	**399.974**	399.974
Deferred expenses	**35.224**	201.238
Loans receivable from employees	**469**	469
Other	**691.913**	366.962
Less: provision for expected credit losses and impairment	**(741.392)**	(485.933)
	1.649.971	974.072

Movement in the provision for expected credit losses and impairment of other current assets are as follows:

In thousands of Tenge	**2022**	2021
At 1 January	**485.933**	608.794
Charge	**292.784**	196.394
Reversal	**(29.926)**	(276.349)
Write-off	**(7.399)**	(42.906)
At 31 December	**741.392**	485.933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS

In thousands of Tenge	**31 December 2022**	31 December 2021
Financial assets at amortized cost		
Bonds of Samruk-Kazyna	**30.072.911**	30.144.252
Bank deposits	**19.062.907**	13.646.481
Notes of the National Bank of the Republic of Kazakhstan	**7.434.744**	26.529.980
Placements with Eximbank Kazakhstan	**2.165.823**	2.308.946
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1.968.564**	1.850.569
Placements with DeltaBank	**1.230.000**	1.230.000
Placements with Kazinvestbank	**1.201.850**	1.201.850
Interest accrued on Samruk-Kazyna bonds	**254.333**	254.333
Interest accrued on Ministry of Finance Eurobonds of the Republic of Kazakhstan	**18.945**	18.305
Interest accrued on Samruk-Kazyna bond		
Less: provision for impairment of placements with Eximbank Kazakhstan	**(2.165.823)**	(2.308.946)
Less: provision for impairment of placements with DeltaBank	**(1.230.000)**	(1.230.000)
Less: provision for impairment of placements with Kazinvestbank	**(1.201.850)**	(1.201.850)
Less: provision for expected credit losses	**(24.899)**	(261.528)
	58.787.505	72.182.392
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	**377.731**	314.418
	377.731	314.418
Total other financial assets	**59.165.236**	72.496.810
Other current financial assets	**57.196.672**	40.187.573
Other non-current financial assets	**1.968.564**	32.309.237
Total other financial assets	**59.165.236**	72.496.810

Movement in the provision for impairment of other financial assets are as follows:

In thousands of Tenge	**2022**	2021
At 1 January	**5.002.324**	5.174.037
Charge	**42.482**	420.248
Reversal	**(422.234)**	(591.942)
Write-off	**–**	(19)
At 31 December	**4.622.572**	5.002.324

Bonds of Samruk-Kazyna JSC

On 3 December 2020, the Group purchased coupon bonds of SWF Samruk-Kazyna JSC on the Kazakhstan Stock Exchange. The bond circulation period is 3 December 2023. The bond were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10,9%. Also, on 7 December 2020, the Group purchased coupon bonds of SWF Samruk-Kazyna JSC on the Kazakhstan Stock Exchange. The bond circulation is 3 December 2023. The bonds were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10,9%.

On initial recognition, premium of 213.089 thousand tenge was accrued on the purchased coupon bonds. During 12 months of 2022, the amount of the premium amortization amounted to 71.341 thousand tenge (during 12 months of 2021: 68.837 thousand tenge).

Notes of the National Bank of the Republic of Kazakhstan

During the year of 2022 the Group acquired discount notes of the National Bank of the Republic of Kazakhstan at the Kazakhstan Stock Exchange in general amount of 36.933.373 thousand tenge (2021: 66.747.566 thousand tenge). The amount of repayments of notes of the National Bank of the Republic of Kazakhstan for the year ended 31 December 2022 amounted to 32.117.343 thousand tenge (2021: 78.930.920 thousand tenge). During the year ended 31 December 2022 the Group recognized a finance income of 600.395 thousand tenge (681.430 thousand tenge) *(Note 23)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS (continued)

Bank deposits

As at 31 December 2022 and 31 December 2021 the deposits include accrued interest income in the amount of 1.482 thousand tenge and 67.429 thousand tenge, respectively. Information about banks is provided in *Note 28* under credit risk.

Placements with Eximbank Kazakhstan JSC (hereinafter - Eximbank Kazakhstan)

On 27 August 2018, by a resolution of the Board of the National Bank of the Republic of Kazakhstan, it was decided to deprive Eximbank Kazakhstan of the license in terms of accepting deposits, opening bank accounts of individuals. Accordingly, the Group reclassified cash and cash equivalents held with Eximbank to other financial assets and accrued an expected credit loss provision in the amount of 100%.

During 2022 the Liquidation Commission of Eximbank Kazakhstan made payment to the Group in the amount of 395 thousand US dollars (equivalent to 173.876 thousand tenge as at the date of payment) in accordance with the approved register of creditors' claims dated 13 June 2019. The Group recognized a corresponding reversal of the allowance for impairment losses (2021: 726 thousand US dollars, equivalent to 363.558 thousand tenge).

Kazinvestbank

On 2 April 2021 and 8 October 2021, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 18,0 thousand US dollars and 34,4 thousand US dollars (equivalent to 17.167 thousand tenge as of the date of payment), respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

No payments were made during 12 months of 2022.

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On 26 April 2019, the Group acquired Eurobonds of the Ministry of Finance of the Republic of Kazakhstan in the amount of 4.200.000 bonds at a rate of 3,875% per annum and maturity until October 2024 at a price higher than the nominal amount of 4.368 **thousand US dollars (equivalent to** 1.968.564 thousand tenge).

Bonds of Special Financial Company DSFK LLP

During the years ended 31 December 2022 and 2021, Special Financial Company DSFK LLP redeemed bonds in the amounts of 12.671 thousand tenge and 54.453 thousand tenge, respectively.

As at 31 December 2022, the Group reassessed the fair value of bonds and increased their carrying amount to 377.731 thousand tenge, recognizing gain from revaluation of financial instruments in the amount of 75.986 thousand tenge as a finance income in the consolidated statement of comprehensive income (2021: 58.696 thousand tenge) *(Note 23).*

Other financial assets were represented in the following currencies:

In thousands of Tenge	**Interest rate**	**31 December 2022**	31 December 2021
Tenge	0,01 – 15,5%	**49.771.142**	44.550.133
US Dollar	1 – 3,875%	**9.394.094**	27.946.677
		59.165.236	72.496.810

12. RESTRICTED CASH

In thousands of Tenge	**31 December 2022**	31 December 2021
Cash reserved for return on guarantee obligations	**1.015.833**	671.160
Less: provision for expected credit losses	**(371)**	(258)
	1.015.462	670.902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. RESTRICTED CASH (continued)

During 2022 and 2021 interest was not charged on restricted cash.

The movement in the provision for expected credit losses on restricted cash was as follows:

In thousands of Tenge	**2022**	2021
At 1 January	**258**	698
Charge	**197**	277
Reversal	**(84)**	(717)
At 31 December	**371**	258

As at 31 December 2022 and 31 December 2021, restricted cash, including funds expected to be redeemed, was denominated in tenge.

13. CASH AND CASH EQUIVALENTS

In thousands of Tenge	**31 December 2022**	31 December 2021
Short-term deposits, in Tenge	**22.775.139**	9.992.991
Current accounts with banks, in Tenge	**4.918.470**	1.760.179
Current accounts with banks, in foreign currencies	**48.162**	168.534
Cash on hand, in Tenge	**4.232**	11.788
Cash at special accounts, in Tenge	**654**	1.111
Less: provision for expected credit losses	**(183.565)**	(775)
	27.563.092	11.933.828

As at 31 December 2022, the Group placed short-term deposits with banks at 14,75-15,75% per annum in tenge, as well as current accounts with banks at 0,02% per annum.

Movement of the provision for expected credit losses on cash and cash equivalents is as follows:

In thousands of Tenge	**2022**	2021
As at 1 January	**775**	9.165
Charge	**256.739**	35.908
Reversal	**(73.949)**	(16.058)
Write-off	**–**	(28.240)
As at 31 December	**183.565**	775

As at 31 December 2022 and 31 December 2021, cash and cash equivalents were denominated in the following currencies:

In thousands of Tenge	**31 December 2022**	31 December 2021
Tenge	**27.514.941**	11.765.355
US dollar	**47.775**	168.094
Russian rouble	**14**	–
Euro	**1**	1
Others	**361**	378
	27.563.092	11.933.828

14. EQUITY

As at 31 December 2022 and 31 December 2021, the share capital of the Group comprised of 260.000.000 shares, of which 259.998.610 shares were issued and fully paid for the total amount of 126.799.554 thousand tenge.

Treasury shares

In November 2016 the Group repurchased shares placed on the open market consisting of 1.390 shares for the total amount of 930 thousand tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY (continued)

Dividends

In May 2021, shareholders approved the distribution of dividends for the second half of 2020. The dividends to be paid amounted to 19.502.496 thousand tenge for all common shareholders of the Group, which was equal to 75,01 tenge per ordinary share. The total distribution for 2020 resulted to 74% of net income for the year.

In November 2021, the shareholders approved the distribution of 80% of net profit for the first half of 2021. Amount to be paid was 22.027.082 thousand tenge for all common shareholders of he Group, which was equal to 84.72 tenge per ordinary share. The total amount of declared and paid dividends during 2021 was to 41.529.578 thousand tenge.

In May 2022, shareholders approved the distribution of dividends for the second half of 2021. The amount to be paid was 13.220.929 thousand tenge for all common shareholders of the Group, which was equal to 50.85 tenge per ordinary share. The final distribution for 2021 amounted to 67% of the net profit for the year, which amounted to 35.248.011 thousand tenge.

In October 2022, shareholders approved the distribution of 100% of net profit for the first half of 2022 and a part of retained earnings of prior periods. Amount to be paid was 17.014.309 thousand tenge for all common shareholders of the Group, which was equal to 65.44 tenge per ordinary share. Dividends were paid on 12 January 2023.

Earnings per share

Basic and diluted earnings per share are calculated by dividing net profit for the period by the weighted average number of common shares outstanding during the period. The Group had weighted average number of common shares in circulation in the amount of 259.998.610 shares during the year ended 31 December 2022 (for the year ended 31 December 2021: 259.998.610 shares). For the year ended 31 December 2022 and 2021, basic and diluted earnings per share were 102,88 tenge and 202,45 tenge, respectively.

Book value per share

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

In thousands of Tenge	**31 December 2022**	31 December 2021
Total assets	**986.612.189**	1.093.217.334
Less: intangible assets	**(3.453.791)**	(3.165.491)
Less: total liabilities	**(333.047.025)**	(356.080.517)
Net assets	**650.111.373**	733.971.326
Number of ordinary shares	**259.998.610**	259.998.610
Book value per ordinary share, Tenge	**2.500**	2.823

Asset revaluation reserve

Asset revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group's NES assets as at 1 December 2022 (previous revaluation was held as at 1 December 2021) *(Note 6)*. Transfer from asset revaluation reserve to retained earnings as a result of disposal of NES assets for the year ended 31 December 2022 amounted to 464.623 thousand tenge (for the year ended 31 December 2021: 586.605 thousand tenge).

15. BORROWINGS

In thousands of Tenge	**31 December 2022**	31 December 2021
International Bank of Reconstruction and Development (IBRD)	**12.575.944**	36.708.534
European Bank of Reconstruction and Development (EBRD)	**4.322.713**	12.785.418
	16.898.657	49.493.952
Less: current portion of loans repayable within 12 months	**(5.530.813)**	(13.854.307)
	11.367.844	35.639.645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. BORROWINGS (continued)

As at 31 December 2022 and 31 December 2021 the accrued and unpaid interest payable amounted to 252.227 thousand tenge and 196.888 thousand tenge, respectively. As at 31 December 2022 and 31 December 2021 the unamortized portion of loan origination fees amounted to 20.450 thousand tenge and 244.426 thousand tenge, respectively.

The movement of loans for reconciliation with cash flow statement is presented in *Note 28*.

Loans were denominated in the following currencies

In thousands of Tenge	**31 December 2022**	31 December 2021
US Dollars	**12.575.944**	36.708.534
Euro	**4.322.713**	12.785.418
	16.898.657	49.493.952

Construction of the second North-South 500 kW Electricity Transmission line

In 2005 for the purpose of implementation of the Phase II of the "Construction of the second North-South 500 kW Electricity Transmission line", the Group received a credit line facility of 100.000 thousand US dollars provided by IBRD for a period of 17 (seventeen) years of which first 5 (five) years are a grace period. This credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR dollar rate plus general spread is paid semi-annually. In 2011 the non-disbursed part of this IBRD credit line in the amount of 1.918 thousand US dollars was cancelled due to the fact that actual costs incurred within this project were less than expected. As at 31 December 2022 the principal amount of the loan was repaid in full (as at 31 December 2021: 8.195 thousand US dollars (equivalent to 3.538.547 thousand tenge).

Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2

In 2008, for the realization of the "Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2" the Group opened the following credit lines:

Two credit-line facilities of 127.500 thousand euro and 75.000 thousand euro from EBRD for 15 (fifteen) years, of which the first 4 (four) years are a grace period. An interest at the interbank six months EURIBOR rate plus a 3,85% margin is payable semi-annually. The outstanding balances as at 31 December 2022 and 31 December 2021 are 8.626 thousand euro (equivalent to 4.251.360 thousand tenge) and 25.878 thousand euro (equivalent to 12.656.781 thousand tenge), respectively.

Moinak Electricity Transmission Project

In 2009, for the realization of the "Moinak Electricity Transmission Project" a credit line facility from IBRD of 48.000 thousand US dollars was opened for 25 (twenty-five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by the guarantee of the Government of the Republic of Kazakhstan. An interest rate is LIBOR US dollar rate plus fixed spread 0,85% is payable semi-annually. In May 2013 unused portion of the credit line from the IBRD in the amount of 3.274 thousand US dollars was cancelled since the amount of actual expenses incurred during the project was less than expected. The outstanding balances as at 31 December 2022 and 31 December 2021 are 26.836 thousand US dollars (equivalent to 12.415.520 thousand tenge) and 29.072 thousand US dollars (equivalent to 12.553.276 thousand tenge), respectively.

Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW

In 2010 for the realization of the project "Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW" the Group received a credit line facility of 78.000 thousand US dollars from IBRD for 25 (twenty-five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR US dollar rate plus fixed spread 1,15% is repayable semi-annually. In July 2014 undeveloped part of the credit line from the IBRD in the amount 6.644 thousand US dollars has been cancelled since the amount of actual costs was less than expected costs. As at 31 December 2022 the principal debt on the loan was repaid in full ahead of schedule (as at 31 December 2021: 48.165 thousand US dollars (the equivalent to 20.792.886 thousand tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. BONDS PAYABLE

In thousands of Tenge	**31 December 2022**	31 December 2021
Nominal value of issued bonds	**134.941.100**	118.800.000
Accrued coupon interest	**6.058.889**	4.562.983
Less: discount on bonds issued	**(1.457.789)**	(1.577.690)
Less: transaction costs	**(89.156)**	(79.794)
	139.453.044	121.705.499
Less: current portion of bonds repayable within 12 months	**(6.058.889)**	(4.562.983)
	133.394.155	117.142.516

Under the State Program “Nurly Zhol” the Group placed two tranches of coupon bonds on “Kazakhstan Stock Exchange” JSC to finance the projects “Construction of 500 kW line Semey − Ak-togay − Taldykorgan − Alma”:

(a) During the period from June to August 2016 the Group issued coupon bonds with nominal amount of 47.500.000 thousand tenge under floating interest rate equal to the inflation rate in Republic of Kazakhstan plus 2.9% with the maturity of 2031 (the minimum rate of the consumer price index is set at 5%). The coupon rate for the period from 26 May 2020 to 26 May 2021 was 9.3% per annum. The coupon rate for the period from 26 May 2021 to 31 December 2021 was 9.9% per annum. The coupon rate for the period from 1 January 2022 to 31 December 2022 was 14,9% per annum.

All bonds under this program were acquired by Unified Accumulative Pension Fund.

Bonds were issued with discount in the amount of 111.945 thousand tenge.

(b) In August 2017, the Group placed the second tranche of coupon bonds amounting to 36.300.000 thousand tenge with a fixed rate of 11,5%.

All bonds under this program were acquired by Unified Accumulative Pension Fund and other entities.

To implement the investment project “Reconstruction of 220-500 kW overhead lines of branches of KEGOC JSC” on 28 May 2020, KEGOC’s bonds were placed on Kazakhstan Stock Exchange JSC (KASE) with nominal value of 9.700.000 thousand tenge and 11% annual yield. The bonds were placed at a discount of 667.593 thousand tenge. As a result of trades, 89.6% of bonds were purchased by STB (second-tier banks), 9,9% − by other institutional investors, 0,5% − by other legal entities.

On 27 January 2021, KEGOC’s bonds were placed on Kazakhstan Stock Exchange JSC (KASE) with nominal volume of 8.869.672 thousand tenge with an average weighted yield to maturity of 11,62% per annum. The bonds were placed with a discount in the amount of 380.267 thousand tenge. Accrued coupon interest on the date of placement amounted to 159.900 thousand tenge. As a result of trades, 22.6% of bonds were purchased by broker-dealer organizations, 72.8% by other institutional investors, 4.6%− by other legal entities.

On 21 October 2021, bonds of KEGOC JSC were successfully planed on Kazakhstan Stock Exchange JSC with a nominal value 16.430.328 thousand tenge and weighted average yield to maturity of 11.5% per annum. The bonds were placed at a discount of 562.427 thousand tenge, accrued coupon interest on the placement date was 717.914 thousand tenge. As a result of trades, 86.7% of the bonds were purchases by Eurasian Development bank JSC and other banks, 13,3% - by other institutional investors.

On 21 December 2022, KEGOC’s green bonds were successfully placed on Kazakhstan Stock Exchange JSC (KASE) with nominal value of 16.141.100 thousand tenge, with a 3% margin. Securities were placed as a part of the second issue of bonds under the second bond program with the total amount of 35 billion tenge, with the maturity term until 2037. As a result of trades, 50,4% of the of the bonds were purchased by banks, 49,6% - by other institutional investors.

During the year ended 31 December 2022 the Group capitalized the borrowing costs of coupon interest on the issued bonds less investment income in the amount of 3.401.402 thousand tenge (year 2021: 1.592.927 thousand tenge) *(Note 23)*.

The movement of the bonds for reconciliation with cash flow statement is presented in *Note 28*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER ACCOUNTS PAYABLE

As at 31 December 2022 and 31 December 2021 trade and other accounts payable:

In thousands of Tenge	**31 December 2022**	31 December 2021
Accounts payable for property, plant and equipment and construction works	**17.076.998**	19.189.917
Accounts payable for electricity purchased	**6.986.171**	3.805.412
Accounts payable for inventories, works and services	**2.493.858**	2.756.581
Less: discount	**(697.311)**	(1.266.695)
	25.859.716	24.485.215
Less: current portion of trade payables repayable within 12 months	**21.713.025**	18.512.531
	4.146.691	5.972.684

As at 31 December 2022 and 31 December 2021 trade and other accounts payable are denominated in the following currencies:

In thousands of Tenge	**31 December 2022**	31 December 2021
Tenge	**19.480.873**	21.907.917
Russian rouble	**6.325.079**	2.517.368
US dollar	**53.764**	59.930
	25.859.716	24.485.215

The non-current portion of accounts payable represents payables to a related party Karabatan Utility Solutions LLP, details of which are disclosed in *Note 27*.

18. TAXES PAYABLE OTHER THAN CORPORATE INCOME TAX

In thousands of Tenge	**31 December 2022**	31 December 2021
VAT payable	**682.925**	1.373.572
Contributions payable to pension fund	**401.717**	340.706
Personal income tax	**350.859**	258.593
Social tax	**282.789**	230.351
Social contribution payable	**185.992**	114.309
Property tax	**3.190**	66.442
Other	**25.624**	19.755
	1.933.096	2.403.728

19. OTHER CURRENT LIABILITIES

In thousands of Tenge	**31 December 2022**	31 December 2021
Due to employees	**3.996.978**	3.266.946
Other	**1.240.113**	888.825
	5.237.091	4.155.771

Due to employees mainly comprise of salaries payable and provision for unused vacation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of Tenge	**2022**	2021
Electricity transmission services	**151.863.107**	129.355.940
Technical dispatch	**32.130.461**	28.902.579
Balancing of electricity production and consumption	**20.124.496**	17.958.864
Sale of electricity for compensation of the interstate balances of electricity flows	**10.457.891**	7.067.781
Power regulation services	**645.538**	878.486
Revenue from sale of purchased electricity	**27.144**	33.897
Other	**2.006.911**	2.245.590
	217.255.548	186.443.137

In MW/hour	**2022**	2021
Electricity transmission services	**53.897.849**	50.824.342
Technical dispatch	**104.263.919**	105.042.897
Balancing of electricity production and consumption	**203.123.771**	205.149.438
Sale of electricity for compensation of the interstate balances of electricity flows	**1.294.044**	1.389.803
Power regulation services	**604**	900
Revenue from the sale of purchased electricity	**3.628**	5.837

In thousands of Tenge	**2022**	2021
Revenue recognition timeline		
The goods are transferred at a certain point in time	**10.485.035**	7.101.678
The services are provided over a period of time	**206.770.513**	179.341.459
Total revenue from contracts with customers	**217.255.548**	186.443.137

Discounts to customers are authorized by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies.

21. COST OF SALES

In thousands of Tenge	**2022**	2021
Depreciation and amortization	**60.253.195**	35.950.880
Cost of purchased electricity for compensation of interstate balances of electricity flows	**28.394.524**	22.157.785
Payroll expenses and related taxes	**24.612.591**	18.320.948
Technical losses of electric energy	**23.279.882**	24.866.088
Taxes other than income tax	**9.283.619**	6.185.051
Repair and maintenance expenses	**8.910.057**	7.683.172
For the purchase of services to ensure the readiness of power to bear the load	**4.701.427**	–
Security services	**1.475.501**	1.292.485
Inventories	**1.185.808**	1.070.326
Cost of purchased electricity	**27.144**	30.974
Other	**4.232.137**	3.125.194
	166.355.885	120.682.903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	**2022**	2021
Payroll expenses and related taxes	**5.134.881**	5.229.216
Depreciation and amortization	**923.604**	878.698
Third-party company services	**638.305**	465.032
Software maintenance expense	**577.552**	595.690
Consulting services	**251.294**	176.264
Taxes other than corporate income tax	**163.872**	238.204
Materials	**80.542**	66.149
Communal expenses	**76.207**	70.873
Expenses for the Board of Directors	**67.450**	44.587
Business trip expenses	**63.847**	54.581
Trainings	**41.896**	46.806
Insurance	**26.169**	26.027
Charge for obsolete inventories	**77.931**	1.074
Other	**896.881**	646.622
	9.020.431	8.539.823

23. FINANCE INCOME/(COSTS)

In thousands of Tenge	**2022**	2021
Finance income		
Interest income on deposits, current accounts and quoted bonds	**5.620.959**	6.148.449
Income from the National Bank notes *(Note 11)*	**600.395**	681.430
Amortization of discount on accounts receivable *(Note 27)*	**76.925**	88.160
Income from revaluation of DSFK financial instruments *(Note 11)*	**75.986**	58.696
	6.374.265	6.976.735
Less: interest capitalized into cost of qualifying asset *(Note 6)*	**(648.150)**	(1.608.513)
	5.726.115	5.368.222
Finance costs		
Bond coupon (Note 28)	**14.222.906**	11.962.857
Interest on loans (Note 28)	**937.558**	1.024.707
Commission on bank guarantees	**703.746**	981.849
Amortization of discount on accounts payable and bonds	**695.916**	723.342
Amortization of commission for arranging a loan	**680.494**	49.009
Amortization of premium on other financial assets	**85.561**	81.950
Interest expense on rent	**–**	31.786
Other expenses on issued bonds	**18.305**	16.369
	17.344.486	14.871.869
Less: interest capitalized into cost of qualifying assets *(Note 6)*	**(4.049.552)**	(3.201.440)
	13.294.934	11.670.429

The discounting expense is mainly represented by the amortization of the discount on long-term payables to related party Karabatan Utility Solutions LLP (*Note 27*).

24. FOREIGN EXCHANGE GAIN, NET

Due to the change in the Tenge's exchange rate for the year ended 31 December 2022, the Group recognized net foreign exchange gain of 114.963 thousand tenge (for the year ended 31 December 2021: net foreign exchange gain was 451.045 thousand tenge).

25. INCOME TAX EXPENSE

In thousands of Tenge	**2022**	2021
Current corporate income tax		
Current corporate income tax expense	**13.229.631**	10.675.241
Adjustments in respect of current income tax of previous year	**(31.283)**	(64.776)
Deferred tax		
Deferred tax relief	**(7.477.869)**	(3.002.627)
Total income tax expense reported in consolidated statement of comprehensive income	**5.720.479**	7.607.838
Deferred income tax related to items recognized in other comprehensive income during the year		
(Benefit)/deferred tax expense from revaluation of NES assets	**(20.021.005)**	65.148.951

The income tax rate in the Republic of Kazakhstan was 20% in 2022 and 2021.

A reconciliation of the 20% income tax rate and actual income tax recorded in the consolidated statement of comprehensive income is provided below:

In thousands of Tenge	**2022**	2021
Profit before tax from continuing operations	**32.468.088**	46.772.284
Profit before tax from discontinued operations	**–**	17.506.488
Tax at statutory income tax rate of 20%	**6.493.618**	12.855.754
(Reversal)/accrual of provision for expected credit loss	**(39.370)**	(30.457)
Adjustments in respect of current income tax of previous year	**(31.284)**	(64.776)
Accrual/(reversal) of allowance for doubtful accounts receivable from non-residents	**22.141**	(14.524)
Interest income from securities	**(669.015)**	(667.913)
Income from changes in fair value	**(77.022)**	(418.513)
Other permanent differences	**21.411**	(16.711)
Income tax expense reported in profit or loss including	**5.720.479**	11.642.860
Income tax from discontinued operations	**5.720.479**	7.607.838
Income tax from continuing operations	**–**	4.035.022

Tax effect on temporary differences leading to deferred income tax assets and liabilities at 31 December 2022 and 31 December 2021 is provided below:

	Consolidated statement of financial position		**Consolidated statement of comprehensive income**	
In thousands of Tenge	**31 December 2022**	31 December 2021	**2022**	2021
Trade accounts receivable	**241.886**	196.234	**45.652**	(43.748)
Accrued liabilities	**805.685**	610.002	**195.684**	(73.121)
Property, plant and equipment	**(125.018.855)**	(152.276.394)	**7.236.533**	3.119.496
Deferred tax benefit	**–**	–	**7.477.869**	3.002.627
Net deferred tax liabilities	**(123.971.284)**	(151.470.158)	**–**	–

For the years ended 31 December changes in deferred tax liabilities are presented as follows:

In thousands of Tenge	**2022**	**2021**
At 1 January	**(151.470.158)**	(89.164.183)
Deferred corporate income tax benefit recognized in profit or loss	**7.477.868**	3.002.627
Corporate income tax expense on discontinued operations	**–**	(159.651)
Corporate income tax benefit/(expense) recognized in OCI *(Note 3)*	**20.021.005**	(65.148.951)
At 31 December	**(123.971.284)**	(151.470.158)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. INCOME TAX EXPENSE (continued)

Deferred tax assets and liabilities reflected in the consolidated statement of financial position are presented as follows:

In thousands of Tenge	**31 December 2022**	31 December 2021
Deferred tax assets	**–**	159.652
Deferred tax liabilities	**(151.470.158)**	(89.323.835)
Net deferred tax liabilities	**(151.470.158)**	(89.164.183)

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

As 31 December 2022 the corporate income tax prepayment amounted to 128.400 thousand tenge (as at 31 December 2021: 817.245 thousand tenge).

26. DISCONTINUED OPERATIONS

In accordance with Decree of the Government of the Republic of Kazakhstan №858 from 30 November 2021 and donation agreement from 30 December 2021, the Group transferred free of charge 100% of shares in subsidiary RFC LLP to ownership of State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan. As of 30 December 2021, RFC LLP has been classified as discontinued operations and disposed from the Group.

Assets and liabilities of RFC LLP as of the date of disposal are presented as follows:

In thousands of Tenge	30 December 2021
Assets	
Property, plant and equipment	27.567
Intangible assets	14.836
Deferred tax assets	234.733
Inventories	155.465
Trade accounts receivable	25.777.422
Advances paid	983
Vat recoverable	–
Prepaid income tax	–
Other current assets	15.874
Other financial assets, current portion	5.151.508
Cash and cash equivalents	38.847.799
Total assets	70.226.187
Trade accounts payable	31.602.053
Taxes payable other than income tax	1.147.572
Income tax payable	261.182
Other liabilities	93.590
Total liabilities	33.104.397
Retired net assets	37.121.790

Losses on disposal of RFC LLP in the amount of 37.121.790 thousand tenge were recognized in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. DISCONTINUED OPERATIONS (continued)

The results of discontinued operations included in the consolidated statement of comprehensive income is presented as follows:

In thousands of Tenge	2021
Revenue from contracts with customers	211.591.935
Cost of Sales	(195.598.700)
General and administrative expenses	(343.451)
Finance income	2.194.275
Finance expense	(11.236)
Other income	81.625
Other expense	(29)
Accrual of allowance for expected credit losses	(407.931)
Profit before income tax	17.506.488
Income tax expense	(4.035.022)
Profit for the year from discontinued operations	13.471.466
Earnings per share from discontinued operations	
Basic and diluted profit for the year attributable to common shareholders of the parent (in Tenge)	51,81

The net cash flows from discontinued operations are as follows:

Net cash flows received from operating activities	15.342.483
Net cash flows used in investing activities	9.203.509
Net cash flows used in financing activities	–

27. TRANSACTIONS WITH RELATED PARTIES

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

Transactions with related parties for 2022 and 2021 are presented as follows:

In thousands of Tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Entities under joint control of Samruk-Kazyna	Associated of the Group
	2022	**39.817.193**	**8.352.832**	**2.463.455**	**621.219**
Sale of services	2021	88.141.984	13.158.299	4.311.519	658.453
	2022	**–**	**–**	**–**	**–**
Sale of land plots	2021	2.182.037	–	–	–
	2022	**25.437.643**	**1.933.556**	**12.936**	**89.968**
Purchase goods and services	2021	61.259.441	2.395.243	–	73.620
Amortization of discount on long-term receivables	**2022**	**76.925**	**–**	**–**	**–**
	2021	88.160	–	–	–
Amortization of discount on long-term accounts payable	**2022**	**569.384**	**–**	**–**	**–**
	2021	712.262	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. TRANSACTIONS WITH RELATED PARTIES (continued)

Receivables and payables as of 31 December from transactions with related parties are as follows:

In thousands of Tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Entities under joint control of Samruk-Kazyna	Associated of the Group
	2022	**–**	**–**	**–**	**–**
Advances given for non-current assets	2021	2.182.037	–	–	–
Current trade accounts receivables for the sale of services	**2022**	**4.196.537**	**706.405**	**137.722**	**58.744**
	2021	2.171.300	280.180	146.229	39.473
Accounts receivable for sale of property, plant and equipment	**2022**	**694.735**	**–**	**–**	**–**
	2021	814.315	–	–	–
	2022	**6.379.501**	**–**	**–**	**–**
Accounts payables for property complex	2021	8.169.055	–	–	–
Current trade and other accounts payable for the services purchased	**2022**	**1.446.569**	**208.615**	**582**	**8.821**
	2021	1.831.950	175.735	–	8.596
	2022	**–**	**–**	**–**	**–**
Lease liabilities	2021	111.895	–	–	–

Revenue and cost of sales, trade accounts receivable and payable

The sale of services to related parties mainly represent electricity transmission, technical dispatch and services on balancing production and consumption of electricity, electrical capacity readiness services. The purchase of services from related parties mainly represents communication services, energy services, electricity purchase, electric capacity readiness services, postal service and software maintenance services.

Sale of land plots

On January 2021, the Group sold land plots, classified as assets held for sale of 5.126 thousand tenge as of 31 December 2020, to related party Samruk-Kazyna Construction JSC for 2.182.037 thousand tenge. In accordance with sale agreement, Samruk-Kazyna Construction JSC obliged to transfer premises to the ownership of the Group for the amount 2.182.037 thousand tenge.

Other accounts receivable

On 30 September 2015 the Group sold buildings and structures with a complex of equipment and adjacent land plots located in Astana to a related party - Kazpost JSC for 2.161.476 thousand tenge. In accordance with the sale agreement, Kazpost JSC pays the debt in equal monthly installments until June 2027. Accordingly, the Group has discounted future cash flows at a market discount rate of 10,37%. As at 31 December 2022 the unamortized discount on receivables from Kazpost JSC amounted to 173.120 thousand tenge. As at 31 December 2022 net debt amounted to 694.735 thousand tenge, where 514.613 thousand tenge was included in long-term receivables from related parties. During 2022, the Group recognized income from discount amortization in the amount of 76.925 thousand tenge (2021: 88.160 thousand tenge) *(Note 23).*

As at 31 December 2022 the Group had receivables from the sale of property, plant and equipment to to a related party - Balkhashskaya TPP JSC , in the amount of 220.494 thousand tenge (as at 31 December 2021: 220.494 thousand tenge). In accordance with the sales contract, Balkhashskaya TPP JSC had to pay the debt by the end of 2018, however, as at 31 December 2021 the debt was not repaid. Due to the suspension of the construction of the Balkhashskaya TPP, the management of the Group, in 2018, decided to accrue a provision for the expected credit losses in the amount of 100%.

The total ECL for trade accounts receivables from related parties as at 31 December 2022 was 312.336 thousand tenge (31 December 2021: 271.744 thousand tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. TRANSACTIONS WITH RELATED PARTIES (continued)

Accounts payables for property complex and amortization of discount

In November-December 2020, the Group acquired a property complex from a related party − Karabatan Utility Solutions LLP in the amount of 11.794.689 thousand tenge. In accordance with the sale and purchase agreement, the Group will pay by equal annual installments until 25 March 2025. Accordingly, the Group discounted future cash flows at a discount rate of 10,25%, which is the best estimate of the market rate by the Group's Management. As of 31 December 2022, discount on accounts payable of Karabatan Utility Solutions LLP amounted to 697.311 thousand tenge (as of 31 December 2021: 1.266.695 thousand tenge).

As at 31 December 2022, the amount of payable net of the discount was 6.379.501 thousand tenge, 4.146.691 thousand tenge of which were included within long-term payables from related parties. For the year ended 31 December 2022, the Group recognized expense from amortization of discount of long-term trade payables in the amount of 569.384 thousand tenge.

Lease liabilities

In 2017, the Group signed long-term agreement with related party - Samruk-Kazyna Business Service LLP, on provision of rights of use on software. As at 31 December 2022, the Group's lease liability was fully repaid (as of 31 December 2021 the outstanding balance was 111.895 thousand tenge)

Other

As of 31 December 2022 the amount of guarantee of the Government of the Republic of Kazakhstan under the IBRD loan amounted to 12.590.206 thousand tenge (as of 31 December 2021: 37.835.274 thousand tenge).

Compensation to key management personnel and all other related expenses (taxes, deductions, sick leave, holiday pay, material assistance, etc.) included in payroll expenses in the accompanying consolidated statement of comprehensive income amounted to 279.176 thousand tenge for the year ended 31 December 2022 (for the year ended 31 December 2021: 313.976 thousand tenge). The remuneration of key management personnel mainly consists of contractual salaries and performances based remuneration.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings, bonds payable, trade and other payables. The main purpose of these financial liabilities is to finance the Group's investment projects and operations. The Group has trade and other receivables, cash and cash equivalents, short-term deposits that arrive directly from its operations, as wells as investments in debt securities.

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term borrowings with floating interest rates *(Notes 15 and 16)*.

The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which the borrowings are denominated. With all other variables held constant, loans with floating interest rate loans have following impact on the Group's profit before tax:

In thousands of Tenge	**Increase/ (decrease) in basis points* / in percentage**	**Effect on profit before tax**
For the year ended 31 December 2022		
LIBOR	**245/(245)**	**(304.180)/304.180**
EURIBOR	**136/(136)**	**(57.818)/57.818**
Inflation rate in the Republic of Kazakhstan	**1%/0%**	**(635.452)/−**
For the year ended 31 December 2021		
LIBOR	125/(25)	(461.059)/92.212
EURIBOR	20/(20)	(25.314)/25.314
Inflation rate in the Republic of Kazakhstan	1%/0%	(474.139)/−

* *1 basis point= 0,01%.*

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities. Also, the Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

In thousands of Tenge	**Increase/(decrease) in the exchange rate in absolute terms (Tenge)**	**Increase/(decrease) in exchange rate**	**Effect on profit before tax**
At 31 December 2022			
US dollar	**97,16/(97,16)**	**21%/(21%)**	**(630.606)/630.606**
Euro	**88,67/(88,67)**	**17,99%/(17,99%)**	**(777.656)/777.656**
Russian rouble	**1,42/(1,42)**	**22,05%/(22,05%)**	**(1.394.677)/1.394.677**
At 31 December 2021			
US dollar	86,33/(43,18)	20%/(10%)	(1.714.810)/857.405
Euro	97,56/(48,91)	20%/(10%)	(2.557.083)/1.278.542
Russian rouble	0,75/(0,75)	13%/(13%)	(196.134)/196.134

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade accounts receivables *(Note 9)* and from its financing activities, including deposits with banks *(Notes 11, 12 and 13)*.

Trade accounts receivable

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., product type and other). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2022 and 31 December 2021, is represented by their carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table shows the balance of cash and cash equivalents and bank deposits placed in banks at the reporting date using the credit rating agency “Standard & Poor’s” and “Moody’s” less accrued provisions:

		Rating			
In thousands of Tenge	**Location**	**2022**	2021	**31 December 2022**	31 December 2021
Halyk Bank Kazakhstan JSC	Kazakhstan	**BB+/stable**	BB+/stable	**14.981.871**	15.699.990
Jysan Bank JSC	Kazakhstan	**B+/stable**	B1/stable	**12.227.652**	12.140.947
ForteBank JSC	Kazakhstan	**BB-/ negative**	B+/positive	**6.161.681**	11.019.346
Bank Center Credit JSC	Kazakhstan	**B+/stable**	B/stable	**2.612.282**	–
Eurasian Bank JSC	Kazakhstan	**B/positive**	-	**12**	
Kazpost JSC	Kazakhstan	**-**	-	**9**	–
CB Moskommertsbank (JSC)	Russia	**-**	-	**6**	–
				35.983.513	38.860.283

Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework in accordance with the short, medium and long-term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, bank loans and credit lines, by monitoring projected and actual cash flows and comparing maturity dates of financial assets and liabilities.

The Group assessed risk concentration **in relation to debt refinancing and concluded that it would be low. The Group has access to a variety of sufficient sources of funding.**

The table below summarizes the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments.

In thousands of Tenge	**On demand**	**Due more than 1 month but not later than 3 months**	**Due more than 3 months but not later than 1 year**	**Due more than 1 year but not later than 5 years**	**Due more than 5 years**	**Total**
At 31 December 2022						
Borrowings						
Bonds payable	**–**	**4.936.035**	**1.070.082**	**5.852.617**	**8.347.857**	**20.206.591**
Trade and other accounts payable	**–**	**4.532.400**	**13.597.200**	**72.518.399**	**240.497.448**	**331.145.447**
Lease liability	**–**	**19.480.214**	**2.358.938**	**4.717.875**	**–**	**26.557.027**
	–	**28.948.649**	**17.026.220**	**83.088.891**	**248.845.305**	**377.909.065**
At 31 December 2021						
Borrowings	–	5.666.360	9.472.295	15.526.933	22.684.097	53.349.685
Bonds payable	–	3.181.750	9.545.250	50.908.000	198.719.155	262.354.155
Trade and other accounts payable	–	18.675.097	–	7.076.813	–	25.751.910
Lease liability	–	111.895	–	–	–	111.895
	–	27.635.102	19.017.545	73.511.746	221.403.252	341.567.645

Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize the shareholder’s value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a debt to capital ratio, which is debt divided by total capital. The Group’s objective is to keep the ratio not higher than 0,5. Debt is considered to be equal to all borrowings and bonds payable. Capital is considered to be equal to the total liabilities and entire equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

	31 December 2022	31 December 2021
Debt/capital	**0,16**	0,16

In thousands of Tenge	**31 декабря 2022 года**	31 декабря 2021 года
Long-term borrowings and long-term bonds payable	**144.761.999**	152.782.161
Short-term borrowings and short-term bonds payable	**11.589.702**	18.417.290
Debt	**156.351.701**	171.199.451
Total liabilities	**333.047.025**	356.080.517
Equity	**653.565.164**	737.136.817
Total equity and liabilities	**986.612.189**	1.093.217.334

The structure of the Group capital includes the share capital as disclosed in *Note 14*, reserves and retained earnings.

Fair value hierarchy

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

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Assets measured at fair value

In thousands of Tenge	**31 December 2022**	**Level 1**	**Level 2**	**Level 3**
Revalued property, plant and equipment				
NES assets (*Note 6*)	**733.464.524**	**–**	**–**	**733.464.524**
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	**377.731**	**–**	**–**	**377.731**

In thousands of Tenge	31 December 2021	Level 1	Level 2	Level 3
Revalued property, plant and equipment				
NES assets *(Note 6)*	879.981.350	–	–	879.981.350
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	314.418	–	–	314.418

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed

In thousands of Tenge	**31 December 2022**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Other financial assets *(Note 11)*	**58.787.505**	**–**	**58.787.505**	**–**

In thousands of Tenge	31 December 2021	Level 1	Level 2	Level 3
Financial assets				
Other financial assets *(Note 11)*	72.182.392	–	72.182.392	–

In thousands of Tenge	**31 December 2022**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities				
Bonds payable (*Note 16*)	**139.453.044**	**–**	**139.453.044**	**–**
Borrowings (*Note 15*)	**16.898.657**	**–**	**16.898.657**	**–**

In thousands of Tenge	31 December 2021	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable (*Note 16*)	121.705.499	–	121.705.499	–
Borrowings (*Note 15*)	49.493.952	–	49.493.952	–

For the years ended 31 December 2022 and 31 December 2021, there were no transitions between Level 1, 2, and 3 of the fair value of financial instruments.

Fair values of financial instruments

As at 31 December 2022 and 31 December 2021 the management assessed that the fair value of financial instruments of the Group, such as trade accounts receivable and payable, other financial assets, cash and cash equivalents, cash restricted in use, approximates their carrying amounts largely due to the short-term maturities of these instruments. Borrowings and bonds payable are stated at amortized costs which approximate their fair values.

Change in liabilities arising from financing activities

In thousands of Tenge	**1 January 2022**	**Cash flows**	**Accured interest**	**Paid interest**	**Foreign exchange movement**	**Other**	**31 December 2022**
Borrowings	**49.493.952**	**(35.865.915)**	**937.558**	**(1.336.740)**	**2.989.308**	**680.495**	**16.898.657**
Bond payable	**121.705.499**	**16.141.100**	**14.222.906**	**(12.727.000)**	**–**	**110.539**	**139.453.044**
Lease liability	**111.895**	**(111.895)**	**–**	**–**	**–**	**–**	**–**
Total	**171.311.346**	**(19.836.710)**	**15.160.463**	**(14.063.740)**	**2.989.308**	**791.034**	**156.351.701**

In thousands of Tenge	1 January 2021	Cash flows	Accured interest	Paid interest	Foreign exchange movement	Other	31 December 2021
Borrowings	64.177.892	(14.614.808)	1.024.707	(1.167.132)	24.284	49.009	49.493.952
Bond payable	96.856.143	25.235.121	11.962.857	(11.538.332)	–	(810.290)	121.705.499
Lease liability	561.765	(436.606)	31.786	(45.050)	–	–	111.895
Total	161.595.800	10.183.707	13.019.350	(12.750.514)	24.284	(761.281)	171.311.346

The Other column shows the amortization of discount and premium on financial liabilities. The Group classifies the interest paid as cash flows from operating activities.

29. COMMITMENTS AND CONTINGENCIES

Operating environment

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

Interest rates in Tenge remain high. Combination of these factors resulted in a reduced access to capital, a higher cost of capital, increased uncertainty regarding further economic growth, which could negatively affect the Group's financial position, results of operations and business prospects. Management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Since March 2020, there has been significant volatility in the stock, foreign exchange and commodity markets, including the depreciation of the Tenge against the US Dollar and the Euro. The extent and duration of these events remains uncertain. However, management does not expect a significant impact on the profit, cash flows and financial condition of the Group.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including an opinion on the IFRS approach regarding revenue, expenses and other accounts of financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic 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 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 2022.

Terms of loan agreements

As disclosed in *Note 15*, the Group has entered into loan agreements with the EBRD and IBRD. According to the agreements , the Group is obliged to comply with the following terms (covenants):

- Current ratio of not less than 1:1;
- Total debt to total capital of not more than 50%;
- Earnings before interest, income tax, depreciation and amortization ("EBITDA") to interest expense of not less than 3:1;
- Net debt to EBITDA of not more than 4:1.

Also, the Group issued bonds *(Note 16)* and must comply with following covenants:

- Total debt to EBITDA of not more than 3:1;
- Total debt to equity of not more than 0.6:1.

The management believes that the Group complied with all loan covenants with EBRD and IBRD as at 31 December 2022 and 31 December 2021. The Group excludes from EBITDA the foreign exchange gain and loss, as management believes that gain and loss from foreign exchange meets the definition of non-cash transaction and shall be excluded from calculation of EBITDA as provided in the loan agreement. As at 31 December 2022, the Group excluded from EBITDA foreign exchange gain of 114.963 thousand tenge for the year ended 31 December 2022 (for the year ended 31 December 2021: excluded foreign exchange gain was 451.045 thousand tenge). Also, the management of the Group believes that it complied with the covenants of the issued bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES (continued)

Insurance

As at 31 December 2022, the Group insured production assets with a cost of 542,550,435 thousand tenge. The specified amount does not include the result of the revaluation of NES assets carried as at 1 December 2022, since the procedure for concluding an insurance contract was carried out before 1 December 2022. In the event of an insured event, the insurance payment is made within the insured amount. The Group did not insure its other property. Since absence of any insurance does not imply a reduction of the cost of assets or origination of liabilities, no provision has been made in these consolidated financial statements for unexpected expenses associated with damage or loss of such assets.

Contractual commitments

To ensure the reliability of the national electricity grid through the reconstruction of 220-500 kV transmission lines that have already reached and will reach their standard useful life in coming years and to improve the reliability of electricity supply of consumers in the Western zone of UES of Kazakhstan, as well as to maintain production assets in working condition, the Group has developed capital investment plan.

Five year (2021-2025) investment program of KEGOC JSC for a total amount of 274.760.648 thousand tenge approved by the joint order №122 of the sectoral state body dated 7 April 2021 and the department of the authorized body №21-OD dated 11 March 2021 in accordance with legislation on natural monopolies of the Republic of Kazakhstan and is subject to 100% execution. However, KEGOC JSC may make changes to it and adjust the cost and timing of individual events.

As at 31 December 2022, capital commitments under the contracts entered by the Group under the investment plan amounted to 57.388.081 thousand tenge (31 December 2021: 100.950.878 thousand tenge).

In 2020-2021, due to the unstable epidemiological situation and the introduction of sanitary measures almost everywhere, it was objectively difficult to organize and ensure the timely completion of construction and installation works in full, as part of the capital investment plan.

Due to the fact that a significant part of open contracts is equipment purchased outside the Republic of Kazakhstan, the pace of production and logistics was negatively affected by the reduction in shifts and the limitation of the number of personnel at manufacturing plants, which leads to a delay in the supply of basic power equipment and, accordingly, the timing of contractual obligations of a capital nature. In addition, there is a possibility of fluctuations in the value of contractual obligations, the main reason for which is the impact of a possible change in the exchange rates of the national currency.

Activity regulation

Tariffs for the transmission of electric energy and technical dispatching of supply to the network and consumption of electric energy and organization of balancing the production and consumption of electric energy

The company provided regulated services from January 1 to September 30, 2021, at the following tariffs:

- for the transmission of electricity in the amount of 2.448 tenge per kWh (excluding VAT);
- for technical dispatching of supply to the grid and consumption of electric energy in the amount of 0.264 tenge per kWh (excluding VAT);
- organization of balancing the production and consumption of electricity in the amount of 0.086 tenge per kWh (excluding VAT).

These tariffs on regulated services of KEGOC JSC are determined in accordance with requirements of paragraph 3 of Article 15 of the Law of the Republic of Kazakhstan "On natural monopolies", in accordance with which the funds allocated for the implementation of the approved investment program (amortized contributions and profits) are excluded from the current approved tariff for 2020, with the exception of fund used to repay the principal amount of loans raised for the implementation of investment program.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES (continued)

Activity regulation (continued)

In accordance with order №79-OD of the Committee for the Regulation of Natural monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated August 16, 2021, the following tariffs were approved:

1) transmission of electric energy:
   - from 1 October 2021 to 30 September 2022 – 2.797 tenge/kWh (excluding VAT);
   - from 1 October 2022 to 30 September 2023 – 2.848 tenge/kWh (excluding VAT);
   - from 1 October 2023 to 30 September 2024 – 3.004 tenge/kWh (excluding VAT);
   - from 1 October 2024 to 30 September 2025 – 3.106 tenge/kWh (excluding VAT);
   - from 1 October 2025 to 30 September 2026 – 3.134 tenge/kWh (excluding VAT).
2) technical dispatching of supply to the grid and consumption of electric energy:
   - from 1 October 2021 to 30 September 2022 – 0.306 tenge/kWh (excluding VAT);
   - from 1 October 2022 to 30 September 2023 – 0.314 tenge/kWh (excluding VAT);
   - from 1 October 2023 to 30 September 2024 – 0.333 tenge/kWh (excluding VAT);
   - from 1 October 2024 to 30 September 2025 – 0.348 tenge/kWh (excluding VAT);
   - from 1 October 2025 to 30 September 2026 – 0.355 tenge/kWh (excluding VAT).
3) organization of balancing of production and consumption of electric energy:
   - from 1 October 2021 to 30 September 2022 – 0.098 tenge/kWh (excluding VAT);
   - from 1 October 2022 to 30 September 2023 – 0.102 tenge/kWh (excluding VAT);
   - from 1 October 2023 to 30 September 2024 – 0.105 tenge/kWh (excluding VAT);
   - from 1 October 2024 to 30 September 2025 – 0.108 tenge/kWh (excluding VAT);
   - from 1 October 2025 to 30 September 2026 – 0.110 tenge/kWh (excluding VAT).

By the order of the Committee for Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan №67-OD dated 22 April 2022, temporary compensatory tariffs (hereinafter referred to as TCT) for regulated services of KEGOC JSC were approved due to non-fulfillment of cost items in the tariffs estimates as a result of savings on purchased electricity for technological electricity consumption based on the results of 2017 and 2018, with the entry into force from 1 June 2022 to 31 May 2023:

For the transmission of electrical energy:

- from 1 June to 30 September 2022 - 2.594 tenge / kWh (without VAT);

- from 1 October 12022 to 31 May 2023 - 2.645 tenge / kWh (without VAT);

For technical dispatching of supply to the network and consumption of electrical energy:

- from 1 June to 30 September 2022 - 0.285 tenge / kWh (excluding VAT);

- from 1 October 2022 to 31 May 2023 - 0.294 tenge/kWh (excluding VAT);

On the organization of balancing the production of electricity consumption:

- from 1 June to 30 September 2022 - 0.091 tenge / kWh (excluding VAT);

- from 1 October 2022 to 31 May 312023 - 0.095 tenge/kWh (excluding VAT);

KEGOC JSC does not agree with the above mentioned order due to the fact that, in accordance with the Law of the Republic of Kazakhstan on natural monopolies, the savings accumulated on the cost items of the tariffs estimates in 2017 and 2018 were directed to the implementation of the Investment Program. Thus, KEGOC JSC did not inflict any losses for consumers and did not receive unjustified income. In this connection, the Order № 67-OD dated 22 April 2022 is being challenged by KEGOC JSC in court.

This Order has been suspended for the duration of the trial.

If the Group had applied the temporary compensatory tariff, the Group’s profit for the 12 months ended 31 December 2022 would have decreased by 6.890.583 thousand tenge.

30. SUBSEQUENT EVENTS

On 12 January 2023, dividends for the first half of 2022 were paid in the amount of 17.014.309 thousand tenge to all common shareholders of KEGOC JSC.

Kazakhstan Electricity Grid Operating Company JSC

Consolidated financial statements

As at and for the year ended 31 December 2021
with independent auditor's report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder, Board of Directors and Management of Kazakhstan Electricity Grid Operating Company JSC

Opinion

We have audited the consolidated financial statements of Kazakhstan Electricity Grid Operating Company JSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

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

Key audit matter	***How our audit addressed the key audit matter***
Valuation of property, plant and equipment	
As of 31 December 2021, the carrying value of the National Electricity Grid ("NES") amounted to 879.981.350 thousand tenge (31 December 2020: 580.456.916 thousand tenge). The NES assets are accounted at fair value in accordance with the Group's accounting policy. At each reporting date, the Group analyzes to what extent the fair value of NES assets differs significantly from their carrying value. In order to assess the possible fluctuations in the fair values Management of the Group determines the replacement cost of assets most exposed to the risk of changes in fair value. Due to the significance of the carrying amount of the NES assets, as well as significant use of professional judgement and estimates by Management when analyzing changes in the fair value of NES assets, this issue was one of the key audit matters. Information on NES assets and analysis of changed in fair value of NES assets is presented in Note 4 to the consolidated financial statements.	We obtained from Management of the Group the valuation report prepared by external valuation expert. We assessed the competence and objectivity of the external expert engaged by the Group. We reviewed valuation report and reviewed the valuation methodology. We compared NES in the register of property, plant and equipment with the list of assets assessed by the external expert. We compared other input data, used by the external expert, such as development plan approved by management, tariffs and electricity volume forecast with internal data sources. We compared tariffs for the services, used in the calculation of value in use, with tariffs approved by authorized government body. We compared discount rate and long-term growth rate with general market indicators and other available information. We reviewed mathematical accuracy of the cash flow model and evaluated sensitivity. We analyzed the accounting entries, recorded in the consolidated financial statement, in relation to revaluation. We analyzed information, disclosed in Notes 4 and 6 to the consolidated financial statements.

Compliance with covenants under credit facility agreements

In accordance with terms of loan agreements and bond programs, the Group is required to comply with certain covenants. Breaching of these covenants can lead to significant fines and penalties, along with funding shortages. In addition, cross-default provisions are in place under credit facility arrangements.

Compliance with covenants was one of the matters of most significance in the audit, because it has major impact on the going concern assumption used in preparation of the consolidated financial statements, and on classification of loans and bonds in the consolidated financial statements.

Information on compliance with covenants disclosed in Note 29 to the consolidated financial statements.

We examined the terms of credit facilities on covenants, including additional clauses on cross-default conditions.

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

We reviewed mathematical accuracy of calculations based on financial indicators.

We analyzed the management evaluation of the risk that breach of any terms is likely within the next 12 months and the potential impact of breach on the going concern basis.

We analyzed information received from creditors in relation to compliance with covenants as of 31 December 2021. We also analyzed information disclosed in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free form material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is Aisulu Narbayeva.

ТОО "RSM Qazaqstan"

Aisulu Narbayeva
Auditor / General Director
RSM Qazaqstan LLP

Auditor qualification certificate # 0000137 dated 21 October 1994

State audit license for audit activities on the territory of the Republic of Kazakhstan #19024411 issued by the Ministry of Finance of the Republic of Kazakhstan on 24 December 2019

43, Dostyk Avenue, office 302
Almaty, 050010, Republic of Kazakhstan

18 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

In thousands of Tenge	**Notes**	**31 December 2021**	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	6	**976.001.316**	652.478.444
Intangible assets		**3.165.491**	3.327.999
Advances paid for non-current assets	6	**5.431.849**	4.126.292
Deferred tax asset	25	**–**	159.652
Investment in associate	7	**2.278.332**	2.017.593
Long-term receivables from related parties	27	**634.192**	742.477
Other financial assets, non-current portion	11	**32.309.237**	32.340.094
		1.019.820.417	695.192.551
Current assets			
Inventories	8	**2.590.383**	2.549.293
Trade account receivable	9	**12.991.260**	28.603.307
VAT recoverable and other prepaid taxes		**3.231.654**	477.893
Prepaid income tax		**817.245**	1.017.708
Other current assets	10	**974.072**	2.945.237
Other financial assets, current portion	11	**40.187.573**	58.801.720
Restricted cash	12	**670.902**	552.586
Cash and cash equivalents	13	**11.933.828**	21.867.205
		73.396.917	116.814.949
Assets held for sale		**–**	5.126
Total assets		**1.093.217.334**	812.012.626

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Notes	31 December 2021	31 December 2020
Equity and liabilities			
Equity			
Share capital	14	**126.799.554**	126.799.554
Treasury shares	14	**(930)**	(930)
Asset revaluation reserve	14	**569.845.780**	309.836.582
Retained earnings		**40.492.413**	65.921.264
		737.136.817	502.556.470
Non-current liabilities			
Borrowings, non-current portion	15	**35.639.645**	49.843.453
Bonds payable, non-current portion	16	**117.142.516**	92.717.685
Deferred tax liability	25	**151.470.158**	89.323.835
Long-term payables	17	**5.972.684**	7.651.017
Government grants, non-current portion		**-**	29.113
Lease liabilities, non-current portion	27	**-**	99.406
Other liabilities, non-current portion		**171.628**	102.412
		310.396.631	239.766.921
Current liabilities			
Borrowings, current portion	15	**13.854.307**	14.334.439
Bonds payable, current portion	16	**4.562.983**	4.138.458
Trade and other accounts payable, current portion	17	**18.512.531**	40.884.883
Contract liabilities		**2.064.346**	3.336.881
Government grant, current portion		**18.325**	30.430
Lease liabilities, current portion	27	**111.895**	462.359
Taxes payable other than income tax	18	**2.403.728**	2.028.506
Income tax payable		**-**	52.818
Other current liabilities	19	**4.155.771**	4.420.461
		45.683.886	69.689.235
Total liabilities		**356.080.517**	309.456.156
Total equity and liabilities		**1.093.217.334**	812.012.626
Book value per ordinary share (in Tenge)	14	**2.823**	1.920

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

Chairman of the Management Board K. Moldabayev

Chief Accountant D. Mukanova

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

In thousands of Tenge	Notes	2021	2020
Continuing operations			
Revenue from contracts with customers	20	**186.443.137**	179.097.563
Cost of sales	21	**(120.682.903)**	(101.920.927)
Gross profit		**65.760.234**	77.176.636
General and administrative expenses	22	**(8.539.823)**	(7.817.094)
Selling expenses		**(381.235)**	(364.084)
Gain from recovery of loss from revaluation of property, plant and equipment	6	**2.869.512**	-
Loss from revaluation of property, plant and equipment	6	**(10.813.536)**	(19.210)
Operating profit		**48.895.152**	68.976.248
Finance income	23	**5.368.222**	5.480.240
Finance costs	23	**(11.670.429)**	(11.200.196)
Foreign exchange gain/(loss), net	24	**451.045**	(5.309.688)
Share of profit of an associate	7	**260.739**	358.447
Income from sale of an asset held for sale	27	**2.182.037**	-
Other income		**1.739.332**	876.774
Other expenses		**(563.892)**	(622.600)
Accrual of provision for expected credit losses	8, 9, 10, 11, 12	**110.078**	39.913
Profit before tax		**46.772.284**	58.599.138
Income tax expense	25	**(7.607.838)**	(10.100.904)
Profit for the year from continuing operations		39.164.446	48.498.234
Discontinued operations			
Profit after tax for the year from discontinued operations	26	**13.471.466**	4.967.037
Profit for the year		**52.635.912**	53.465.271
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax			
Gain from revaluation of property, plant and equipment		**325.744.754**	-
Income tax effect	25	**(65.148.951)**	-
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**260.595.803**	-
Total comprehensive income for the year, net of tax		**313.231.715**	53.465.271
Earnings per share			
Basic and diluted profit for the year attributable to ordinary equity holders of the parent (in Tenge)	14	**202,45**	205,64
Earnings per share from continuing operations			
Basic and diluted profit for the year attributable to ordinary equity holders of the parent (in Tenge)	14	**150,63**	186,53

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

Chairman of the Management Board ______ *K. Moldabayev*

Chief Accountant ______ *D. Mukanova*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

In thousands of Tenge	Notes	2021	2020
Operating activities			
Profit before tax from continuing operations		**46.772.284**	65.748.232
Profit before tax from discontinued operations	26	**17.506.488**	–
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation		**36.867.809**	34.076.993
Finance costs	23, 26	**11.681.665**	11.205.980
Finance income	23, 26	**(7.562.497)**	(7.146.006)
Foreign exchange gain/(loss), net	24	**(451.045)**	5.309.688
Accrual of provision for expected credit losses		**297.853**	458.445
Accrual of allowance for obsolete inventories		**1.074**	57.028
Loss from disposal of property, plant and equipment and intangible assets		**151.639**	372.695
Gain from recovery of loss from revaluation of property, plant and equipment	6	**(2.869.512)**	–
Loss from revaluation of property, plant and equipment	6	**10.813.536**	19.120
Share of profit of an associate	7	**(260.739)**	(358.447)
Income from government grants		**(30.430)**	(30.430)
Working capital adjustments			
Change in inventories		**(197.629)**	(472.164)
Change in trade accounts receivable		**(12.850.642)**	(7.404.216)
Change in other current assets		**2.037.418**	(2.325.816)
Change in VAT recoverable and other prepaid taxes		**(2.753.788)**	221.035
Change in trade and other accounts payable		**5.894.563**	16.526.787
Change in contract liabilities		**(1.245.578)**	1.168.996
Change in other non-current liabilities		**69.216**	102.412
Change in taxes payable other than income tax		**2.400.671**	(1.237.193)
Change in other current liabilities		**(324.363)**	142.312
Cash flows from operating activities		**105.947.993**	116.435.541
Interest paid		**(1.167.132)**	(2.093.727)
Coupon interest paid		**(11.538.332)**	(8.460.500)
Lease interest paid		**(45.050)**	(87.769)
Commissions paid on bank guarantees		**(990.818)**	(966.986)
Interest received		**5.971.573**	5.405.063
Income tax paid		**(14.309.266)**	(13.529.672)
Net cash flows received from operating activities		**83.868.968**	96.701.950

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Notes	2021	2020
Investing activities			
Withdraw of bank deposits		**97.222.309**	40.103.448
Replenishment of bank deposits		**(93.421.164)**	(48.792.359)
Change in restricted cash		**–**	4.238.713
Gain from sale of property, plant and equipment and intangible assets		**203.673**	196.498
Purchase of property, plant, equipment and advances paid for property, plant and equipment		**(40.214.058)**	(30.376.834)
Purchase of intangible assets		**(36.653)**	(51.273)
Acquisition of debt securities (National Bank notes, bills of Ministry of Finance of the Republic of Kazakhstan)	11	**(66.747.566)**	(117.199.634)
Redemption of debt securities (National Bank notes, bills of Ministry of Finance of the Republic of Kazakhstan)	11	**78.930.920**	85.659.159
Repurchase of DSFK bonds by the issuer	11	**54.453**	67.980
Partial return of funds from Kazinvestbank and Eximbank Kazakhstan		**331.697**	358.558
Cash and cash equivalent of disposed company (RFC)	26	**(38.847.799)**	–
Repayment of loans to employees		**–**	564
Dividends from an associate	7	**203.095**	–
Net cash flows used in investing activities		**(62.321.093)**	(65.795.180)
Financing activities			
Issue of bonds	28	**25.235.121**	9.032.407
Dividends paid	14	**(41.529.578)**	(32.746.767)
Repayment of borrowings	28	**(14.614.808)**	(6.574.597)
Principal repayment of lease liability	28	**(436.606)**	(400.692)
Net cash flows used in financing activities		**(31.345.871)**	(30.689.649)
Net change in cash and cash equivalents		**(9.797.996)**	217.120
Effect of exchange rate changes on cash and cash equivalents		**(115.531)**	460.732
Effect of accrual of provision on expected credit losses on cash and cash equivalents		**(19.850)**	10.071
Cash and cash equivalent, as at 1 January		**21.867.205**	21.179.282
Cash and cash equivalents, as at 31 December	13	**11.933.828**	21.867.205

Non-cash operations:

1) During 2021 the Group capitalized the coupon interest on bonds in the cost of property, plant and equipment in the amount of 1.592.927 thousand tenge *(Note 6)*.
2) In January 2021 the Group sold land plots to related party - Samruk Kazyna Construction JSC for the amount of 2.182.037 thousand tenge. In accordance with the agreement on the transfer of property, Samruk-Kazyna Construction JSC undertakes to transfer residential, non-residential (commercial) premises and parking spaces to the Group's ownership at market value in an amount equivalent to the value of the land plot. Accordingly, this amount was recognized as advances given for non-current assets *(Note 27)*.

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

Chairman of the Management Board — *K. Moldabayev*

Chief Accountant — *D. Mukanova*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

In thousands of Tenge	Share capital	Treasury shares	Asset revaluation reserve	Retained earnings	Total
As at 1 January 2020	126.799.554	(930)	310.369.243	44.670.157	481.838.024
Profit for the year	–	–	–	53.465.271	53.465.271
Total comprehensive income	–	–	–	53.465.271	53.465.271
Dividends *(Note 14)*	–	–	–	(32.746.825)	(32.746.825)
Transfer of asset revaluation reserve *(Note 14)*	–	–	(532.661)	532.661	–
As at 31 December 2020	126.799.554	(930)	309.836.582	65.921.264	502.556.470
Profit for the year	–	–	–	**52.635.912**	**52.635.912**
Gain from revaluation of property, plant and equipment, net of income tax *(Note 4)*	–	–	**260.595.803**	–	**260.595.803**
Total comprehensive income	–	–	**260.595.803**	**52.635.912**	**313.231.715**
Dividends *(Note 14)*	–	–	–	**(41.529.578)**	**(41.529.578)**
Disposal of a subsidiary *(Note 26)*	–	–	–	**(37.121.790)**	**(37.121.790)**
Transfer of asset revaluation reserve *(Note 14)*	–	–	**(586.605)**	**586.605**	–
As at 31 December 2021	**126.799.554**	**(930)**	**569.845.780**	**40.492.413**	**737.136.817**

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

Chairman of the Management Board K. Moldabayev

Chief Accountant D. Mukanova

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Kazakhstan Electricity Grid Operating Company JSC (the "Company" or "KEGOC") was established in accordance with the Government Resolution of the Republic of Kazakhstan No. 1188 dated 28 September 1996 by transferring of some assets of the former National Energy System "Kazakhstanenergo".

As at 31 December 2021 the Company's major shareholder was Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

In 2014 the Company placed 10 percent minus one share on the Kazakhstan Stock Exchange.

KEGOC is the national Company, which provides electricity transmission, dispatch and electricity production-consumption balancing services in Kazakhstan. As the state-appointed system operator, the Company provides centralized dispatching control, ensures parallel work with energy systems of other countries, maintains the balance in energy system, provides system services and acquires auxiliary services from wholesale entities at energy market, as well as transmits electricity through unified power system (the "NES"), ensures its technical support and maintenance. The NES consists of substations, distribution devices, interregional and international power transmission lines which provide the output of electricity of electrical stations with the voltage of 220 kW and more.

As of 31 December 2021 and 31 December 2020 the Company has stakes in the following companies:

		Percentage of ownership	
Companies	**Activities**	**31 December 2021**	31 December 2020
Energoinform JSC ("Energoinform")	Maintenance of the KEGOC's IT system	**100%**	100%
Accounting and Finance Center for the support of renewable energy resources LLP ("RFC" LLP) (Note 26)	Centralized sales and purchase of electricity produced by energy producers using renewable energy sources and delivery into the electricity grid of the Republic of Kazakhstan; purchase of services to ensure readiness of electricity capacity to bear the power load and centralized provision of services to ensure the readiness of electricity capacity to bear the power load of capacity market.	**–**	100%

In accordance with Decree of the Government of the Republic of Kazakhstan #858 from 30 November 2021 and gift contract from 30 December 2021, the Group transferred free of charge 100% of shares in subsidiary RFC LLP to ownership of State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan. As of 31 December 2021, RFC LLP has been classified as discontinued operations and disposed from the Group *(Note 26).*

The Company and its subsidiaries are hereinafter referred as the "Group".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

For management purposes, the Group's activities before disposal of "RFC" LLP was organized into business units based on their services, and had three operating segments:

- *Electricity transmission and related support*. Electricity transmission is regulated by the Law of the Republic of Kazakhstan dated 27 December 2018 № 204-VI ЗРК *On Natural Monopolies* (the "Law"), as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan (the "Committee").

Operations related to disposed subsidiary "RFC" LLP represented by the following:

- *Ensure readiness of electricity capacity to bear the power load*. From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the reliability of the power system of the Republic of Kazakhstan. Balance reliability refers to the ability of a power system to meet consumer demand for electricity at any given time
- *Sale of purchased electricity*. The sale of purchased electricity segment includes the renewable energy sector (hereinafter − "RES") created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV *On Supporting the Use of Renewable Energy Sources*.

The Company's registered office is located at 59 Tauelsyzdyk Ave., Nur-Sultan, Z00T2D0, the Republic of Kazakhstan.

These consolidated financial statements were approved by the Chairman of the Management Board and Chief Accountant of the Company on 18 March 2022.

2. BASIS OF PREPARATION

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

These consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment, which are stated at revalued amounts and financial assets measured at fair value as described in the accounting policies and notes to these consolidated financial statements. The consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" or "KZT") and all values are rounded to the nearest thousands, except when otherwise indicated.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as going concern.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the following term apply:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments adopted to the existing standards and interpretations adopted by the Company for the first time

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

In 2021, the Group first applied the amendments and clarifications below, but they did not have an impact on its consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 4, IFRS 7, IFRS 9, IAS 39, and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR)

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Standards issued but not yet effective

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

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 will replace 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. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

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 contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. 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 to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Current versus non-current classification

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

The Group measures financial instruments, such as financial assets measured at fair value at each reporting date, and non-financial assets (NES assets) at fair value when fair value differs materially from their carrying value. Also, fair values of financial instruments measured at amortized cost are disclosed in *Note 28*.

Fair value is the price that would be received from sale of 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 by the Group. 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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) market 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 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Group's finance management determines the policies and procedures for both recurring fair value measurement, such as NES assets and unquoted trading financial assets, and for non-recurring measurement, if any.

External valuers are involved for valuation of NES assets. Involvement of external valuers is decided upon annually by the finance management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The finance management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the finance management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the finance management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The finance management, in conjunction with the Group's external values, also compares each the changes in the fair value of each asset of revalued class of property, plant and equipment in accordance with Group accounting policy with relevant external sources to determine whether the change is reasonable.

The finance management and external values discusses the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currency transactions

The Group's consolidated financial statements are presented in Tenge ("KZT"), which is also the Group's parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are recognized in consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of 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 is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

Exchange rates for foreign currencies in which the Group had significant transactions are represented as follows:

Exchange rate as at the end of the year (to KZT)	**31 December 2021**	31 December 2020
1 USD	**431,67**	420,91
1 EUR	**487,79**	516,79
1 RUB	**5,77**	5,62

Average exchange rate for the year (to KZT)	**31 December 2021**	31 December 2020
1 USD	**426,03**	412,95
1 EUR	**504,04**	471,44
1 RUB	**5,78**	5,73

Property, plant and equipment

Property, plant and equipment, except for NES assets, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, 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 Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

NES assets are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation reserve is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in consolidated statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation is computed on a straight-line basis over the estimated useful lives set out in the following table:

Buildings	60 years
NES assets	
Power transmission lines	50 years
Construction	10-30 years
Machinery and equipment	12-30 years
Vehicles and other property, plant and equipment	
Other machinery and equipment	7-25 years
Vehicles	11 years
Computers and other data processing equipment	4-10 years
Furniture	7 years
Other property, plant and equipment	3-15 years

Land is not depreciated.

The useful lives and residual values of property, plant and equipment are reviewed annually and, where applicable, adjustments are made on a prospective basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

If expectations differ from previous estimates, the changes are accounted for 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 amounts of the carrying amount of property, plant and equipment and on depreciation expenses recognized in the consolidated statement of comprehensive income.

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

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets of the Group, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit and loss in the period in which expenditure is incurred.

Intangible assets of the Group consist primarily of licenses and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 3 to 5 years.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Impairment of non-financial assets

At each reporting date, the Group assesses 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 Group 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 to sell and its value in use. 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.

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 to sell, 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 Group bases its impairment calculation on value in use, 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 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Impairment losses of continuing operations (including impairment on inventories) are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for NES assets previously revalued with the revaluation taken to OCI. For such assets, the impairment is recognized in OCI up to the amount of any previous revaluation. For assets previously impaired, except for goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation surplus.

Investments in an associate

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

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

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognized its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

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 amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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

In order for a financial asset to be classified and measured at amortized 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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 recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost includes trade receivables, and loans issued.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss. This category includes instruments which the Group has classified at fair value through profit and loss.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Derecognition

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

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

Recognition of expected credit losses

The Group recognizes an allowance for expected credit losses on financial assets measured at amortized cost equal to the lifetime expected credit loss if the credit loss has increased significantly since initial recognition.

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions *(Note 4)*;
- Trade receivables and other current and financial assets including cash and cash equivalents (*Notes 9, 10, 11, 12, 13*).

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, loans and borrowings, and bonds issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Borrowings and bonds- issued

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income

Offsetting of financial instruments

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

Inventory

Inventories are accounted for on a FIFO basis.

Inventories are valued at the lower of cost and net realizable value.

Net realizable 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.

Cash and cash equivalents

Cash and cash equivalents in the in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity till 3 (three) months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Restricted cash

If cash is restricted in use for the period not exceeding 12 (twelve) months from the reporting date, such cash is treated as current asset and an appropriate disclosure is provided in the notes to the consolidated financial statements. If cash is restricted in use for the period exceeding 12 (twelve) months from the reporting date, such cash is reflected within non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The Group recognizes revenue to reflect the provision of promised services to consumers in the amount of compensation that the Group expects to be entitled to receive in exchange for goods or services.

The Group, when recognizing revenue, takes the following steps:

1) Identification of the contract with the consumer;
2) Identification of the obligation to be executed under the contract;
3) Determination of transaction price;
4) Distribution of the transaction price between certain duties to be performed under the contract;
5) Recognition of proceeds at the time of (or as far as) the performance of the obligations to be performed under the contract.

Revenue from rendering of services is recognized by reference to the stage of completion. The Group receives its revenue from rendering of transmission services of electricity from power generators to wholesale and major customers, technical dispatching of the input of electricity into the energy system and consumption of electricity, organization of balancing of electricity producing and consumption and ensuring a contractual power supply with energy systems of neighboring countries and other.

Tariffs for services of electricity transmission, technical dispatch, organization of balancing of production/consumption of electricity are approved by the Committee.

Revenues from providing a contractual power supply with energy systems of neighboring countries are recognized in accordance with terms of contracts conducted on the basis of Agreement between the Government of Republic of Kazakhstan and Russian Federation On Measures Securing Parallel Operation of Unified Power Systems of the Republic of Kazakhstan and Russian Federation.

Also, from 1 January 2019, with the launch of the energy capacity market in the Republic of Kazakhstan, the Group provides services to ensure the readiness of electricity capacity to bear the power load. Revenues from the provision of services to ensure the readiness of electricity capacity to bear the power load are recognized monthly based on the volume of services rendered. The volume of the service for ensuring the readiness of electric power to bear the power load for each specific buyer is the maximum, for the respective month, electric power consumption, indicated in the act on the actual maximum volume of electric power consumption for a month.

Trade receivables

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the consolidated statement of comprehensive income.

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 capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Lease

The Group 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.

The Group as a lessee

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

i) Right-of-use assets

The Group recognizes 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 recognized, 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, as follows:

- Software – 5 years

If ownership of the leased asset transfers to the Group 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

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes 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. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized 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 its incremental borrowing rate at the lease commencement date because 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

iii) Short-term leases and leases of low-value assets

The Group 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 not contain a purchase option). 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 recognized as expense on a straight-line basis over the lease term.

Pension obligations

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees' salaries, but no more than 212,500 tenge per month (2020: 212,500 tenge) to accumulative pension funds. Pension fund payments are withheld from employees' salaries and included with payroll expenses in the consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

Current income tax

Current income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. 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 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized 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, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred 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 recognized 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 utilized.

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 asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized 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 recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

Dividends

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

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the consolidated financial statements unless the possibility of any outflow in settlement is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures, and the disclosure of contingent liabilities and assets. 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.

Estimates and assumptions

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 described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment

The Group performed revaluation of NES assets as at 1 December 2021. The Group engaged Grant Thornton Appraisal LLP, an accredited independent appraiser, to assess the fair value of the NES assets.

The revalued NES assets represent one class of assets according to IFRS 13, based on the nature, characteristics and risk of the property. Input data for determining the fair value of NES assets refer to Level 3 in the fair value hierarchy (unobservable inputs).

Following the results of 2021, the Committee, after introducing amendments to the current legislation in terms of clarifying the level of profit included in the tariffs, by a decision dated August 16, 2021, approved the tariffs for the Company’s regulated services for the transmission of electricity, technical dispatching and the organization of balancing the production and consumption of electricity with a gradual annual growth levels for five year period (October 1, 2021 to September 30, 2026). The observed increase in the cost of materials and equipment, as well as the depreciation of the national currency – tenge led to an increase in the cost of most assets and inclusion in other comprehensive income of the revaluation results in the amount of 325.744.754 thousand tenge and the corresponding deferred tax liability in the amount of 65.148.951 thousand tenge, as well as an increase in the value of certain previously depreciated assets included in profit or loss in the amount of 2.869.512 thousand tenge and decrease in the value of certain assets included in profit or loss in the amount of 10.813.536 thousand tenge. The approval of new tariffs for regulated services for 5-year period confirmed the recoverability of the cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Revaluation of property, plant and equipment (continued)

Fair value of NES assets was determined by using the cost approach. The cost approach has been used due to highly specialized nature of the assets and because there is no history of such assets ever being sold. Within cost approach, the method of determining the replacement cost or the cost of reproduction was used to calculate the total cost of replacement of fixed assets less all types of accumulated depreciation, as well as the method of calculation by analogues, the method of specific indicators and the method of indexation of past costs.

The appraised current replacement cost has been further compared to the recoverable amount identified based on the discounted cash flow model. The cash flows are derived from the budget for the next five (5) years.

As a result of the assessment, the amount of 873.182.745 thousand tenge was recognized as a fair value of NES assets as at 1 December 2021.

In assessment of the fair value in 2021 the following main assumptions have been applied:

Discount rate (WACC)	10,77%
Long term growth rate	3,7%
Average remaining useful life of the primary asset	40 лет

An increase in the discount rate by 0,5% or a reduction in long term growth rate by 0,5% would result in a decrease in the fair value of Group's property, plant and equipment for approximately 61.627.776 thousand tenge or 47.408.662 thousand tenge, respectively.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and benefit already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

Fair value of financial instruments

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

Bonds DSFK

On 28 December 2017, in accordance with the Decree of the Government of the Republic of Kazakhstan dated 7 November 2017, the Group acquired bonds of Special Financial Company DSFK LLP ("DSFK bonds") using the funds placed with RBK Bank JSC ("RBK Bank"). The nominal value of deposits placed with RBK Bank before the transaction was 1,498,249 thousand tenge. DSFK bonds carry coupon interest of 0.01% per annum (paid annually) and mature in 15 years. The bonds are secured by a financial guarantee of Kazakhmys Corporation LLP of 411,883 thousand tenge. The guarantee is exercisable upon request of the Group not earlier than the fifth anniversary after the inception of the bonds.

Management of the Group believes that at 31 December 2021 DSFK bonds are non-recoverable. Accordingly, management of the Group believes that fair value of DSFK bonds is limited to their recoverable amount that is equal to the fair value of the guarantee. The Group does not hold the bonds for all contractual cash flows, so as at 31 December 2021, the bonds were classified as financial instruments at fair value through profit or loss. As at 31 December 2021, the Group revalued the fair value of the bonds at a discount rate of 17,3%, which represents the market discount rate as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Control over a subsidiary

The Group's management believes that KEGOC had control over RFC LLP prior to its transfer to the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan on 30 December 2021, since, in accordance with the requirements of IFRS 10 Consolidated Financial Statements, it had authorities in relation to RFC LLP, was exposed to risk of changes in income from participation in RFC LLP and also had the opportunity to use its power in relation to RFC LLP to influence the amount of its income and no one limited its rights to received such income.

Estimated allowance for expected credit losses on receivables

The Group uses the estimated reserves matrix to calculate the ECL for receivables. Valuation reserve rates are set depending on the number of days of delay in payment for groups of different customer segments with similar loss characteristics (i.e., by geographic region, product type, type and rating of customers, collateral by letters of credit and other forms of credit risk insurance).

Initially, observable data on the occurrence of defaults in past periods underlies in the basis of the estimated reserves matrix. The Group will update the matrix to adjust past experience with credit losses, considering forward-looking information. At each reporting date, the observed default level data in previous periods are updated and changes in forecast estimates are analyzed.

The assessment of relationship between historical observed default levels, forecasted economic conditions, and ECL is a significant estimate. The value of the ECL is sensitive to changes in circumstances and projected economic conditions. Past experience of occurrence of credit losses and the forecast of economic conditions may also not be indicative of actual default of the buyer in the future

5. OPERATING SEGMENTS INFORMATION

Geographic information

Revenues from external customers based on the geographic locations of the customers represent the following:

n thousands of Tenge	**2021**	2020
Revenue from Kazakhstan customers	**168.375.485**	161.543.035
Revenue from Russian customers	**17.155.351**	16.579.111
Revenue from Uzbekistan customers	**878.486**	954.342
Revenue from Kyrgyz customers	**33.815**	21.075
Total revenue per consolidated statement of comprehensive income	**186.443.137**	179.097.563

Management analyses the Group's revenue and profit before tax determined in accordance with IFRS.

For the year ended 31 December 2021 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to 24.780.095 thousand tenge and includes revenue from electricity transmission and the provision of related support (for the year ended 31 December 2020: 24.536.150 thousand tenge).

Operating segments

For management purposes, the Group's activities are organized into business units based on their services, and has three reportable operating segments, as follows:

- *Electricity transmission services and related support.* Electricity transmission is regulated by the Law as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee;

- *Ensure readiness of electricity capacity to bear the power load*. From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the sustainability of the power system of the Republic of Kazakhstan. Balance sustainability refers to the ability of a power system to meet consumer demand for electricity at any given time;

- *Sale of purchased electricity.* The sale of purchased electricity segment includes the renewable energy sector (hereinafter – "RES") created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV On Supporting the Use of Renewable Energy Sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS INFORMATION

Due to disposal of the subsidiary RFC LLP on 30 December 2021, disclosure of information on operating segments does not seem appropriate, since the lines of activity *Ensuring the readiness of electricity capacity to bear the power load* and *Sale of purchased electricity* were excluded from ongoing activity *(Note 26)*.

6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS

In thousands of Tenge	Land	Building	NES assets	Vehicles and other property, plant and equipment	Construction -in-progress	Total
Cost						
As at 1 January 2020	1.910.256	18.736.506	1.168.404.052	41.824.517	16.997.067	1.247.872.398
Additions	11.269	196.100	8.027.050	2.894.181	24.694.126	35.822.726
Transfers	48.813	186.638	3.929.847	866.458	(5.031.756)	–
Transfers to intangible assets	–	–	–	–	(1.612.929)	(1.612.929)
Transfers from inventory	–	–	–	–	837.678	837.678
Transfers to non-current assets for sale	(5.126)	–	–	–	–	(5.126)
Disposals	–	(402.940)	(2.552.883)	(444.198)	(73.815)	(3.473.836)
As at 31 December 2020	1.965.212	18.716.304	1.177.808.066	45.140.958	35.810.371	1.279.440.911
Additions	**–**	**256.716**	**7.314**	**766.419**	**41.715.516**	**42.745.965**
Transfers	**–**	**162.809**	**14.769.795**	**2.661.509**	**(17.594.113)**	**–**
Gain on revaluation (OCI)	**–**	**–**	**693.824.746**	**–**	**–**	**693.824.746**
Revaluation (through profit or loss)	**–**	**–**	**(9.559.573)**	**–**	**–**	**(9.559.573)**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**(297.463)**	**(297.463)**
Disposals	**–**	**(25.558)**	**(2.351.999)**	**(539.854)**	**(203.326)**	**(3.120.737)**
Disposal of subsidiary	**–**	**–**	**–**	**(59.522)**		**(59.522)**
As at 31 December 2021	**1.965.212**	**19.110.271**	**1.874.498.349**	**47.969.510**	**59.430.985**	**2.002.974.327**
Accumulated depreciation and impairment						
As at 1 January 2020	–	(4.648.512)	(568.907.101)	(22.524.101)	(221.694)	(596.301.408)
Charge for the period	–	(249.462)	(30.572.899)	(2.779.662)	–	(33.602.023)
Disposals	–	393.737	2.128.850	437.587	–	2.960.174
Reversal of impairment	–	–	–	–	(19.210)	(19.210)
As at 31 December 2020	–	**(4.504.237)**	**(597.351.150)**	**(24.866.176)**	**(240.904)**	**(626.962.467)**
Charge for the period	**–**	**(447.684)**	**(32.774.688)**	**(2.935.735)**	**–**	**(36.158.107)**
Transfers	**–**	**135**	**(135)**	**–**	**–**	**–**
Gain on revaluation (OCI)	**–**	**–**	**(368.079.992)**	**–**	**–**	**(368.079.992)**
Revaluation (through profit or loss)	**–**	**–**	**1.703.832**	**–**	**–**	**1.703.832**
Disposals	**–**	**15.895**	**1.985.134**	**535.286**	**43.736**	**2.580.051**
Impairment	**–**	**–**	**–**	**–**	**(88.283)**	**(88.283)**
Disposal of subsidiary	**–**	**–**	**–**	**31.955**	**–**	**31.955**
As at 31 December 2021	**–**	**(4.935.891)**	**(994.516.999)**	**(27.234.670)**	**(285.451)**	**(1.026.973.011)**
Net book value						
As at 1 January 2020	1.910.256	14.087.994	599.496.951	19.300.416	16.775.373	651.570.990
As at 31 December 2020	1.965.212	14.212.067	580.456.916	20.274.782	35.569.467	652.478.444
As at 31 December 2021	**1.965.212**	**14.174.380**	**879.981.350**	**20.734.840**	**59.145.534**	**976.001.316**

6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS (continued)

If NES assets were measured using the cost model, net of accumulated depreciation, the carrying amount would be as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Cost	**435.418.856**	421.253.836
Accumulated depreciation	**(135.932.403)**	(124.078.236)
Net book value	**299.486.453**	297.175.600

As at 31 December 2021 and 31 December 2020 the cost of fully amortized property, plant and equipment, which is still in use amounted to 13.679.221 thousand tenge and 43.753.588 thousand tenge, respectively.

Capitalized costs on issued bonds

During the year ended 31 December 2021 the Group capitalized the cost of coupon interest on issued bonds amounted to 1.592.927 thousand tenge less investment income (2020 year: 310.407 thousand tenge) *(Note 16)*.

Construction in progress

Construction in progress is mainly represented by equipment and construction works as part of the implementation of the project “Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches “Aktobe MES”, “Sarbaiskie MES”, and “Western MES” (stage 1)”.

Advances paid for non-current assets

As at 31 December 2021 and 31 December 2020 advances paid for non-current assets are mainly represented by advances paid to suppliers for construction work and services under the project “Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches “Aktobe MES”, “Sarbayskie MES”, “Western MES” branches (stage 1)”, “Strengthening of the external power supply scheme of Turkestan. Construction of power grid facilities” and “Strengthening the power grid of the Western zone of UES of Kazakhstan. Construction of power grid facilities”.

7. INVESTMENTS IN ASSOCIATE

The Group has 20% share in Batys Transit JSC. Principal place of operations and country of incorporation of Batys Transit JSC (“Batys Transit”) is the Republic of Kazakhstan. The main activity of Batys Transit is realization of a project on construction and exploitation of interregional power line, which connects the North Kazakhstan region with Aktobe region and construction and exploitation of street lighting networks in Atyrau city. Batys Transit has bonds traded on the Kazakhstan Stock Exchange. The following table illustrates the summarized financial information about Batys Transit:

In thousands of Tenge	**31 December 2021**	31 December 2020
Current assets	**20.480.453**	17.139.259
Non-current assets	**12.136.672**	17.309.889
Current liabilities	**(6.285.494)**	(7.440.560)
Non-current liabilities	**(14.939.971)**	(16.920.626)
Net assets	**11.391.660**	10.087.962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN ASSOCIATE (continued)

In thousands of Tenge	**31 December 2021**	31 December 2020
Group's share in net assets	**2.278.332**	2.017.593
Carrying amount of the investments	**2.278.332**	2.017.593

In thousands of Tenge	**31 December 2021**	31 December 2020
Revenue	**9.505.004**	10.406.346
Net profit	**1.303.697**	1.792.235
Group's share in profit of Batys Transit	**260.739**	358.447

As at 31 December 2021 and 31 December 2020, the associate had no contingent liabilities or future capital commitments.

The Extraordinary General Meeting of Shareholders (GMS) of Batys Transit, held on 6 April 2020, taking into account the amendments and additions to the extraordinary GMS dated 2 July 2020, decided to allocate a part of the profit from non-core activities for 2019 to pay dividends on ordinary shares in the amount of 1.015.477 thousand tenge, at the rate of 33.849,23 tenge per ordinary share. The payment start date is the day following the date of receipt of written consent to pay dividends on ordinary shares of Batys Transit from the Eurasian Development Bank in accordance with the loan agreement concluded between Batys Transit and the Bank, but no later than 21 August 2020. Dividend receivable in the amount of 203,095 thousand tenge were included in the consolidated statement of financial position as at 31 December 2020. As of 31 December 2021, dividends have been paid.

8. INVENTORIES

In thousands of Tenge	**31 December 2021**	31 December 2020
Raw and other materials	**1.390.943**	1.441.729
Spare parts	**1.175.291**	1.113.256
Fuel and lubricants	**87.850**	84.148
Other inventory	**274.285**	273.433
Less: allowance for obsolete inventories	**(337.986)**	(363.273)
	2.590.383	2.549.293

Movement in the allowance for obsolete inventories was as follows:

In thousands of Tenge	**2021**	2020
At 1 January	**363.273**	313.118
Charge	**99.941**	201.353
Reversal	**(98.867)**	(144.325)
Write-off	**(26.361)**	(6.873)
At 31 December	**337.986**	363.273

9. TRADE ACCOUNTS RECEIVABLE

In thousands of Tenge	**31 December 2021**	31 December 2020
Trade accounts receivable	**15.265.245**	31.505.569
Less: allowance for expected credit losses and impairment	**(2.273.985)**	(2.902.262)
	12.991.260	28.603.307

9. TRADE ACCOUNTS RECEIVABLE (continued)

Movement in the provision for expected credit losses was as follows:

In thousands of Tenge	**2021**	2020
At 1 January	**2.902.262**	2.104.309
Charge	**2.681.628**	2.025.634
Reversal	**(2.151.483)**	(1.227.681)
Write-off	**(1.158.422)**	–
At 31 December	**2.273.985**	2.902.262

As at 31 December 2021 trade accounts receivable included accounts receivable from the customer National Electric Grids of Uzbekistan JSC, in the amount of 1.583.830 thousand tenge (31 December 2020: 1.721.705 thousand tenge).

As at 31 December 2021 provision for debts from National Electric Grids of Uzbekistan JSC amounted to 1.503.743 thousand tenge (31 December 2020: 1.466.984 thousand tenge).

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

	Trade account receivables					
			Days past due			
In thousands of Tenge	**Total**	**Current**	**30-90 days**	**91-180 days**	**181-270 days**	**Above 271 days**
31 December 2021						
Percentage of expected credit losses	**14.90%**	**0.69%**	**10.01%**	**31.06%**	**54.95%**	**98.73%**
Estimated total gross carrying amount in case of default	**15.265.245**	**12.610.051**	**390.392**	**108.326**	**34.134**	**2.122.342**
Expected credit losses	**(2.273.985)**	**(87.068)**	**(39.084)**	**(33.651)**	**(18.756)**	**(2.095.426)**
	12.991.260	**12.522.983**	**351.308**	**74.675**	**15.378**	**26.916**
31 December 2020						
Percentage of expected credit losses	9,21%	0,75%	14,06%	19,89%	32,29%	99,12%
Estimated total gross carrying amount in case of default	31.505.569	26.405.391	1.090.797	1.233.908	667.744	2.107.729
Expected credit losses	(2.902.262)	(198.706)	(153.340)	(245.440)	(215.639)	(2.089.137)
	28.603.307	26.206.685	937.457	988.468	452.105	18.592

Trade accounts receivable were denominated in the following currencies:

In thousands of Tenge	**31 December 2021**	31 December 2020
Tenge	**11.902.968**	27.812.664
Russian Rouble	**1.008.648**	535.922
US Dollars	**79.644**	254.721
	12.991.260	28.603.307

10. OTHER CURRENT ASSETS

In thousands of Tenge	**31 December 2021**	31 December 2020
Advances paid for goods and services	**491.362**	2.216.768
Other receivables for property, plant and equipment and constructions *(Note 27)*	**399.974**	399.974
Deferred expenses	**201.238**	166.970
Loans receivable from employees	**469**	469
Other	**366.962**	769.850
Less: provision for expected credit losses and impairment	**(485.933)**	(608.794)
	974.072	2.945.237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. OTHER CURRENT ASSETS (continued)

Movement in the provision for expected credit losses and impairment of other current assets are as follows:

In thousands of Tenge	**2021**	2020
At 1 January	**608.794**	472.349
Charge	**196.394**	219.244
Reversal	**(276.349)**	(82.641)
Write-off	**(42.906)**	(158)
At 31 December	**485.933**	608.794

11. OTHER FINANCIAL ASSETS

In thousands of Tenge	**31 December 2021**	31 December 2020
Financial assets at amortized cost		
Bonds of Samruk-Kazyna	**30.144.252**	30.213.089
Bank deposits	**26.529.980**	29.656.027
Notes of the National Bank of the Republic of Kazakhstan	**13.646.481**	28.823.615
Placements with Eximbank Kazakhstan	**2.308.946**	2.572.504
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1.850.569**	1.816.832
Placements with DeltaBank	**1.230.000**	1.230.000
Placements with Kazinvestbank	**1.201.850**	1.219.017
Interest accrued on Samruk-Kazyna bonds	**254.333**	254.334
Interest accrued on Ministry of Finance Eurobonds of the Republic of Kazakhstan	**18.305**	17.163
Interest accrued on Samruk-Kazyna bond	**–**	203.095
Less: provision for impairment of placements with Eximbank Kazakhstan	**(2.308.946)**	(2.572.504)
Less: provision for impairment of placements with DeltaBank	**(1.230.000)**	(1.230.000)
Less: provision for impairment of placements with Kazinvestbank	**(1.201.850)**	(1.219.017)
Less: provision for expected credit losses	**(261.528)**	(152.516)
	72.182.392	90.831.639
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	**314.418**	310.175
	314.418	310.175
Total other financial assets	**72.496.810**	91.141.814
Other current financial assets	**40.187.573**	58.801.720
Other non-current financial assets	**32.309.237**	32.340.094
Total other financial assets	**72.496.810**	91.141.814

Movement in the provision for impairment of other financial assets are as follows:

In thousands of Tenge	**2021**	2020
At 1 January	**5.174.037**	5.632.274
Charge	**420.248**	442.012
Reversal	**(591.942)**	(900.249)
Write-off	**(19)**	–
At 31 December	**5.002.324**	5.174.037

Bonds of Samruk-Kazyna JSC

On 3 December 2020, the Group purchased coupon bonds of SWF Samruk-Kazyna JSC on the Kazakhstan Stock Exchange. The bond circulation period is 3 December 2023. The bond were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%. Also, on 7 December 2020, the Group purchased coupon bonds of SWF Samruk-Kazyna JSC on the Kazakhstan Stock Exchange. The bond circulation is 3 December 2023. The bonds were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS (continued)

Bank deposits

As at 31 December 2021 and 31 December 2020 the deposits include accrued interest income in the amount of 67.429 thousand tenge and 65.981 thousand tenge, respectively. Information about banks is provided in *Note 28* under credit risk.

Notes of the National Bank of the Republic of Kazakhstan

During the 2021 year the Group acquired discount notes of the National Bank of the Republic of Kazakhstan at the Kazakhstan Stock Exchange in general amount of 66.747.566 thousand tenge (2020: 117.199.634 thousand tenge). The amount of repayments of notes of the National Bank of the Republic of Kazakhstan for the year ended 31 December 2021 amounted to 78.930.920 thousand tenge (2020: 85.659.159 thousand tenge). During the year ended 31 December 2021 the Group recognized a finance income of 681.430 thousand tenge (794.117 thousand tenge) *(Note 23)*.

Placements with Eximbank Kazakhstan JSC

On 27 August 2018, by a resolution of the Board of the National Bank of the Republic of Kazakhstan, it was decided to deprive Eximbank Kazakhstan of the license in terms of accepting deposits, opening bank accounts of individuals. Accordingly, the Group reclassified cash and cash equivalents held with Eximbank to other financial assets and accrued an expected credit loss provision in the amount of 100%, which represents 2.930.115 thousand tenge.

During 2021 year the Liquidation Committee of Eximbank Kazakhstan made payment to the Group in the amount of 726 thousand US dollars (equivalent to 363.558 thousand tenge as of the date of payment) in accordance with the approved register of creditors' claims dated 13 June 2019. The Group recognized a corresponding reversal of the allowance for impairment losses (2020: 805 thousand US dollars, equivalent to 330.624 thousand tenge).

Kazinvestbank

On 20 March 2020 and 21 April 2020, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 43.5 thousand US dollars (equivalent to 14,033 thousand tenge as of the date of payment using exchange rate of 322.27 tenge per US dollars) and in the amount of 222.4 tenge thousand, respectively. On 19 October 2020 the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 18,9 thousand US dollars (equivalent to 6,085 thousand tenge) and in the amount of 96,4 thousand tenge, respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

On 2 April 2021 and 8 October 2021, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 18,0 thousand US dollars and 34,4 thousand US dollars (equivalent to 17.167 thousand tenge as of the date of payment), respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On 26 April 2019, the Group acquired Eurobonds of the Ministry of Finance of the Republic of Kazakhstan at a rate of 3.875% per annum and maturity until October 2024 at a price higher than the nominal amount of 4.368 thousand US dollars (equivalent of 1.816.832 thousand tenge).

Bonds of Special Financial Company DSFK LLP

During the year ended 31 December 2021, Special Financial Company DSFK LLP redeemed bonds of 54.453 thousand tenge.

As at 31 December 2021, the Group reassessed the fair value of bonds and increased their carrying amount to 314.418 thousand tenge, recognizing gain from revaluation of financial instruments in the amount of 58.696 thousand tenge as finance income in the consolidated statement of comprehensive income (2020: 89.541 thousand tenge) *(Note 23)*.

Other financial assets were represented in the following currencies:

In thousands of Tenge	**Interest rate**	**31 December 2021**	31 December 2020
Tenge	0,01 – 9,15%	**44.550.133**	64.453.314
US Dollar	1 – 3,875%	**27.946.677**	26.688.500
		72.496.810	91.141.814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. RESTRICTED CASH

In thousands of Tenge	**31 December 2021**	31 December 2020
Cash reserved for return on guarantee obligations	**671.160**	553.284
Less: provision for expected credit losses	**(258)**	(698)
	670.902	552.586

During 2021 and 2020 interest was not charged on restricted cash.

The movement in the provision for expected credit losses on restricted cash was as follows:

In thousands of Tenge	**2021**	2020
At 1 January	**698**	8.467
Charge	**277**	855
Reversal	**(717)**	(8.624)
At 31 December	**258**	698

As at 31 December 2021 and 31 December 2020, restricted cash, including funds expected to be redeemed, was denominated in the following currencies:

In thousands of Tenge	**31 December 2021**	31 December 2020
Tenge	**670.902**	552.586
	670.902	552.586

13. CASH AND CASH EQUIVALENTS

In thousands of Tenge	**31 December 2021**	31 December 2020
Short-term deposits, in Tenge	**9.992.991**	10.812.426
Current accounts with banks, in Tenge	**1.760.179**	10.816.529
Current accounts with banks, in foreign currencies	**168.534**	244.835
Cash on hand, in Tenge	**11.788**	1.828
Cash at special accounts, in Tenge	**1.111**	752
Less: provision for expected credit losses	**(775)**	(9.165)
	11.933.828	21.867.205

As at 31 December 2021, the Group placed short-term deposits with maturity up to 3 months, with banks at 7,5-8,5% per annum (2020: 7-8,25% per annum).

Movement of the provision for expected credit losses on cash and cash equivalents is as follows:

In thousands of Tenge	**2021**	2020
As at 1 January	**9.165**	19.236
Charge	**35.908**	14.551
Reversal	**(16.058)**	(24.622)
Write-off	**(28.240)**	–
As at 31 December	**775**	9.165

As at 31 December 2021 and 31 December 2020, cash and cash equivalents were denominated in the following currencies:

In thousands of Tenge	**31 December 2021**	31 December 2020
Tenge	**11.765.355**	21.622.663
US dollar	**168.094**	20.991
Euro	**1**	1
Russian rouble	**–**	223.177
Others	**378**	373
	11.933.828	21.867.205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY

As at 31 December 2021 and 31 December 2020 share capital of the Group comprised of 260.000.000 shares for the total amount of 126.799.554 thousand tenge that were issued and fully paid.

Treasury shares

In November 2016 the Group repurchased shares placed on the open market consisting of 1.390 shares for the total amount of 930 thousand tenge.

Dividends

In May 2020, shareholders approved the distribution of 74% of net profit for 2019 minus the amount of net profit distributed for the first half of 2019. The amount to be paid was 12.703.475 thousand tenge to all common shareholders of the Group, which is 48,86 tenge per ordinary share.

In November 2020, shareholders approved the distribution of 70% of net profit for first half of 2020. The amount to be paid amounted to 20.043.293 thousand tenge for all common shareholders of the Group, which is equal to 77,09 tenge per ordinary share. Total amounts of dividends paid during 2020 was 32.746.825 thousand tenge.

In May 2021, shareholders approved the distribution of dividends for the second half of 2020. The dividends to be paid amounted to 19.502.496 thousand tenge for all common shareholders of the Group, which is equal to 75,01 tenge per ordinary share. The total distribution for 2020 resulted to 74% of net income for the year.

In November 2021, shareholders approved the distribution of 80% of net profit for first half of 2021. Amount to be paid was 22.027.082 thousand tenge for all common shareholders of the Group, which is equal to 84,72 tenge per ordinary share. The total amount of dividends paid during 2021 was 41.529.578 thousand tenge.

The distribution of dividends was carried out taking into account the fact, that in accordance with paragraph 10 of the Charter of RFC LLP, its net profit in the amount of 17.387.428 thousand tenge for 2021 (9.225.199 thousand tenge for 2020) remains at the discretion of partnership and directed to operate its main activity.

Earnings per share

Basic and diluted earnings per share are calculated by dividing net profit for the period by the weighted average number of common shares outstanding during the period. The Group had weighted average number of common shares in circulation in the amount of 259.998.610 shares during the year ended 31 December 2021 (for the year ended 31 December 2020: 259.998.610 shares). For the year ended 31 December 2021 and 2020, basic and diluted earnings per share were 202,45 tenge and 205,64 tenge, respectively.

Book value per share

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

In thousands of Tenge	**31 December 2021**	31 December 2020
Total assets	**1.093.217.334**	812.012.626
Less: intangible assets	**(3.165.491)**	(3.327.999)
Less: total liabilities	**(356.080.517)**	(309.456.156)
Net assets	**733.971.326**	499.228.471
Number of ordinary shares	**260.000.000**	260.000.000
Book value per ordinary share, Tenge	**2.823**	1.920

Asset revaluation reserve

Asset revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group's NES assets as at 1 December 2021 (previous revaluation was held as at 1 October 2018) *(Note 6)*. Transfer of asset revaluation surplus into retained earnings, upon disposal of PP&E and transfer of NES assets into other classes of PPE for the year ended 31 December 2021, amounted 586.605 thousand tenge (for the year ended 31 December 2020: 532.661 thousand tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. BORROWINGS

In thousands of Tenge	**31 December 2021**	31 December 2020
International Bank of Reconstruction and Development (IBRD)	**36.708.534**	41.647.967
European Bank of Reconstruction and Development (EBRD)	**12.785.418**	22.529.925
	49.493.952	64.177.892
Less: current portion of loans repayable within 12 months	**(13.854.307)**	(14.334.439)
	35.639.645	49.843.453

As at 31 December 2021 and 31 December 2020 the accrued and unpaid interest payable amounted to 196.888 thousand tenge and 343.237 thousand tenge, respectively. As at 31 December 2021 and 31 December 2020 the unamortized portion of loan origination fees amounted to 244.426 thousand tenge and 285.919 thousand tenge, respectively.

The movement of loans for reconciliation with cash flow statement is presented in *Note 28*.

Loans were denominated in the following currencies

In thousands of Tenge	**31 December 2021**	31 December 2020
US Dollars	**36.708.534**	41.647.967
Euro	**12.785.418**	22.529.925
	49.493.952	64.177.892

Construction of the second North-South 500 kW Electricity Transmission line

In 2005 for the purpose of implementation of the Phase II of the "Construction of the second North-South 500 kW Electricity Transmission line", the Group received a credit line facility of 100.000 thousand US dollars provided by IBRD for a period of 17 (seventeen) years of which first 5 (five) years are a grace period. This credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR dollar rate plus general spread is paid semi-annually. In 2011 the non-disbursed part of this IBRD credit line in the amount of 1.918 thousand US dollars was cancelled due to the fact that actual costs incurred within this project were less than expected. The outstanding balances as at 31 December 2021 and 31 December 2020 are 8.195 thousand US dollars (equivalent to 3.538.547 thousand tenge) and 16.351 thousand US dollars (equivalent to 6.882.125 thousand tenge), respectively.

Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2

In 2008, for the realization of the "Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2" the Group opened the following credit lines:

Two credit-line facilities of 127.500 thousand euros and 75.000 thousand euros from EBRD for 15 (fifteen) years, of which the first 4 (four) years are a grace period. An interest at the interbank six months EURIBOR rate plus a 3.85% margin is payable semi-annually. The outstanding balances as at 31 December 2021 and 31 December 2020 are 25.878 thousand euros (equivalent to 12.656.781 thousand tenge) and 43.130 thousand euros (equivalent to 22.288.891 thousand tenge), respectively.

Moinak Electricity Transmission Project

In 2009, for the realization of the "Moinak Electricity Transmission Project" a credit line facility from IBRD of 48.000 thousand US dollars was opened for 25 (twenty-five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by the guarantee of the Government of the Republic of Kazakhstan. An interest rate is LIBOR US dollar rate plus fixed spread 0.85% is payable semi-annually. In May 2013 unused portion of the credit line from the IBRD in the amount of 3.274 thousand US dollars was cancelled since the amount of actual expenses incurred during the project was less than expected. The outstanding balances as at 31 December 2021 and 31 December 2020 are 29.072 thousand US dollars (equivalent to 12.553.276 thousand tenge) and 31.308 thousand US dollars (equivalent to 13.177.966 thousand tenge), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. BORROWINGS (continued)

Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW

In 2010 for the realization of the project “Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW” the Group received a credit line facility of 78.000 thousand US dollars from IBRD for 25 (twenty-five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR US dollar rate plus fixed spread 1.15% is repayable semi-annually. In July 2014 undeveloped part of the credit line from the IBRD in the amount 6.644 thousand US dollars has been cancelled since the amount of actual costs was less than expected costs. The outstanding balances as at 31 December 2021 and 31 December 2020 are 48.165 thousand US dollars (equivalent to 20.792.886 thousand tenge) and 51.733 thousand US dollars (equivalent to 21.771.592 thousand tenge), respectively.

16. BONDS PAYABLE

In thousands of Tenge	**31 December 2021**	31 December 2020
Nominal value of issued bonds	**118.800.000**	93.500.000
Accrued coupon interest	**4.562.983**	4.138.458
Less: discount on bonds issued	**(1.577.690)**	(719.637)
Less: transaction costs	**(79.794)**	(62.678)
	121.705.499	96.856.143
Less: current portion of bonds repayable within 12 months	**(4.562.983)**	(4.138.458)
	117.142.516	92.717.685

Under the State Program “Nurly Zhol” the Group placed two tranches of coupon bonds on “Kazakhstan Stock Exchange” JSC to finance the projects “Construction of 500 kW line Semey − Ak-togay − Taldykorgan − Alma”:

(a) During the period from June to August 2016 the Group issued coupon bonds with nominal amount of 47.500.000 thousand tenge under floating interest rate equal to the inflation rate in Republic of Kazakhstan plus 2.9% with the maturity of 2031 (the minimum rate of the consumer price index is set at 5%). The coupon rate for the first coupon period from 26 May 2018 to 26 May 2019 is 9,5% per annum. The coupon rate for the period from 26 May 2018 to 26 May 2019 is 9.5% per annum. The coupon rate for the period from 26 May 2019 to 26 May 2020 is 7,9% per annum. The coupon rate for the period from 26 May 2020 to 26 May 2021 is 9,3% per annum and from 26 May 2021 to 31 December 2021 is 9,9% per annum.

    All bonds under this program were acquired by Unified Accumulative Pension Fund.

    Bonds were issued with discount in the amount of 111.945 thousand tenge.

(b) In August 2017, the Group placed the second tranche of coupon bonds amounting to 36.300.000 thousand tenge with a fixed rate of 11.5%.

    All bonds under this program were acquired by Unified Accumulative Pension Fund and other entities.

To implement the investment project “Reconstruction of 220-500 kW overhead lines of branches of KEGOC JSC” on 28 May 2020, KEGOC’s bonds were placed on Kazakhstan Stock Exchange JSC (KASE) with nominal value of 9.700.000 thousand tenge and 11% annual yield. The bonds were placed at a discount of 667.593 thousand tenge. As a result of trades, 89.6% of bonds were purchased by STB (second-tier banks), 9.9% − by other institutional investors, 0.5% − by other legal entities.

On 27 January 2021, KEGOC’s bonds were placed on Kazakhstan Stock Exchange JSC (KASE) with nominal volume of 8.869.672 thousand tenge with an average weighted yield to maturity of 11,62% per annum. The bonds were placed with a discount in the amount of 380.267 thousand tenge. Accrued coupon interest on the date of placement amounted to 159.900 thousand tenge. As a result of trades, 22.6% of bonds were purchased by broker-dealer organizations, 72.8% by other institutional investors, 4.6%− by other legal entities.

On 21 October 2021, bonds of KEGOC JSC were successfully planed on Kazakhstan Stock Exchange JSC with a nominal value 16.430.328 thousand tenge and weighted average yield to maturity of 11.5% per annum. The bonds were placed at a discount of 562.427 thousand tenge, accrued coupon interest on the placement date was 717.914 thousand tenge. As a result of trades, 86.7% of the bonds were purchases by Eurasian Development bank JSC and other banks, 13.3% - by other institutional investors.

During the year ended 31 December 2021 the Group capitalized the borrowing costs of coupon interest on the issued bonds less investment income in the amount of 1.592.927 thousand (2020 year: 310.407 thousand tenge) *(Note 23)*.

The movement of the bonds for reconciliation with cash flow statement is presented in *Note 28*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER ACCOUNTS PAYABLE

As at 31 December 2021 and 31 December 2020 trade and other accounts payable:

In thousands of Tenge	**31 December 2021**	31 December 2020
Accounts payable for property, plant and equipment and construction works	**19.189.917**	19.118.365
Accounts payable for electricity purchased	**3.805.412**	15.982.064
Accounts payable for inventories, works and services	**2.756.581**	15.414.429
Less: discount	**(1.266.695)**	(1.978.958)
	24.485.215	48.535.900
Less: current portion of trade payables repayable within 12 months	**18.512.531**	40.884.883
	5.972.684	7.651.017

As at 31 December 2021 and 31 December 2020 trade and other accounts payable are denominated in the following currencies:

In thousands of Tenge	**31 December 2021**	31 December 2020
Tenge	**21.907.917**	45.752.581
Russian rouble	**2.517.368**	2.677.323
US dollar	**59.930**	46.721
Euro	**–**	59.275
	24.485.215	48.535.900

The non-current portion of accounts payable represents payables to a related party Karabatan Utility Solutions LLP, details of which are disclosed in *Note 27*.

18. TAXES PAYABLE OTHER THAN INCOME TAX

In thousands of Tenge	**31 December 2021**	31 December 2020
VAT payable	**1.373.572**	960.338
Contributions payable to pension fund	**340.706**	364.051
Personal income tax	**258.593**	316.597
Social tax	**230.351**	269.371
Social contribution payable	**114.309**	104.804
Property tax	**66.442**	–
Other	**19.755**	13.345
	2.403.728	2.028.506

19. OTHER CURRENT LIABILITIES

In thousands of Tenge	**31 December 2021**	31 December 2020
Due to employees	**3.266.946**	3.727.583
Other	**888.825**	692.878
	4.155.771	4.420.461

Due to employees mainly comprise of salaries payable and provision for unused vacation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of Tenge	**2021**	2020
Electricity transmission services	**129.355.940**	121.953.313
Technical dispatch	**28.902.579**	30.291.437
Balancing of electricity production and consumption	**17.958.864**	18.649.805
Sale of electricity for compensation of the interstate balances of electricity flows	**7.067.781**	5.101.651
Power regulation services	**878.486**	954.342
Revenue from sale of purchased electricity	**33.897**	21.075
Other	**2.245.590**	2.125.940
	186.443.137	179.097.563

	unit	**2021**	2020
Electricity transmission services	**MWh**	**50.824.342**	41.184.976
Technical dispatch	**MWh**	**105.042.897**	98.991.624
Balancing of electricity production and consumption	**MWh**	**205.149.438**	192.856.265
Sale of electricity for compensation of the interstate balances of electricity flows	**MWh**	**1.389.803**	969.385
Power regulation services	**MW**	**900**	1.005
Revenue from the sale of purchased electricity	**MWh**	**5.837**	3.659

In thousands of Tenge	**2021**	2020
Revenue recognition timeline		
The goods are transferred at a certain point in time	**7.101.678**	5.122.726
The services are provided over a period of time	**179.341.459**	173.974.837
Total revenue from contracts with customers	**186.443.137**	179.097.563

Discounts to customers are authorized by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies.

21. COST OF SALES

In thousands of Tenge	**2021**	2020
Depreciation and amortization	**35.950.880**	33.349.877
Technical losses of electric energy	**24.866.088**	14.709.725
Cost of purchased electricity for compensation of interstate balances of electricity flows	**22.157.785**	16.019.937
Payroll expenses and related taxes	**18.320.948**	18.292.955
Repair and maintenance expenses	**7.683.172**	5.641.008
Taxes other than income tax	**6.185.051**	9.049.154
Security services	**1.292.485**	1.206.494
Inventories	**1.070.326**	1.031.355
Cost of purchased electricity	**30.974**	19.392
Other	**3.125.194**	2.601.030
	120.682.903	101.920.927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	**2021**	2020
Payroll expenses and related taxes	**5.229.216**	5.080.003
Depreciation and amortization	**878.698**	688.088
Taxes other than income tax	**238.204**	190.786
Consulting services	**176.264**	161.177
Utilities	**70.873**	68.540
Materials	**66.149**	46.371
Software maintenance expense	**57.884**	47.273
Business trip expenses	**54.581**	25.855
Trainings	**46.806**	54.177
Expenses for the Board of Directors	**44.587**	67.725
Insurance	**26.027**	28.734
Charge/(reversal) for obsolete inventories (*Note* 8)	**1.074**	57.028
Other	**1.649.460**	1.301.337
	8.539.823	7.817.094

23. FINANCE INCOME/(COSTS)

In thousands of Tenge	**2021**	2020
Finance income		
Interest income from deposits, current accounts and bonds	**6.148.449**	4.492.096
Income from the National Bank notes *(Note 11)*	**681.430**	794.117
Amortization of discount on accounts receivable *(Note 27)*	**88.160**	98.615
Income from revaluation of DSFK financial instruments *(Note 11)*	**58.696**	89.541
Income from recognition of premiums on long-term financial assets	**–**	213.089
Amortization of discount on other financial assets	**–**	113.683
	6.976.735	5.801.141
Less: interest capitalized into cost of qualifying asset *(Note 6)*	**(1.608.513)**	(320.901)
	5.368.222	5.480.240
Finance costs		
Bond coupon	**11.962.857**	8.977.984
Interest on borrowings	**1.024.707**	1.652.890
Commission on bank guarantees	**981.849**	980.762
Discounting of the other financial assets	**723.342**	79.439
Amortization of premiums on other financial assets	**81.950**	–
Amortization of loan origination fees	**49.009**	25.416
Interest expense on leases	**31.786**	96.818
Other costs on bonds issued	**16.369**	18.195
	14.871.869	11.831.504
Less: interest capitalized into cost of qualifying assets *(Note 6)*	**(3.201.440)**	(631.308)
	11.670.429	11.200.196

The discounting expense is mainly represented by the amortization of the discount on long-term payables to related party Karabatan Utility Solutions LLP (*Note 27*).

24. FOREIGN EXCHANGE LOSS, NET

On 20 August 2015 the National Bank of Republic of Kazakhstan and the Government of the Republic of Kazakhstan decided to shift to freely floating currency exchange rate as a part of implementation of inflation targeting program. As a result of change of exchange rate of Tenge for the year ended 31 December 2021, the Group incurred net foreign exchange gain in the amount of 451.045 thousand tenge (for the year ended 31 December 2020: net foreign exchange loss in the amount of 5.309.688 thousand tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. INCOME TAX EXPENSE

In thousands of Tenge	**2021**	2020
Current income tax		
Current income tax expense	**10.675.241**	10.744.150
Adjustments in respect of current income tax of previous year	**(64.776)**	28.168
Deferred tax		
Deferred income tax benefit	**(3.002.627)**	(671.414)
Total income tax expense reported in consolidated statement of comprehensive income	**7.607.838**	10.100.904
Deferred income tax related to items recognized in other comprehensive income during the year		
Deferred tax from revaluation of NES assets	**65.148.951**	–

The income tax rate in the Republic of Kazakhstan is 20% in 2021 and 2020.

A reconciliation of the 20% income tax rate and actual income tax recorded in the consolidated statement of comprehensive income is provided below:

In thousands of Tenge	**2021**	2020
Profit before tax from continuing operations	**46.772.284**	58.599.138
Profit before tax from discontinued operations	**17.506.488**	7.149.094
Tax at statutory income tax rate of 20%	**12.855.754**	13.149.646
(Reversal)/accrual of provision for expected credit loss	**(30.457)**	(97.995)
Adjustments in respect of current income tax of previous year	**(64.776)**	28.168
Accrual/(reversal) of allowance for doubtful accounts receivable from non-residents	**(14.524)**	10.897
Interest income from securities	**(667.913)**	(564.155)
Income from changes in fair value	**(418.513)**	(332.284)
Other permanent differences	**(16.711)**	88.684
Income tax expense reported in profit or loss including	**11.642.860**	12.282.961
Income tax from discontinued operations	**4.035.022**	2.182.057
Income tax from continuing operations	**7.607.838**	10.100.904

Tax effect on temporary differences leading to deferred income tax assets and liabilities at 31 December 2021 and 31 December 2020 is provided below:

	Consolidated statement of financial position		**Consolidated statement of comprehensive income**	
In thousands of Tenge	**31 December 2021**	31 December 2020	**2021**	2020
Accounts receivable	**196.234**	384.646	**(43.748)**	79.389
Accrued liabilities	**610.002**	702.392	**(73.121)**	108.698
Property, plant and equipment	**(152.276.394)**	(90.251.221)	**3.119.496**	483.327
Deferred tax benefit	**–**	–	**3.002.627**	671.414
Net deferred tax liabilities	**(151.470.158)**	(89.164.183)	**–**	–

For years ended 31 December changes in deferred tax liabilities are presented as follows:

In thousands of Tenge	**2021**	**2020**
At 1 January	**(89.164.183)**	(89.941.813)
Deferred income tax benefit recognized in profit or loss	**3.002.627**	671.414
Income tax (expense)/benefit on discontinued operations	**(159.651)**	106.216
Income tax expense recognized in OCI *(Note 3)*	**(65.148.951)**	–
At 31 December	**(151.470.158)**	(89.164.183)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. INCOME TAX EXPENSE (continued)

Deferred tax assets and liabilities reflected in the consolidated statement of financial position are presented as follows:

In thousands of Tenge	**31 December 2021**	31 December 2020
Deferred tax assets	**–**	159.652
Deferred tax liabilities	**(151.470.158)**	(89.323.835)
Net deferred tax liabilities	**(151.470.158)**	(89.164.183)

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The payment of dividends by the Group to its shareholders for both 2021 and 2020 does not have any income tax consequences.

26. DISCONTINUED OPERATIONS

In accordance with Decree of the Government of the Republic of Kazakhstan #858 from 30 November 2021 and donation agreement from 30 December 2021, the Group transferred free of charge 100% of shares in subsidiary RFC LLP to ownership of State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan. As of 30 December 2021, RFC LLP has been classified as discontinued operations and disposed from the Group.

Assets and liabilities of RFC LLP as of the date of disposal are presented as follows:

In thousands of Tenge	**30 December 2021**
Assets	
Property, plant and equipment	**27.567**
Intangible assets	**14.836**
Deferred tax assets	**234.733**
Inventories	**155.465**
Trade accounts receivable	**25.777.422**
Advances paid	**983**
Vat recoverable	**–**
Prepaid income tax	**–**
Other current assets	**15.874**
Other financial assets, current portion	**5.151.508**
Cash and cash equivalents	**38.847.799**
Total assets	**70.226.187**
Trade accounts payable	**31.602.053**
Taxes payable other than income tax	**1.147.572**
Income tax payable	**261.182**
Other liabilities	**93.590**
Total liabilities	**33.104.397**
Retired net assets	**37.121.790**

Losses on disposal of RFC LLP in the amount of 37.121.790 thousand tenge were recognized in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. DISCONTINUED OPERATIONS (continued)

The results of discontinued operations included in the consolidated statement of comprehensive income is presented as follows:

In thousands of Tenge	**2021**	2020
Revenue from contracts with customers	**211.591.935**	171.561.989
Cost of Sales	**(195.598.700)**	(165.136.041)
General and administrative expenses	**(343.451)**	(492.577)
Finance income	**2.194.275**	1.665.765
Finance expense	**(11.236)**	(5.785)
Other income	**81.625**	54.100
Other expense	**(29)**	–
Accrual of allowance for expected credit losses	**(407.931)**	(498.357)
Profit before income tax	**17.506.488**	7.149.094
Income tax expense	**(4.035.022)**	(2.182.057)
Profit for the year from discontinued operations	**13.471.466**	4.967.037
Earnings per share from discontinued operations		
Basic and diluted profit for the year attributable to common shareholders of the parent (in Tenge)	**51,81**	19,10

The net cash flows from discontinued operations are as follows:

Net cash flows received from operating activities	**15.342.483**	15.028.246
Net cash flows received from/(used in) investing activities	**9.203.509**	(12.443.711)
Net cash flows received from financing activities	**–**	–

27. TRANSACTIONS WITH RELATED PARTIES

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

Transactions with related parties for 2021 and 2020 are presented as follows:

In thousands of Tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Entities under joint control of Samruk-Kazyna	Associated of the Group
	2021	**88.141.984**	**13.158.299**	**4.311.519**	**658.453**
Sale of services	2020	67.230.306	11.900.079	4.775.623	732.943
	2021	**2.182.037**	**–**	**–**	**–**
Sale of land plots	2020	–	–	–	–
	2021	**61.259.441**	**2.395.243**	**–**	**73.620**
Purchase goods and services	2020	56.206.438	3.211.878	44.152	75.315
	2021	**–**	**–**	**–**	**–**
Purchase of property complex	2020	11.794.689	–	–	–
Amortization of discount on long-term receivables	**2021**	**88.160**	**–**	**–**	**–**
	2020	98.615	–	–	–
Amortization of discount on long-term accounts payable	**2021**	**712.262**	**–**	**–**	**–**
	2020	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. TRANSACTIONS WITH RELATED PARTIES (continued)

Receivables and payables as of 31 December from transactions with related parties are as follows:

In thousands of Tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Entities under joint control of Samruk-Kazyna	Associated of the Group
Advances given for non-current assets	**2021**	**2.182.037**	**–**	**–**	**–**
	2020	–	–	–	–
Current trade accounts receivables for the sale of services	**2021**	**2.171.300**	**280.180**	**146.229**	**39.473**
	2020	4.597.516	397.719	404.371	73.580
Accounts receivable for sale of property, plant and equipment	**2021**	**814.315**	**–**	**–**	**–**
	2020	922.600	–	–	–
Dividend receivable	**2021**	**–**	**–**	**–**	**–**
	2020	–	–	–	203.095
Accounts payables for property complex	**2021**	**8.169.055**	**–**	**–**	**–**
	2020	10.009.955	–	–	–
Current trade and other accounts payable for the services purchased	**2021**	**1.831.950**	**175.735**	**–**	**8.596**
	2020	8.086.633	586.602	12.646	9.820
Lease payables	**2021**	**111.895**	**–**	**–**	**–**
	2020	561.765	–	–	–

Revenue and cost of sales, trade accounts receivable and payable

The sale of services to related parties mainly represent electricity transmission, technical dispatch and services on balancing production and consumption of electricity, electrical capacity readiness services. The purchase of services from related parties mainly represents communication services, energy services, electricity purchase, electric capacity readiness services, postal service and software maintenance services.

Sale of land plots

On January 2021, the Group sold land plots, classified as assets held for sale of 5.126 thousand tenge as of 31 December 2020, to related party Samruk-Kazyna Construction JSC for 2.182.037 thousand tenge. In accordance with sale agreement, Samruk-Kazyna Construction JSC obliged to transfer premises to the ownership of the Group for the amount 2.182.037 thousand tenge.

Other accounts receivable

As of 31 December 2021, the Group had accounts receivable for the sale of property plant and equipment to related party Balkhash TES JSC in the amount of 220.494 thousand tenge (as of 31 December 2020: 220.494 thousand tenge). In accordance with sale agreement, Balkhash TES JSC had to pay the outstanding balance till the end of 2018, however, as of 31 December 2021 the amount hasn't been paid. In connection with the suspension of construction of Balkhash TES, the management of the Group decided to accrue a 100% provision for receivable in 2018.

Total amount of ECL on trade accounts receivable of related party amounted to 271.744 thousand tenge as of 31 December 2021.

Accounts payables for property complex and amortization of discount

In November-December 2020, the Group acquired a property complex from a related party − Karabatan Utility Solutions LLP in the amount of 11.794.689 thousand tenge. In accordance with the sale and purchase agreement, the Group will pay by equal annual installments until 25 March 2025. Accordingly, the Group discounted future cash flows at a discount rate of 10.25%, which is the best estimate of the market rate by the Group's Management. As of 31 December 2021, discount on accounts payable of Karabatan Utility Solutions LLP amounted to 1.266.695 thousand tenge.

As of 31 December 2020, the amount of payable net of the discount was 8.169.055 thousand tenge, of which 5.972.684 thousand tenge were included within long-term payables from related parties. During the year ended 31 December 2021, the Group recognized the expense from amortization of discount of long-term trade payables in the amount of 712.262 thousand tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. TRANSACTIONS WITH RELATED PARTIES (continued)

Lease payables

In 2017, the Group signed long-term agreement with related party Samruk-Kazyna Business Service LLP on provision of rights of use on software. As of 31 December 2021, the lease payables of the Group amounted to 111.895 thousand tenge (as of 31 December 2020: 561.765 thousand tenge).

Other

The amount of guarantee of the Government of the Republic of Kazakhstan under the IBRD loan amounted to 37.835.274 thousand tenge (as of 31 December 2020: 42.800.248 thousand tenge).

Compensation to key management personnel and all other related expenses (taxes, deductions, sick leave, holiday pay, material assistance, etc.) included in payroll expenses in the accompanying consolidated statement of comprehensive income amounted to 313.976 thousand tenge for the year ended 31 December 2021 (for the year ended 31 December 2020: 381.788 thousand tenge).

The remuneration of key management personnel mainly consists of contractual salaries and performances based remuneration.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings, bonds payable, trade and other payables. The main purpose of these financial liabilities is to finance the Group's investment projects and operations. The Group has trade and other receivables, cash and cash equivalents, short-term deposits that arrive directly from its operations, as wells as investments in debt securities.

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term borrowings with floating interest rates *(Notes 15 и 16)*.

The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which the borrowings are denominated. With all other variables held constant, loans with floating interest rate loans have following impact on the Group's profit before tax:

In thousands of Tenge	**Increase/ (decrease) in basis points* / in percentage**	**Effect on profit before tax**
For the year ended 31 December 2021		
LIBOR	**125/(25)**	**(461.059)/92.212**
EURIBOR	**20/(20)**	**(25.314)/25.314**
Inflation rate in the Republic of Kazakhstan	**1%/0%**	**(474.139)/−**
For the year ended 31 December 2020		
LIBOR	100/(25)	(418.317)/104.579
EURIBOR	20/(20)	(44.578)/44.578
Inflation rate in the Republic of Kazakhstan	1%/0%	(474.048)/−

* *1 basis point= 0,01%.*

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities. Also, the Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

In thousands of Tenge	**Increase/(decrease) in the exchange rate in absolute terms (Tenge)**	**Increase/(decrease) in exchange rate**	**Effect on profit before tax**
At 31 December 2021			
US dollar	**86,33/(43,18)**	**20%/(10%)**	**(1.714.810)/857.405**
Euro	**97,56/(48,91)**	**20%/(10%)**	**(2.557.083)/1.278.542**
Russian rouble	**0,75/(0,75)**	**13%/(13%)**	**(196.134)/196.134**
At 31 December 2020			
US dollar	58,93/(46,3)	14%/(11%)	(2.062.267)/1.620.352
Euro	72,35/(56,85)	14%/(11%)	(3.162.488)/2.484.812
Russian rouble	0,84/(0,84)	15%/(15%)	(287.734)/287.784

Exchange rate of Tenge to US dollars as of the date of issuance of these consolidated financial statements presented in *Note 30*.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables *(Note 9)* and from its financing activities, including deposits with banks *(Notes 11, 12 and 13)*.

Trade accounts receivable

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., product type and other). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2021 and 31 December 2020, is represented by their carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table shows the balance of cash and cash equivalents and bank deposits placed in banks at the reporting date using the credit rating agency "Standard & Poor's" and "Moody's" less accrued provisions:

		Rating		**31 December**	31 December
In thousands of Tenge	**Location**	**2021**	2020	**2021**	2020
Halyk Bank Kazakhstan JSC	Kazakhstan	**BB+/stable**	BB/stable	**15.699.990**	19.333.594
Jysan Bank JSC	Kazakhstan	**B1/stable**	B/negative	**12.140.947**	–
ForteBank JSC	Kazakhstan	**B+/stable**	B/stable	**11.019.346**	9.871.765
ATF Bank JSC	Kazakhstan	**–**	B-/stable	**–**	12.326.032
Bank Center Credit JSC	Kazakhstan	**B/stable**	B/stable	**–**	6.149.103
Kaspi Bank JSC	Kazakhstan	**BB-/stable**	BB-/stable	**–**	4.240.228
				38.860.283	51.920.722

Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework in accordance with the short, medium and long-term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, bank loans and credit lines, by monitoring projected and actual cash flows and comparing maturity dates of financial assets and liabilities.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 (twelve) months can be rolled over with existing lenders

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

In thousands of Tenge	**On demand**	**Due more than 1 month but not later than 3 months**	**Due more than 3 months but not later than 1 year**	**Due more than 1 year but not later than 5 years**	**Due more than 5 years**	**Total**
At 31 December 2021						
Borrowings	**–**	**5.666.360**	**9.472.295**	**15.526.933**	**22.684.097**	**53.349.685**
Bonds payable	**–**	**3.181.750**	**9.545.250**	**50.908.000**	**198.719.155**	**262.354.155**
Trade and other accounts payable	**–**	**18.675.097**	–	**7.076.813**	–	**25.751.910**
Lease liability	**–**	**111.895**	–	–	–	**111.895**
	–	**27.635.102**	**19.017.545**	**73.511.746**	**221.403.252**	**341.567.645**
At 31 December 2020						
Borrowings	–	5.980.856	9.890.804	28.374.905	24.940.645	69.187.210
Bonds payable	–	2.414.750	7.244.250	38.636.000	155.224.542	203.519.542
Trade and other accounts payable	–	40.884.883	–	7.651.017	–	48.535.900
Lease liability	–	–	493.644	99.907	–	593.551
	–	49.280.489	17.628.698	74.761.829	180.165.187	321.836.203

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize the shareholder's value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a debt to capital ratio, which is debt divided by total capital. The Group's objective is to keep the ratio not higher than 0.5. Debt is considered to be equal to all borrowings and bonds payable. Capital is considered to be equal to the total liabilities and entire equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

	31 December 2021	31 December 2020
Debt/capital	**0,16**	0,20

In thousands of Tenge	**31 December 2021**	31 December 2020
Long-term borrowings and long-term bonds payable	**152.782.161**	142.561.138
Short-term borrowings and short-term bonds payable	**18.417.290**	18.472.897
Debt	**171.199.451**	161.034.035
Total liabilities	**356.080.517**	309.456.156
Equity	**737.136.817**	502.556.470
Total equity and liabilities	**1.093.217.334**	812.012.626

The structure of the Group capital includes the share capital as disclosed in *Note 14*, reserves and retained earnings

Fair value hierarchy

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

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Assets measured at fair value

In thousands of Tenge	**31 December 2021**	**Level 1**	**Level 2**	**Level 3**
Revalued property, plant and equipment				
NES assets (*Note 6*)	**879.981.350**	**–**	**–**	**879.981.350**
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	**314.418**	**–**	**–**	**314.418**

In thousands of Tenge	31 December 2020	Level 1	Level 2	Level 3
Revalued property, plant and equipment				
NES assets *(Note 6)*	580.456.916	–	–	580.456.916
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	310.175	–	–	310.175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Assets for which fair values are disclosed

In thousands of Tenge	**31 December 2021**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Other financial assets *(Note 11)*	**72.182.392**	**–**	**72.182.392**	**–**

In thousands of Tenge	31 December 2020	Level 1	Level 2	Level 3
Financial assets				
Other financial assets *(Note 11)*	90.831.639	–	90.831.639	–

In thousands of Tenge	**31 December 2021**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities				
Bonds payable (*Note 16*)	**121.705.499**	**–**	**121.705.499**	**–**
Borrowings (*Note 15*)	**49.493.952**	**–**	**49.493.952**	**–**

In thousands of Tenge	31 December 2020	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable (*Note 16*)	96.856.143	–	96.856.143	–
Borrowings (*Note 15*)	64.177.892	–	64.177.892	–

For the years ended 31 December 2021 and 31 December 2020, there were no transitions between Level 1, 2, and 3 of the fair value of financial instruments.

Fair values of financial instruments

As at 31 December 2021 and 31 December 2020 the management assessed that the fair value of financial instruments of the Group, such as trade accounts receivable and payable, other financial assets, cash and cash equivalents, cash restricted in use, approximates their carrying amounts largely due to the short-term maturities of these instruments. Borrowings and bonds payable are stated at amortized costs which approximate their fair values.

Change in liabilities arising from financing activities

In thousands of Tenge	**1 January 2021**	**Cash flows**	**Accrued interest**	**Paid interest**	**Foreign exchange movement**	**New leases**	**Other**	**31 December 2021**
Borrowings	**64.177.892**	**(14.614.808)**	**1.024.707**	**(1.167.132)**	**24.284**	**–**	**49.009**	**49.493.952**
Bonds payable	**96.856.143**	**25.235.121**	**11.962.857**	**(11.538.332)**	**–**	**–**	**(810.290)**	**121.705.499**
Lease liability	**561.765**	**(436.606)**	**31.786**	**(45.050)**	**–**	**–**	**–**	**111.895**
Total	**161.595.800**	**10.183.707**	**13.019.350**	**(12.750.514)**	**24.284**	**–**	**(761.281)**	**171.311.346**

In thousands of Tenge	1 January 2020	Cash flows	Accrued interest	Paid interest	Foreign exchange movement	New leases	Other	31 December 2020
Borrowings	63.008.987	(6.574.597)	1.652.890	(2.093.727)	8.166.364	–	17.975	64.177.892
Bonds payable	87.316.528	9.032.407	8.977.984	(8.460.500)	–	–	(10.276)	96.856.143
Lease liability	419.543	(400.692)	96.818	(87.769)	–	533.865	–	561.765
Total	150.745.058	2.057.118	10.727.692	(10.641.996)	8.166.364	533.865	7.699	161.595.800

The Other column shows the amortization of discount and premium on financial liabilities. The Group classifies the interest paid as cash flows from operating activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES

Operating environment

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

Interest rates in Tenge remain high. Combination of these factors resulted in a reduced access to capital, a higher cost of capital, increased uncertainty regarding further economic growth, which could negatively affect the Group's financial position, results of operations and business prospects. Management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Since March 2020, there has been significant volatility in the stock, foreign exchange and commodity markets, including the depreciation of the Tenge against the US Dollar and the Euro. The extent and duration of these events remains uncertain. However, management does not expect a significant impact on the profit, cash flows and financial condition of the Group.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including an opinion on the IFRS approach regarding revenue, expenses and other accounts of financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic 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 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 2021.

Terms of loan agreements

The Group has entered into loan agreements with the EBRD and IBRD of which the total principal amount is 85.432 thousand US dollars and 25.878 thousand euros as of 31 December 2021. In accordance with loan agreements between Group and creditors, the Group must comply with the following covenants:

- Current ratio of not less than 1:1;
- Total debt to total capital of not more than 50%;
- Earnings before interest, income tax, depreciation and amortization ("EBITDA") to interest expense of not less than 3:1;
- Net debt to EBITDA of not more than 4:1.

Also, the Group issued bonds and must comply with following covenants:

- Total debt to EBITDA not more than 3:1;
- Total debt to equity not more than 0.6:1.

The management believes that the Group complied with all loan covenants with EBRD and IBRD as of 31 December 2021 and 31 December 2020. The Group excludes from EBITDA the foreign exchange gain and loss, as management believes that gain and loss from foreign exchange meets the definition of non-cash transaction and shall be excluded form calculation of EBITDA as provided in the loan agreement. As of 31 December 2021, the Group excluded from EBITDA foreign exchange gain and loss of 451.045 thousand tenge for the year ended 31 December 2021 (for the year ended 31 December 2020: foreign exchange loss of 5.309.688 thousand tenge). Also, the management of the Group believes that it complied with covenants of issued bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES (continued)

Insurance

As of 31 December 2021, the Group insured production assets with a cost of 221.316.260 thousand tenge. The insurance payments. The specified amount does not include the result of the revaluation of NET assets carried as of 1 December 2021, since the procedure for concluding an insurance contract was carried out before 1 December 2021. In the event of an insured event, the insurance payment is made within the insured amount. The Group did not insure its other property. Since absence of any insurance does not imply a reduction of the cost of assets or origination of liabilities, no provision has been made in these consolidated financial statements for unexpected expenses associated with damage or loss of such assets.

Contractual commitments

To ensure the reliability of the national electricity grid through the reconstruction of 220-500 kV transmission lines that have already reached and will reach their standard useful life in coming years and to improve the reliability of electricity supply of consumers in the Western zone of UES of Kazakhstan, as well as to maintain production assets in working condition, the Group has developed capital investment plan.

Five (2021-2025) investment program of KEGOC JSC for a total amount of 274.760.648 thousand tenge approved by the joint order #122 of the sectoral state body dated 7 April 2021 and the department of the authorized body #21-OD dated 11 March 2021 in accordance with legislation on natural monopolies of the Republic of Kazakhstan and is subject to 100% execution. However, KEGOC JSC may make changes to it and adjust the cost and timing of individual events.

As of 31 December 2021, capital commitments under the contracts entered by the Group under the investment plan amounted to 100.950.878 thousand tenge (31 December 2020: 82.980.915 thousand tenge).

In 2020-2021, due to the unstable epidemiological situation and the introduction of sanitary measures almost everywhere, it was objectively difficult to organize and ensure the timely completion of construction and installation works in full, as part of the capital investment plan.

Due to the fact that a significant part of open contracts is equipment purchased outside the Republic of Kazakhstan, the pace of production and logistics was negatively affected by the reduction in shifts and the limitation of the number of personnel at manufacturing plants, which leads to a delay in the supply of basic power equipment and, accordingly, the timing of contractual obligations of a capital nature. In addition, there is a possibility of fluctuations in the value of contractual obligations, the main reason for which is the impact of a possible change in the exchange rates of the national currency.

Activity regulation

Tariffs for the transmission of electric energy and technical dispatching of supply to the network and consumption of electric energy and organization of balancing the production and consumption of electric energy

The company provided regulated services from January 1 to September 30, 2021, at the following tariffs:

- for the transmission of electricity in the amount of 2.448 tenge per kWh (excluding VAT);
- for technical dispatching of supply to the grid and consumption of electric energy in the amount of 0.264 tenge per kWh (excluding VAT);
- organization of balancing the production and consumption of electricity in the amount of 0.086 tenge per kWh (excluding VAT).

These tariffs on regulated services of KEGOC JSC are determined in accordance with requirements of paragraph 3 of Article 15 of the Law of the Republic of Kazakhstan "On natural monopolies", in accordance with which the funds allocated for the implementation of the approved investment program (amortized contributions and profits) are excluded from the current approved tariff for 2020, with the exception of fund used to repay the principal amount of loans raised for the implementation of investment program.

29. COMMITMENTS AND CONTINGENCIES (continued)

Activity regulation (continued)

In accordance with order #79-OD of the Committee for the Regulation of Natural monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated August 16, 2021, the following tariffs were approved:

1) transmission of electric energy:
   - from 1 October 2021 to 30 September 2022 – 2.797 tenge/kWh (excluding VAT);
   - from 1 October 2022 to 30 September 2023 – 2.848 tenge/kWh (excluding VAT);
   - from 1 October 2023 to 30 September 2024 – 3.004 tenge/kWh (excluding VAT);
   - from 1 October 2024 to 30 September 2025 – 3.106 tenge/kWh (excluding VAT);
   - from 1 October 2025 to 30 September 2026 – 3.134 tenge/kWh (excluding VAT).
2) technical dispatching of supply to the grid and consumption of electric energy:
   - from 1 October 2021 to 30 September 2022 – 0.306 tenge/kWh (excluding VAT);
   - from 1 October 2022 to 30 September 2023 – 0.314 tenge/kWh (excluding VAT);
   - from 1 October 2023 to 30 September 2024 – 0.333 tenge/kWh (excluding VAT);
   - from 1 October 2024 to 30 September 2025 – 0.348 tenge/kWh (excluding VAT);
   - from 1 October 2025 to 30 September 2026 – 0.355 tenge/kWh (excluding VAT).
3) organization of balancing of production and consumption of electric energy:
   - from 1 October 2021 to 30 September 2022 – 0.098 tenge/kWh (excluding VAT);
   - from 1 October 2022 to 30 September 2023 – 0.102 tenge/kWh (excluding VAT);
   - from 1 October 2023 to 30 September 2024 – 0.105 tenge/kWh (excluding VAT);
   - from 1 October 2024 to 30 September 2025 – 0.108 tenge/kWh (excluding VAT);
   - from 1 October 2025 to 30 September 2026 – 0.110 tenge/kWh (excluding VAT).

30. SUBSEQUENT EVENTS

Events in the Republic of Kazakhstan

In January 2022, protests of the population began in the Mangistau region, provoked by an increase in fuel gas prices, which then spread to other regions of Kazakhstan. During the protests, several social and economic demands were put forward. Even though the Government took a set of measures to respond to the demands of the population, including lowering fuel gas prices, the protests, as a result, turned into social unrest, during which the buildings of municipalities (“akimats”) and law enforcement agencies were seized and destroyed. The main events and protests took place in the city of Almaty and the southern regions of the country.

As a result, a state of emergency was declared on January 5, 2022, which lasted until January 19, 2022. During the state of emergency, restrictions were imposed on communications (Internet and telecommunications) and the movement of both people and vehicles, including rail and air travel. At present, the situation in all regions of the country has stabilized, the state of emergency has been lifted. Engineering communications and life support systems have been fully restored, restrictions on communication and movement of both people and vehicles have been lifted.

The events did not have a significant impact on the Group's activities, however, social tensions persist in the country, and it is impossible to predict the further development of events and their impact on the Company's activities.

At the same time, during 2022, the Company expects an increase in expenses related to wages.

World events

On February 24, 2022, Russian President Vladimir Putin issued an appeal on the start of a “special military operation in Ukraine.” After the introduction of troops into the territory of Ukraine, the countries of the world, in particular the European Union and the United States, introduced a package of economic sanctions to prevent the further advance of Russian troops into Ukraine. The military operation and economic sanctions affected the exchange rate of the ruble, which weakened against the main world currencies by more than 40% and shows strong volatility over the entire period of the "military operation". Considering the significant economic relationship between Russia and Kazakhstan, the tenge also depreciated against world currencies by more than 15% and, as of March 18, 2022, amounted to 506.14 tenge per 1 US dollar.

The introduction of restrictive measures for the Russian financial market, as well as the oil and gas industry and the extractive industry, has already affected the rise in prices for energy resources and metals on world markets. At the moment, it is difficult to predict the impact of recent events in connection with the military operation on the global economy, and in particular on the economy of Kazakhstan, and the activities of the Group.

Kazakhstan Electricity Grid Operating Company JSC

Consolidated financial statements

As at and for the year ended 31 December 2020
with independent auditor’s report

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

In thousands of Tenge	**Notes**	**31 December 2020**	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	6	**652,478,444**	651,570,990
Intangible assets		**3,327,999**	1,411,900
Advances paid for non-current assets	6	**4,126,292**	1,485,220
Deferred tax asset	26	**159,652**	53,436
Investments in associate	7	**2,017,593**	1,862,241
Long-term receivables from related parties	27	**742,477**	840,324
Other financial assets, non-current portion	11	**32,340,094**	1,951,795
		695,192,551	659,175,906
Current assets			
Inventories	8	**2,549,293**	2,134,157
Trade accounts receivable	9	**28,603,307**	21,901,834
VAT recoverable and other prepaid taxes		**477,893**	698,928
Prepaid income tax		**1,017,708**	922,475
Other current assets	10	**2,945,237**	739,483
Other financial assets, current portion	11	**58,801,720**	45,260,710
Restricted cash	12	**552,586**	4,274,085
Cash and cash equivalents	13	**21,867,205**	21,179,282
		116,814,949	97,110,954
Assets held for transfer		**5,126**	700,861
Total assets		**812,012,626**	756,987,721

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Notes	31 December 2020	31 December 2019
Equity and liabilities			
Equity			
Share capital	14	**126,799,554**	126,799,554
Treasury shares	14	**(930)**	(930)
Asset revaluation reserve	14	**309,836,582**	310,369,243
Retained earnings		**65,921,264**	44,670,157
		502,556,470	481,838,024
Non-current liabilities			
Borrowings, non-current portion	15	**49,843,453**	56,925,610
Bonds payable, non-current portion	16	**92,717,685**	83,671,184
Deferred tax liability	26	**89,323,835**	89,995,249
Long-term trade payable	17	**7,651,017**	–
Government grant, non-current portion		**29,113**	59,543
Lease liability, non-current portion	27	**99,406**	156,661
Other payables, non-current portion		**102,412**	-
		239,766,921	230,808,247
Current liabilities			
Borrowings, current portion	15	**14,334,439**	6,083,377
Bonds payable, current portion	16	**4,138,458**	3,645,344
Trade and other accounts payable, current portion	17	**40,884,883**	23,389,482
Construction obligation	18	**-**	683,430
Contract liabilities		**3,336,881**	2,167,885
Government grant, current portion		**30,430**	30,430
Lease liability, current portion	27	**462,359**	262,882
Taxes payable other than income tax	19	**2,028,506**	3,371,344
Income tax payable		**52,818**	723,620
Dividends payable		**-**	56
Other current liabilities	20	**4,420,461**	3,983,600
		69,689,235	44,341,450
Total liabilities		**309,456,156**	275,149,697
Total equity and liabilities		**812,012,626**	756,987,721
Book value per ordinary share (in Tenge)	14	**1,920**	1,848

Acting chairman of the Management Board ____________ *Bolabekov A.T.*

Chief Accountant ____________ *Mukanova D.T.*

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

In thousands of Tenge	Notes	2020	2019
Revenue from contracts with customers	21	**350,659,551**	263,162,073
Cost of sales	22	**(267,056,968)**	(200,256,677)
Gross profit		**83,602,583**	62,905,396
General and administrative expenses	23	**(8,309,669)**	(8,834,207)
Selling expenses		**(364,084)**	(382,278)
(Loss from) / reversal of impairment of property, plant and equipment	6	**(19,210)**	28,364
Operating profit		**74,909,620**	53,717,275
Finance income	24	**7,146,006**	4,171,530
Finance costs	24	**(11,205,980)**	(9,200,695)
Foreign exchange (loss)/gain, net	25	**(5,309,688)**	469,129
Share in profit of an associate	7	**358,447**	774,374
Accrual of provision for expected credit losses	9, 10, 11, 12, 13	**(458,445)**	(134,370)
Other income		**930,872**	724,097
Other expenses		**(622,600)**	(250,366)
Profit before tax		**65,748,232**	50,270,974
Income tax expense	26	**(12,282,961)**	(9,522,004)
Profit for the year		**53,465,271**	40,748,970
Earnings per share			
Basic and diluted profit for the year attributable to common shareholders of the parent (in Tenge)	14	**205.64**	156.73

Acting chairman of the Management Board ______________ Botabekov A.T.

Chief Accountant ______________ Mukanova D.T.

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

In thousands of Tenge	Notes	2020	2019
Operating activities			
Profit before tax		**65,748,232**	50,270,974
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation		**34,076,993**	34,348,949
Finance costs	24	**11,205,980**	9,200,695
Finance income	24	**(7,146,006)**	(4,171,530)
Foreign exchange loss/(gain), net	25	**5,309,688**	(469,129)
Accrual of provision for expected credit losses		**458,445**	134,370
Accrual of allowance for obsolete inventories	23	**57,028**	67,532
Loss from disposal of property, plant and equipment and intangible assets		**372,695**	108,015
Loss from / (reversal) of property, plant and equipment	6	**19,210**	(28,364)
Share in profit of an associate	7	**(358,447)**	(774,374)
Income from government grants		**(30,430)**	(58,305)
Working capital adjustments			
Change in inventories		**(472,164)**	89,689
Change in trade accounts receivable		**(7,404,216)**	(12,725,280)
Change in other current assets		**(2,325,816)**	(255,298)
Change in VAT recoverable and other prepaid taxes		**221,035**	93,006
Change in trade and other accounts payable		**16,526,787**	8,617,459
Change in contract liabilities		**1,168,996**	433,215
Change in other non-current liabilities		**102,412**	–
Change in taxes payable other than income tax		**(1,237,193)**	1,229,811
Change in other current liabilities		**142,312**	472,010
Cash flows from operating activities		**116,435,541**	86,583,445
Interest paid		**(2,093,727)**	(2,536,865)
Coupon interest paid		**(8,460,500)**	(8,687,000)
Lease interest paid		**(87,769)**	(52,601)
Bank guarantee commission paid		**(966,986)**	(894,908)
Income tax paid		**(13,529,672)**	(8,093,869)
Interest received		**5,405,063**	3,380,005
Net cash flows received from operating activities		**96,701,950**	69,698,207

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Notes	2020	2019
Investing activities			
Withdrawal of bank deposits		**40,103,448**	31,924,115
Replenishment of bank deposits		**(48,792,359)**	(32,329,832)
Change in restricted cash		**4,238,713**	(9,352)
Gain from sale of property, plant and equipment and intangible assets		**196,498**	196,498
Purchase of property, plant, equipment		**(30,376,834)**	(24,541,643)
Purchase of intangible assets		**(51,273)**	(177,828)
Acquisition of debt securities (National bank notes, bills of Ministry of Finance of the Republic of Kazakhstan)		**(117,199,634)**	(8,459,310)
Redemption of debt securities (National bank notes, bills of Ministry of Finance of the Republic of Kazakhstan)		**85,659,159**	7,953,341
Repurchase of DSFK bonds by the issuer	11	**67,980**	22,141
Partial return of funds from Kazinvestbank JSC and Eximbank Kazakhstan JSC		**358,558**	95,075
Repayment of loans to employees		**564**	2,092
Dividends from an associate	7	**-**	20,000
Net cash flows used in investing activities		**(65,795,180)**	(25,304,703)
Financing activities			
Issue of bonds		**9,032,407**	–
Dividends paid		**(32,746,767)**	(31,644,640)
Repayment of borrowings		**(6,574,597)**	(10,517,957)
Principal repayment of lease liability		**(400,692)**	(47,420)
Net cash flows used in financing activities		**(30,689,649)**	(42,210,017)
Net change in cash and cash equivalents		**217,120**	2,183,487
Effect of exchange rate changes on cash and cash equivalents		**460,732**	(54,765)
Effect of accrual of provision on expected credit losses on cash and cash equivalents	13	**10,071**	(10,140)
Cash and cash equivalents, as at 1 January		**21,179,282**	19,060,700
Cash and cash equivalents, as at 31 December	13	**21,867,205**	21,179,282

Acting chairman of the Management Board _______________ *Botabekov A.T.*

Chief Accountant _______________ *Mukanova D.T.*

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

In thousands of Tenge	Share capital	Asset revaluation reserve	Treasury shares	Other reserves	Retained earnings	Total
As at 1 January 2019	126,799,554	310,840,187	(930)	(37,081)	35,092,074	472,693,804
Profit for the year	–	–	–	–	40,748,970	40,748,970
Total comprehensive income	–	–	–	–	40,748,970	40,748,970
Dividends *(Note 14)*	–	–	–	–	(31,641,831)	(31,641,831)
Amortization of provision for bonds	–	–	–	37,081	–	37,081
Transfer of asset revaluation reserve *(Note 14)*	–	(470,944)	–	–	470,944	–
As at 31 December 2019	126,799,554	310,369,243	(930)	–	44,670,157	481,838,024
Profit for the year	–	–	–	–	**53,465,271**	**53,465,271**
Total comprehensive income	–	–	–	–	**53,465,271**	**53,465,271**
Dividends *(Note 14)*	–	–	–	–	**(32,746,825)**	**(32,746,825)**
Transfer of asset revaluation reserve *(Note 14)*	–	**(532,661)**	–	–	**532,661**	–
As at 31 December 2020	**126,799,554**	**309,836,582**	**(930)**	–	**65,921,264**	**502,556,470**

Acting chairman of the Management Board

Botabekov A.T.

Chief Accountant

Mukanova D.T.

The accounting policies and explanatory notes on pages 7 to 50 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Kazakhstan Electricity Grid Operating Company JSC ("the Company" or "KEGOC") was established in accordance with the Government Resolution of the Republic of Kazakhstan No. 1188 dated 28 September 1996 by transferring of some assets of the former National Energy System "Kazakhstanenergo".

As at 31 December 2020 the Company's major shareholder was Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

In 2014 the Company placed 10 percent minus one share on the Kazakhstan Stock Exchange.

KEGOC is the national Company, which provides electricity transmission, dispatch and electricity production-consumption balancing services in Kazakhstan. As the state-appointed system operator, the Company provides centralized dispatching control, ensures parallel work with energy systems of other countries, maintains the balance in energy system, provides system services and acquires auxiliary services from wholesale entities at energy market, as well as transmits electricity through unified power system (the "NES"), ensures its technical support and maintenance. The NES consists of substations, distribution devices, interregional and international power transmission lines which provide the output of electricity of electrical stations with the voltage of 220 kW and more.

As of 31 December 2020 and 31 December 2019 the Company has stakes in the following companies:

Companies	Activities	Percentage of ownership **31 December 2020**	 31 December 2019
Energoinform JSC	Maintenance of the KEGOC's IT system	**100%**	100%
Accounting and Finance Center for the support of renewable energy resources LLP (hereafter "RFC" LLP)	Centralised sales and purchase of electricity produced by energy producers using renewable energy sources and delivery into the electricity grid of the Republic of Kazakhstan; purchase of services to ensure readiness of electricity capacity to bear the power load and centralised provision of services to ensure the readiness of electricity capacity to bear the power load on capacity market.	**100%**	100%

The Company and its subsidiaries are hereafter referred as the "Group".

For management purposes, the Group's activities are organized into business units based on their services, and has three reportable operating segments, as follows *(Note 5)*:

- *Electricity transmission and related support.* Electricity transmission is regulated by the Law of the Republic of Kazakhstan dated 9 July 1998 No. 272-I *On Natural Monopolies and Regulated Markets* (the "Law") as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan (the "Committee").

- *Ensure readiness of electricity capacity to bear the power load.* From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the reliability of the power system of the Republic of Kazakhstan. Balance reliability refers to the ability of a power system to meet consumer demand for electricity at any given time.

- *Sale of purchased electricity.* The sale of purchased electricity segment includes the renewable energy sector (hereinafter − "RES") created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV *On Supporting the Use of Renewable Energy Sources*.

The Company's registered office is located at 59 Tauelsyzdyk Ave., Nur-Sultan, Z00T2D0, the Republic of Kazakhstan.

These consolidated financial statements were approved by the Acting chairman of the Management Board and Chief Accountant of the Company on 26 February 2021.

2. BASIS OF PREPARATION

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

These consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment, which are stated at revalued amounts and financial assets measured at fair value as described in the accounting policies and notes to these consolidated financial statements. The consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" or "KZT") and all values are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the following term apply:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments adopted to the existing standards and interpretations adopted by the Company for the first time

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

In 2020, the Group first applied the amendments and clarifications below, but they did not have an impact on its consolidated financial statements.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted to the existing standards and interpretations adopted by the Company for the first time (continued)

Amendments to IFRS 3: Definition of a Business

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

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

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

Amendments to IAS 1 and IAS 8: Definition of Material

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

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

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

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

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions − amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Current versus non-current classification

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

The Group measures financial instruments, such as financial assets measured at fair value at each reporting date, and non-financial assets (NES assets) at fair value when fair value differs materially from their carrying value. Also, fair values of financial instruments measured at amortized cost are disclosed in *Note 28*.

Fair value is the price that would be received from sale of 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 by the Group. 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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) market 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 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Group's finance management determines the policies and procedures for both recurring fair value measurement, such as NES assets and unquoted trading financial assets, and for non-recurring measurement, if any.

External valuers are involved for valuation of NES assets. Involvement of external valuers is decided upon annually by the finance management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The finance management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

At each reporting date, the finance management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the finance management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The finance management, in conjunction with the Group's external values, also compares each the changes in the fair value of each asset of revalued class of property, plant and equipment in accordance with Group accounting policy with relevant external sources to determine whether the change is reasonable.

The finance management and external values discusses the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currency transactions

The Group's consolidated financial statements are presented in Tenge ("KZT"), which is also the Group's parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are recognized in consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of 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 is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Exchange rates for foreign currencies in which the Group had significant transactions are represented as follows:

Exchange rate as at the end of the year (to KZT)	**31 December 2020**	31 December 2019
USD 1	**420.91**	382.59
EUR 1	**516.79**	429.00
RUB 1	**5.62**	6.16

Average exchange rate for the year (to KZT)	**31 December 2020**	31 December 2019
USD 1	**412.95**	382.87
EUR 1	**471.44**	428.63
RUB 1	**5.73**	5.92

Property, plant and equipment

Property, plant and equipment, except for NES assets, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

NES assets are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation reserve is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in consolidated statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation is computed on a straight-line basis over the estimated useful lives set out in the following table:

Buildings	60 years
NES assets	
Power transmission lines	50 years
Constructions	10-30 years
Machinery and equipment	12-30 years
Vehicles and other property, plant and equipment	
Other machinery and equipment	7-25 years
Vehicles	11 years
Computers and other data processing equipment	4-10 years
Furniture	7 years
Other property, plant and equipment	3-15 years

Land is not depreciated.

The useful lives and residual values of property, plant and equipment are reviewed annually and, where applicable, adjustments are made on a prospective basis.

If expectations differ from previous estimates, the changes are accounted for 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 amounts of the carrying amount of property, plant and equipment and on depreciation expenses recognized in the consolidated statement of comprehensive income.

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

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets of the Group, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit and loss in the period in which expenditure is incurred.

Intangible assets of the Group consist primarily of licenses and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 3 to 20 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At each reporting date, the Group assesses 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 Group 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 to sell and its value in use. 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.

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 to sell, 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 Group bases its impairment calculation on value in use, 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 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations (including impairment on inventories) are recognised in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for NES assets previously revalued with the revaluation taken to OCI. For such assets, the impairment is recognized in OCI up to the amount of any previous revaluation. For assets previously impaired, except for goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group 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 recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation surplus.

Investments in an associate

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

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

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognized its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in an associate (continued)

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

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

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

The Group's financial assets include cash and cash equivalents, short-term and long-term deposits, restricted cash, other financial assets, trade and other accounts receivable, quoted and unquoted financial instruments.

Financial assets at initial recognition are classified as financial assets measured at amortized cost; financial assets measured at fair value through profit or loss; financial assets measured at fair value through other comprehensive income.

A financial asset is measured at amortized cost if two criteria are met:

1) The purpose of the business model is to hold a financial asset to receive all contractual cash flows; and

2) Contractual cash flows are represented only by interest payments and principal debt. The fee is a payment for the time value of money and the credit risk associated with the principal debt to maturity in a certain period of time.

If at least one of the above criteria is not met, the financial asset is measured at fair value.

The Group's financial assets not carried at amortized cost are stated at fair value.

A financial asset is measured at fair value through other comprehensive income if two criteria are met:

1) The purpose of the business model is to hold a financial asset both for obtaining all contractual cash flows and for selling a financial asset; and

2) Contractual cash flows are represented only by interest payments and principal debt. The fee is a payment for the time value of money and the credit risk associated with the principal debt to maturity in a certain period of time.

The Group accounts for financial assets at fair value through profit or loss, except when they are carried at amortized cost or at fair value through other comprehensive income.

Subsequent measurement

Subsequently, financial assets are measured at amortized or fair value through other comprehensive income, or through profit or loss, based on the business model of the Group for the Management of Financial Assets. The business model is determined by the management of the Group.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement (continued)

Financial assets (continued)

Derecognition (continued)

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

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

Recognition of expected credit loss

The Group recognizes the estimated provision for expected credit losses on financial assets measured at amortized cost and fair value through other comprehensive income in an amount equal to expected credit losses for the entire period, if the credit loss has increased significantly since initial recognition. The Group does not reduce the carrying amount of a financial asset at fair value through other comprehensive income but recognizes estimated provision in other comprehensive income.

In determining whether there has been a significant increase in the credit risk of a financial asset since its initial recognition, the Group focuses on changes in the risk of a default occurring over the life of the loan instrument, and not on changes in the amount of expected credit losses.

If the terms and conditions of the cash flows of a financial asset stipulated by the agreement have been revised or modified and the recognition of the financial asset has not been terminated, the Group assesses whether the credit risk of the financial instrument has changed significantly by comparing the following:

1) Risk assessment of default as of the reporting date (based on modified contractual terms);

2) Risk assessment of default upon initial recognition (based on the initial unmodified contractual terms).

If there is no significant increase in credit risk, the Group recognizes an allowance for losses on a financial asset in the amount equal to 12-month expected credit losses, with the exception of:

1) Acquired or created credit-impaired financial assets;

2) Trade receivables or contractual assets arising from transactions that are within the scope of IFRS 15 *Revenue from Contracts with Customers*; and

3) Lease receivables.

For financial assets referred to in paragraphs (1) to (3), the Group estimates the provision for losses in the amount of expected credit losses for the entire term.

If in the previous reporting period the Group estimated the estimated provision for losses on a financial instrument in an amount equal to expected credit losses for the entire term, but as of the current reporting date determines that there is no significant increase in credit risk, then at the current reporting date the Group should evaluate the estimated a provision equal to 12-month expected credit losses.

The Group recognizes, as profit or loss from impairment, the amount necessary to adjust the estimated provision for losses to the amount of expected credit losses as at the reporting date.

For acquired or created credit-impaired financial assets, the Group recognizes favorable changes in expected credit losses for the whole term as a recovery of impairment losses, even if the expected credit losses for the whole period are less than the expected credit losses that were included in the estimated cash flows at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement (continued)

Financial assets (continued)

Measurement of expected credit loss

The Group estimates expected credit losses for a financial instrument in a manner that reflects:

1) An unbiased and probability-weighted amount determined by assessing the range of possible results;

2) The time value of money;

3) Reasonable and confirmed information about past events, current conditions and projected future economic conditions available at the reporting date.

The maximum period considered in assessing expected credit losses is the maximum period under the contract (including extension options) during which the Group is exposed to credit risk.

For financial instruments that include both a loan and an unused component of the loan obligation, the Group's contractual ability to request repayment of the loan and annual the unused component of the loan obligation does not limit the Group's exposure to credit loss risk by the contractual deadline for notifying. For such financial instruments, the Group estimates credit losses for the entire period of exposure to credit risk, and expected credit losses will not be reduced as a result of the Group's activities in managing credit risks, even if such a period exceeds the maximum period under the contract.

To achieve the goal of recognizing expected credit losses over the entire term arising from a significant increase in credit risk since initial recognition, it may be necessary to assess a significant increase in credit risk on a group basis, for example, by analysing information indicating a significant increase in credit risk for a group or subgroup of financial instruments. This ensures that the Group achieves the goal of recognizing expected credit losses for the entire period in the event of a significant increase in credit risk, even if confirmation of such a significant increase in credit risk at the level of an individual instrument is not yet available.

Financial liabilities

Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, and bonds issued.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

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 fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income.

Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments

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

Inventory

Inventories are accounted for on a FIFO basis.

Inventories are valued at the lower of cost and net realizable value.

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.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity till 3 (three) months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Restricted cash

In accordance with loan agreements on projects financing signed with International Bank for Reconstruction and Development (the “IBRD”) and European Bank for Reconstruction and Development (the “EBRD”), the Group opened bank escrow accounts, necessary for debt service. Cash, held on these bank accounts, can be used exclusively for the purposes of planned payments on interest and principal loan amounts. If cash is restricted in use for the period not exceeding 12 (twelve) months from the reporting date, such cash is treated as current asset and an appropriate disclosure is provided in the notes to the consolidated financial statements. If cash is restricted in use for the period exceeding 12 (twelve) months from the reporting date, such cash is reflected within non-current assets.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group 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 any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Group recognizes revenue to reflect the provision of promised services to consumers in the amount of compensation that the Group expects to be entitled to receive in exchange for goods or services.

The Group, when recognizing revenue, takes the following steps:

1) Identification of the contract with the consumer;
2) Identification of the obligation to be executed under the contract;
3) Determination of transaction price;
4) Distribution of the transaction price between certain duties to be performed under the contract;
5) Recognition of proceeds at the time of (or as far as) the performance of the obligations to be performed under the contract.

Revenue from rendering of services is recognized by reference to the stage of completion. The Group receives its revenue from rendering of transmission services of electricity from power generators to wholesale and major customers, technical dispatching of the input of electricity into the energy system and consumption of electricity, organization of balancing of electricity producing and consumption and ensuring a contractual power supply with energy systems of neighbouring countries and other.

Tariffs for services of electricity transmission, technical dispatch, organization of balancing of production/consumption of electricity are approved by the Committee.

Revenues from providing a contractual power supply with energy systems of neighbouring countries are recognised in accordance with terms of contracts conducted on the basis of Agreement between the Government of Republic of Kazakhstan and Russian Federation *On Measures Securing Parallel Operation of Unified Power Systems of the Republic of Kazakhstan and Russian Federation*.

Also, from 1 January 2019, with the launch of the capacity market in the Republic of Kazakhstan, the Group provides services to ensure the readiness of electricity capacity to bear the power load. Revenues from the provision of services to ensure the readiness of electricity capacity to bear the power load are recognized monthly based on the volume of services rendered. The volume of the service for ensuring the readiness of electric power to bear the power load for each specific buyer is the maximum, for the respective month, electric power consumption, indicated in the act on the actual maximum volume of electric power consumption for a month.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the consolidated statement of comprehensive income.

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 they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

The Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Pension obligations

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees' salaries, but no more than KZT 212,500 per month (2019: KZT 212,500) to accumulative pension funds. Pension fund payments are withheld from employees' salaries and included with payroll expenses in the consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

Current income tax

Current income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. 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 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

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 asset to be utilised. Unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset 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 recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividends

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

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed in the consolidated financial statements unless the possibility of any outflow in settlement is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures, and the disclosure of contingent liabilities and assets. 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.

Estimates and assumptions

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 described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment

The Group performed revaluation of NES assets as at 1 October 2018. The Group engaged Deloitte TSF LLP, an accredited independent appraiser, to assess the fair value of the NES assets.

The revalued NES assets represent one class of assets according to IFRS 13, based on the nature, characteristics and risk of the property. Input data for determining the fair value of NES assets refer to Level 3 in the fair value hierarchy (unobservable inputs).

After 2017, the Committee approved an increase in tariffs for electricity transmission services, technical dispatching and balancing the production and consumption of electricity. Higher tariffs resulted in the revaluation surplus on certain assets credited to other comprehensive income in the amount of KZT 113,259,316 thousand, and respective deferred tax liability in the amount of KZT 22,651,864 thousand and revaluation gain amounting to KZT 3,342,507 thousand was credited to profit and loss to the extent of revaluation deficit recognized in these assets in prior periods.

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

Revaluation of property, plant and equipment (continued)

Fair value of NES assets was determined by using the cost approach. The cost approach has been used due to highly specialized nature of the assets and because there is no history of such assets ever being sold. Within cost approach, the method of determining the replacement cost or the cost of reproduction was used to calculate the total cost of replacement of fixed assets less all types of accumulated depreciation, as well as the method of calculation by analogues, the method of specific indicators and the method of indexation of past costs.

The appraised current replacement cost has been further compared to the recoverable amount identified based on the discounted cash flow model. The cash flows are derived from the budget for the next five (5) years.

As a result of the assessment, the amount of KZT 527,147,904 thousand was recognised as a fair value of NES assets as of 1 October 2018.

In assessment of the fair value in 2018 the following main assumptions have been applied:

Discount rate (WACC)	11.82%
Long term growth rate	3.6%
Remaining useful life of the primary asset	40 years

An increase in the discount rate by 0.5% or a reduction in long term growth rate by 0.5% would result in a decrease in the fair value of Group's property, plant and equipment for approximately KZT 40,116,819 thousand or KZT 26,219,011 thousand, respectively.

At each reporting date, the Group assesses whether there is any difference between the carrying amount of NES assets from that which was determined using fair values at the reporting date. As of 31 December 2020, and 31 December 2019, the management of the Group revised its estimates in relation to the fair value of its NES assets by calculating the actual replacement cost of the NES assets excluding all types of accumulated depreciation. As a result, the management of the Group has concluded that there has been no significant change in the fair value of NES assets as at 31 December 2020 and 31 December 2019 from the date of the last revaluation in 2018. As a result, the Group concluded that the carrying amount of NES assets as of 31 December 2020 does not significantly differ from their fair value.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and benefit already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

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

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

Fair value of financial instruments (continued)

Bonds DSFK

On 28 December 2017, in accordance with the Decree of the Government of the Republic of Kazakhstan dated 7 November 2017, the Group acquired bonds of Special Financial Company DSFK LLP ("DSFK bonds") using the funds placed with RBK Bank JSC ("RBK Bank"). The nominal value of deposits placed with RBK Bank before the transaction was KZT 1,498,249 thousand. DSFK bonds carry coupon interest of 0.01% per annum (paid annually) and mature in 15 years. The bonds are secured by a financial guarantee of Kazakhmys Corporation LLP of KZT 411,883 thousand. The guarantee is exercisable upon request of the Group not earlier than the fifth anniversary after the inception of the bonds.

Management of the Group believes that at 31 December 2020 DSFK bonds are non-recoverable. Accordingly, management of the Group believes that fair value of DSFK bonds is limited to their recoverable amount that is equal to the fair value of the guarantee. The Group does not hold the bonds for all contractual cash flows, so as at 31 December 2020, the bonds were classified as financial instruments at fair value through profit or loss. As at 31 December 2020, the Group revalued the fair value of the bonds at a discount rate of 11.2%, which represents the market discount rate as at 31 December 2020.

Samruk-Kazyna Bonds

On 30 March 2020, the Group purchased 25,927,008 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange. The bonds are valid until 19 April 2021. The bonds were classified at amortized cost and were initially recognized at fair value using discount rate of 12.5%.

On 3 December 2020, the Group purchased 16,000,000 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange. The bond circulation period is 3 December 2023. The bond were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

On 7 December 2020, the Group purchased 14,000,000 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit from Freedom Finance JSC. The bond circulation is 3 December 2023. The bonds were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

Purchase and sale of electricity generated by renewable energy facilities

In order to create conditions for the development of the renewable energy sector (hereinafter − "RES"), the Government of the Republic of Kazakhstan adopted a mechanism of state support based on the introduction of a centralized purchase by a single buyer − "RFC" LLP of electricity produced by renewable energy facilities. The activities of the "RFC" LLP are regulated by the Law of the Republic of Kazakhstan *On Supporting the Use of Renewable Energy Sources*.

After analysing the contracts for the purchase and sale of electricity generated by renewable energy facilities, the Group's management made significant judgment that the Group momentarily obtains control over the electricity generated by renewable energy facilities and transfers it to customers. The management of the Group believes that buyers consider the Group as the party that bears the main responsibility for the implementation of the contract for the sale of electricity produced by renewable energy facilities, since the Group is obliged to supply the agreed amount of electricity, while all expenses for balancing production and consumption of electricity and technological losses are incurred by the Group.

Moreover, contracts for the purchase of electricity generated by renewable energy facilities are concluded by the Group for a period of 15 years, that is, the Group has the long-term obligation to purchase electricity for the electricity generated by renewable energy facilities wherein contracts with customers are signed for a period of one year.

Therefore, the Group Management determined that the Group is a principal in the sale of electricity generated by renewable energy facilities, and the Group recognizes revenue in the gross amount to which the entity expects to be entitled.

Determination of the lease component in renewable energy purchase agreements

A subsidiary of the Group, RFC has entered into long-term contracts for the purchase of electricity produced at power plants using renewable energy sources (hereinafter referred to as "RES power stations"). According to these agreements, the RFC has the right to receive almost all economic benefits from the use of a renewable energy plant during the period of use, defined as the 15-year period of validity of purchase agreements. The RFC purchases the entire amount of electricity produced at these renewable energy plants. Renewable energy purchase agreements provide for fixed tariffs in Tenge for each kWh of electricity generated at renewable energy plants.

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

Determination of the lease component in renewable energy purchase agreements (continued)

Therefore, the Group's management determined that renewable energy purchase agreements contain a lease component in accordance with IFRS 16. However, the Group's management cannot reliably estimate the amount of electricity due to high fluctuations in the volumes of production that will be generated at each specific power plant, as the nature of the renewable energy business depends to a large extent on external factors such as weather conditions. Accordingly, the management of the Group was not able to reliably assess lease liability (and, accordingly, right of use asset).

Estimated provision for expected credit losses on receivables

The Group uses the estimated reserves matrix to calculate the ECL for receivables. Valuation reserve rates are set depending on the number of days of delay in payment for groups of different customer segments with similar loss characteristics (i.e., by geographic region, product type, type and rating of customers, collateral by letters of credit and other forms of credit risk insurance).

Initially, observable data on the occurrence of defaults in past periods underlies in the basis of the estimated reserves matrix. The Group will update the matrix to adjust past experience with credit losses, considering forward-looking information. At each reporting date, the observed default level data in previous periods are updated and changes in forecast estimates are analyzed.

The assessment of relationship between historical observed default levels, forecasted economic conditions, and ECL is a significant estimate. The value of the ECL is sensitive to changes in circumstances and projected economic conditions. Past experience of occurrence of credit losses and the forecast of economic conditions may also not be indicative of actual default of the buyer in the future.

5. OPERATING SEGMENTS INFORMATION

Geographic information

Revenues from external customers based on the geographic locations of the customers represent the following:

In thousands of Tenge	**2020**	2019
Revenue from Kazakhstan customers	**333,105,023**	247,186,271
Revenue from Russian customers	**16,579,111**	15,245,821
Revenue from Uzbekistan customers	**954,342**	708,465
Revenue from Kyrgys customers	**21,075**	21,516
Total revenue per consolidated statement of comprehensive income	**350,659,551**	263,162,073

Management analyses the Group's revenue and profit before tax determined in accordance with IFRS.

For the year ended 31 December 2020 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to KZT 57,496,342 thousand, arising from electricity transmission and the provision of related support, ensuring the readiness of electric power to bear the load, as well as the sale of purchased electricity (for the year ended 31 December 2019: KZT 38,464,643 thousand).

Operating segments

For management purposes, the Group's activities are organized into business units based on their services, and has three reportable operating segments, as follows:

- *Electricity transmission and related support*. Electricity transmission is regulated by the Law as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee.
- *Ensure readiness of electricity capacity to bear the power load*. From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the reliability of the power system of the Republic of Kazakhstan. Balance reliability refers to the ability of a power system to meet consumer demand for electricity at any given time.
- *Sale of purchased electricity*. The sale of purchased electricity segment includes the renewable energy sector (hereinafter − "RES") created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV *On Supporting the Use of Renewable Energy Sources*.

5. OPERATING SEGMENTS INFORMATION (continued)

Operating segments (continued)

	For the year ended 31 December 2020					
In thousands of Tenge	Electricity transmission and related support services	Ensure readiness of electricity capacity to bear the power load	Sale of purchased electricity	Other	Elimination	Total
Revenue from sales to external customers	178,298,630	84,384,233	87,177,756	798,932	–	350,659,551
Revenue from sales to other segments	249,262	4,569,012	1,448	4,728,576	(9,548,298)	–
Total revenue	178,547,892	88,953,245	87,179,204	5,527,508	(9,548,298)	350,659,551
Gross profit	71,912,504	8,570,187	2,176,959	1,506,179	(563,246)	83,602,583
General and administrative expenses	(7,924,511)	(381,775)	(173,837)	(573,558)	744,012	(8,309,669)
Selling expenses	(391,066)	–	–	–	26,982	(364,084)
Finance income	6,245,387	1,358,572	307,194	52,554	(817,701)	7,146,006
Finance costs	(11,200,196)	(5,784)	–	–	–	(11,205,980)
Share in profit of an associate	358,447	–	–	–	–	358,447
Foreign exchange loss, net	(5,304,463)	–	–	(5,225)	–	(5,309,688)
Income tax expense	(9,912,348)	(1,745,646)	(436,412)	(188,555)	–	(12,282,961)
Profit/(loss) for the reporting period	44,257,239	7,380,159	1,845,040	806,869	(824,036)	53,465,271
Total net income/(loss)	44,257,239	7,380,159	1,845,040	806,869	(824,036)	53,465,271
Other segment information						
Total segment assets	763,557,223	27,623,419	19,195,936	5,291,404	(3,655,356)	812,012,626
Total segment liabilities	282,879,191	14,084,196	13,000,797	1,443,216	(1,951,244)	309,456,156
Accrual of expected credit losses for doubtful debts	(467,868)	(368,624)	(114,611)	16,582	–	(934,521)
Investments in an associate	2,017,593	–	–	–	–	2,017,593

5. OPERATING SEGMENTS INFORMATION (continued)

Operating segments (continued)

	For the year ended 31 December 2019					
In thousands of Tenge	Electricity transmission and related support services	Ensure readiness of electricity capacity to bear the power load	Sale of purchased electricity	Other	Elimination	Total
Revenue from sales to external customers	153,938,491	67,727,114	40,838,117	658,351	–	263,162,073
Revenue from sales to other segments	118,642	3,366,165	32,811	4,009,395	(7,527,013)	–
Total revenue	154,057,133	71,093,279	40,870,928	4,667,746	(7,527,013)	263,162,073
Gross profit	50,246,401	12,809,151	(710,722)	1,188,292	(627,726)	62,905,396
General and administrative expenses	(8,454,964)	(244,126)	(118,534)	(546,169)	529,586	(8,834,207)
Selling expenses	(411,350)	–	–	–	29,072	(382,278)
Finance income	3,861,445	357,094	232,623	70,749	(350,381)	4,171,530
Finance costs	(9,200,695)	–	–	–	–	(9,200,695)
Share in profit of an associate	774,374	–	–	–	–	774,374
Foreign exchange gain/(loss), net	469,269	–	1	(141)	–	469,129
Impairment of property, plant and equipment	(28,364)	–	–	–	–	(28,364)
Income tax expense	(6,906,005)	(2,597,311)	144,113	(162,801)	–	(9,522,004)
Profit/(loss) for the reporting period	30,942,952	10,358,076	(574,723)	614,608	(591,943)	40,748,970
Total net income/(loss)	30,942,952	10,358,076	(574,723)	614,608	(591,943)	40,748,970
Other segment information						
Total segment assets	729,742,694	17,967,007	8,166,822	4,570,336	(3,459,138)	756,987,721
Total segment liabilities	260,216,629	10,741,958	4,882,708	914,410	(1,606,008)	275,149,697
Accrual of expected credit losses for doubtful debts	94,761	(236,653)	2,584	9,121	–	(130,187)
Investments in an associate	1,862,241	–	–	–	–	1,862,241

6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS

In thousands of Tenge	Land	Buildings	NES assets	Vehicles and other property, plant and equipment	Const-ruction-in-progress	Total
Cost						
As at 1 January 2019	1,771,135	17,424,530	1,116,427,405	33,624,896	62,403,893	1,231,651,859
Additions	50,427	76,411	214,121	1,382,027	16,641,467	18,364,453
Transfers	88,694	1,236,427	52,579,631	7,362,162	(61,347,432)	(80,518)
Disposals	–	(862)	(817,105)	(544,568)	(700,861)	(2,063,396)
As at 31 December 2019	1,910,256	18,736,506	1,168,404,052	41,824,517	16,997,067	1,247,872,398
Additions	**11,269**	**196,100**	**8,027,050**	**2,894,181**	**24,694,126**	**35,822,726**
Transfers	**48,813**	**186,638**	**3,929,847**	**866,458**	**(5,031,756)**	**–**
Transfer to intangible assets	**–**	**–**	**–**	**–**	**(1,612,929)**	**(1,612,929)**
Transfer from inventory	**–**	**–**	**–**	**–**	**837,678**	**837,678**
Transfers to non-current assets for sale	**(5,126)**	**–**	**–**	**–**	**–**	**(5,126)**
Disposals	**–**	**(402,940)**	**(2,552,883)**	**(444,198)**	**(73,815)**	**(3,473,836)**
As at 31 December 2020	**1,965,212**	**18,716,304**	**1,177,808,066**	**45,140,958**	**35,810,371**	**1,279,440,911**
Accumulated depreciation and impairment						
As at 1 January 2019	–	(4,003,282)	(538,815,274)	(20,646,878)	(250,058)	(563,715,492)
Charge for the year	–	(546,045)	(30,658,153)	(2,537,292)	–	(33,741,490)
Transfer	–	(99,574)	(106,641)	206,215	–	–
Disposals	–	389	672,967	453,854	–	1,127,210
Reversal of impairment	–	–	–	–	28,364	28,364
As at 31 December 2019	–	(4,648,512)	(568,907,101)	(22,524,101)	(221,694)	(596,301,408)
Charge for the year	**–**	**(249,462)**	**(30,572,899)**	**(2,779,662)**	**–**	**(33,602,023)**
Disposals	**–**	**393,737**	**2,128,850**	**437,587**	**–**	**2,960,174**
Impairment loss	**–**	**–**	**–**	**–**	**(19,210)**	**(19,210)**
As at 31 December 2020	**–**	**(4,504,237)**	**(597,351,150)**	**(24,866,176)**	**(240,904)**	**(626,962,467)**
Net book value						
As at 1 January 2019	1,771,135	13,421,248	577,612,131	12,978,018	62,153,835	667,936,367
As at 31 December 2019	1,910,256	14,087,994	599,496,951	19,300,416	16,775,373	651,570,990
As at 31 December 2020	**1,965,212**	**14,212,067**	**580,456,916**	**20,274,782**	**35,569,467**	**652,478,444**

If NES assets were measured using the cost model, net of accumulated depreciation, the carrying amount would be as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Cost	**421,253,836**	409,926,673
Accumulated depreciation	**(124,078,236)**	(112,519,473)
Net book value	**297,175,600**	297,407,200

As at 31 December 2020 and 31 December 2019 the cost of fully amortised property, plant and equipment, which is still in use amounted to KZT 43,753,588 thousand and KZT 35,090,534 thousand, respectively.

Capitalized costs on issued bonds

During the year ended 31 December 2020 the Group capitalized the cost of coupon interest on issued bonds (less investment income) amounted to KZT 310,407 thousand (for the year ended 31 December 2019: KZT 2,118,729 thousand) *(Note 16)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS (continued)

Construction in progress

Construction in progress is mainly represented by equipment and construction works as part of the implementation of the project "Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches "Aktobe MES", "Sarbaiskie MES", "Western MES" (stage 1)".

Advances paid for non-current assets

As of 31 December 2020 and 31 December 2019, advances paid for non-current assets are mainly represented by advances paid to suppliers for construction work and services under the project "Reconstruction of 220-500 kW of KEGOC JSC branches "Aktobe MES", "Sarbayskie MES", "Western MES" branches (stage 1)".

7. INVESTMENTS IN ASSOCIATE

The Group has 20% share in Batys Transit JSC. Principal place of operations and country of incorporation of Batys Transit JSC ("Batys Transit") is the Republic of Kazakhstan. The main activity of Batys Transit is realization of a project on construction and exploitation of interregional power line, which connects the North Kazakhstan region with Aktobe region and construction and exploitation of street lighting networks in Atyrau city. Batys Transit has bonds traded on the Kazakhstan Stock Exchange. The following table illustrates the summarised financial information about Batys Transit:

In thousands of Tenge	**31 December 2020**	31 December 2019
Statement of financial position		
Current assets	**17,139,259**	11,609,091
Non-current assets	**17,309,889**	20,448,279
Current liabilities	**(7,440,560)**	(4,311,941)
Non-current liabilities	**(16,920,626)**	(18,334,225)
Net assets	**10,187,962**	9,411,204

In thousands of Tenge	**31 December 2020**	31 December 2019
Group's share in net assets	**2,017,593**	1,862,241
Carrying amount of the investments	**2,017,593**	1,862,241

In thousands of Tenge	**31 December 2020**	31 December 2019
Statement of comprehensive income		
Revenue	**10,406,346**	14,248,515
Net profit	**1,792,235**	3,871,868
Group's share in profit of Batys Transit	**358,447**	774,374

As of 31 December 2020, and 31 December 2019, the associate had no contingent liabilities or capital commitments.

The Extraordinary General Meeting of Shareholders (GMS) of Batys Transit, held on 6 April 2020, taking into account the amendments and additions to the extraordinary GMS dated 2 July 2020, decided to assign a part of the profit from non-core activities for 2019 to pay dividends on ordinary shares in the amount of KZT 1,015,477 thousand, at the rate of KZT 33,849.23 per ordinary share. The start date of payment is the day following the date of receipt of written consent to pay dividends on ordinary shares of Batys Transit from the Eurasian Development Bank in accordance with the loan agreement concluded between Batys Transit and the Bank, but no later than 21 August 2020. Dividends receivable in the amount of KZT 203,095 thousand were included in the consolidated statement of financial position as of 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVENTORIES

In thousands of Tenge	**31 December 2020**	31 December 2019
Raw and other materials	**1,441,729**	1,319,421
Spare parts	**1,113,256**	848,899
Fuel and lubricants	**84,148**	90,399
Other inventory	**273,433**	188,556
Less: allowance for obsolete inventories	**(363,273)**	(313,118)
	2,549,293	2,134,157

Movement in the allowance for obsolete inventories was as follows:

In thousands of Tenge	**2020**	2019
At 1 January	**313,118**	246,046
Charge *(Note 23)*	**201,353**	91,041
Reversal *(Note 23)*	**(144,325)**	(23,509)
Write-off	**(6,873)**	(460)
At 31 December	**363,273**	313,118

9. TRADE ACCOUNTS RECEIVABLE

In thousands of Tenge	**31 December 2020**	31 December 2019
Trade accounts receivable	**31,505,569**	24,006,143
Less: provision for expected credit losses	**(2,902,262)**	(2,104,309)
	28,603,307	21,901,834

Movement in the provision for expected credit losses was as follows:

In thousands of Tenge	**2020**	2019
At 1 January	**2,104,309**	2,024,770
Charge	**2,025,634**	824,194
Reversal	**(1,227,681)**	(739,689)
Write-off	**–**	(4,966)
At 31 December	**2,902,262**	2,104,309

As at 31 December 2020 trade accounts receivable included accounts receivable from the customer National Electric Grids of Uzbekistan JSC, in the amount of KZT 1,721,705 thousand (31 December 2019: KZT 1,472,045 thousand.)

As at 31 December 2020 provision for debts from National Electric Grids of Uzbekistan JSC amounted to KZT 1,466,984 thousand (31 December 2019: KZT 1,332,370 thousand).

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

	Trade accounts receivable						
			Days past due				
In thousands of Tenge	**Total**	**Current**	**30-90 days**	**91-180 days**	**181-270 days**	**Above 271 days**
31 December 2020						
Percentage of expected credit losses	**9.21%**	**0.75%**	**14.06%**	**19.89%**	**32.29%**	**99.12%**
Estimated total gross carrying amount in case of default	**31,505,569**	**26,405,391**	**1,090,797**	**1,233,908**	**667,744**	**2,107,729**
Expected credit losses	**(2,902,262)**	**(198,706)**	**(153,340)**	**(245,440)**	**(215,639)**	**(2,089,137)**
	28,603,307	**26,206,685**	**937,457**	**988,468**	**452,105**	**18,592**
31 December 2019						
Percentage of expected credit losses	8.77%	0.19%	2.49%	9.82%	27.21%	99.96%
Estimated total gross carrying amount in case of default	24,006,143	20,372,759	859,963	504,020	376,674	1,892,727
Expected credit losses	(2,104,309)	(39,061)	(21,395)	(49,478)	(102,492)	(1,891,883)
	21,901,834	20,333,698	838,568	454,542	274,182	844

9. TRADE ACCOUNTS RECEIVABLE (continued)

Trade accounts receivable were denominated in the following currencies:

In thousands of Tenge	**31 December 2020**	31 December 2019
Tenge	**27,812,664**	20,907,577
Russian Rouble	**535,922**	931,182
US Dollars	**254,721**	63,075
	28,603,307	21,901,834

10. OTHER CURRENT ASSETS

In thousands of Tenge	**31 December 2020**	31 December 2019
Advances paid for goods and services	**2,216,768**	314,710
Other receivables for property, plant and equipment and constructions	**399,974**	399,974
Deferred expenses	**166,970**	92,629
Loans receivable from employees	**469**	1,521
Other	**769,850**	402,998
Less: provision for expected credit losses	**(608,794)**	(472,349)
	2,945,237	739,483

Movement in the provision for expected credit losses and impairment of other current assets are as follows:

In thousands of Tenge	**2020**	2019
At 1 January	**472,349**	427,059
Charge	**219,244**	93,972
Reversal	**(82,675)**	(48,533)
Write-off	**(124)**	(149)
At 31 December	**608,794**	472,349

11. OTHER FINANCIAL ASSETS

In thousands of Tenge	**31 December 2020**	31 December 2019
Financial assets at amortised cost		
Bonds of Samruk-Kazyna	**30,213,089**	25,886,318
Bank deposits	**29,656,027**	19,194,586
Notes of the National Bank of the Republic of Kazakhstan	**28,823,615**	–
Placements with Eximbank Kazakhstan	**2,572,504**	2,865,652
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1,816,832**	1,663,184
Placements with DeltaBank JSC	**1,230,000**	1,230,000
Placements with Kazinvestbank JSC	**1,219,017**	1,239,455
Interest accrued on Samruk-Kazyna bonds	**254,334**	463,667
Dividends receivable from an associate	**203,095**	–
Interest accrued on Ministry of Finance Eurobonds	**17,163**	13,304
Less: provision for impairment of placements with Eximbank Kazakhstan	**(2,572,504)**	(2,865,652)
Less: provision for impairment of placements with Deltabank JSC	**(1,230,000)**	(1,230,000)
Less: provision for impairment of placements with Kazinvestbank JSC	**(1,219,017)**	(1,239,455)
Less: provision for expected credit losses	**(152,516)**	(297,167)
	90,831,639	46,923,892
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	**310,175**	288,613
	310,175	288,613
Total other financial assets	**91,141,814**	47,212,505
Other current financial assets	**58,801,720**	45,260,710
Other non-current financial assets	**32,340,094**	1,951,795
Total other financial assets	**91,141,814**	47,212,505

11. OTHER FINANCIAL ASSETS (continued)

Movement in the provision for impairment of other financial assets are as follows:

In thousands of Tenge	**2020**	2019
At 1 January	**5,632,274**	5,600,216
Accrual	**442,012**	508,905
Reversal	**(900,249)**	(476,847)
At 31 December	**5,174,037**	5,632,274

Bonds of Samruk-Kazyna JSC

During May-June 2018, the Group acquired coupon bonds of Samruk-Kazyna JSC with nominal value of KZT 26,000,000 thousand at cost lower than par value for KZT 25,159,831 thousand at Kazakhstan Stock Exchange JSC. The bonds mature on 13 March 2020. During the March 2020, the bonds were fully repaid. During the year ended 31 December 2020, amortization of the discount in amount of KZT 113,682 thousand was recognized as financial income in the consolidated statement of comprehensive income.

The Group classified the bonds as carried at amortised cost. During the year ended 31 December 2020, the discount amount was fully amortized and the bonds were fully repaid on 13 March 2020.

On 30 March 2020, the Group purchased coupon bonds of SWF Samruk-Kazyna JSC in the amount of 25,927,008 at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange, with an interest rate of 12.5% per annum. The bonds were redeemed ahead of schedule on 2 December 2020.

On 3 December 2020, the Group purchased 16,000,000 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange. The bond circulation period is 3 December 2023. The bond were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

On 7 December 2020, the Group purchased 14,000,000 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit from Freedom Finance JSC. The bond circulation is 3 December 2023. The bonds were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

Bonds of Special Financial Company DSFK LLP

During the year ended 31 December 2020, Special Financial Company DSFK LLP redeemed bonds amounting to KZT 67,980 thousand.

As at 31 December 2020, the Group reassessed the fair value of bonds and increased their carrying amount to KZT 310,175 thousand, recognizing gain from revaluation of financial instruments in the amount of KZT 89,541 thousand as finance income in the consolidated statement of comprehensive income.

Deposits

As at 31 December 2020 and 31 December 2019 the deposits include accrued interest income in the amount of KZT 65,981 thousand and KZT 16,284 thousand, respectively.

Placements with Eximbank Kazakhstan JSC

On 27 August 2018, by a resolution of the Board of the National Bank of the Republic of Kazakhstan, it was decided to deprive Eximbank of the license in terms of accepting deposits, opening bank accounts of individuals. Accordingly, the Group reclassified cash and cash equivalents held with Eximbank to other financial assets and accrued an expected credit loss provision in the amount of 100%, which is KZT 2,930,115 thousand.

On 14 November 2019, the Liquidation Commission of Eximbank Kazakhstan JSC made a payment in the amount of 178 thousand US Dollars (equivalent to KZT 69,151 thousand as of the date of payment) according to the approved register of creditors' claims dated 13 June 2019. The Group recognized a corresponding reversal of the allowance for impairment losses.

During the year ended 31 December 2020, the Liquidation Commission of Eximbank Kazakhstan JSC made a payment in the amount of 805 thousand US Dollars (equivalent to KZT 330,624 thousand as of the date of payment) in accordance with the approved register of creditors' claims dated 13 June 2019. The Group recognized a corresponding reversal of the allowance for impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS (continued)

Notes of the National Bank of the Republic of Kazakhstan

During the 2020 year, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan at the Auction of the National Bank of the Republic of Kazakhstan and Kazakhstan Stock Exchange JSC. The circulation period of the notes of the National Bank of the Republic of Kazakhstan was from 15 May 2020 to 25 June 2021. During the year ended 31 December 2020, a finance income of KZT 1,399,121 thousand was recognized.

Kazinvestbank JSC

On 20 March 2020 and 21 April 2020, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 43.5 thousand US Dollars (equivalent to KZT 19,531 thousand as of the date of payment) and in the amount of KZT 222.4 thousand, respectively. The Group recognized a corresponding reversal of the allowance for impairment losses. On 19 October 2020 the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 18,9 thousand US Dollars (equivalent to KZT 6,085 thousand as of the date of payment) and in the amount of KZT 96,4 thousand, respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On 26 April 2019, the Group acquired Eurobonds of the Ministry of Finance of the Republic of Kazakhstan in the amount of 4,200,000 at a rate of 3.875% per annum and maturity until October 2024 at a price higher than the nominal amount of 4,368 thousand USD (equivalent of 1,816,832 thousand Tenge).

Other financial assets were represented in the following currencies:

In thousands of Tenge	**Interest rate**	**31 December 2020**	31 December 2019
Tenge	7,55-10,5%	**64,453,314**	26,899,100
US Dollars	0,3-1,5%	**26,688,500**	20,313,405
		91,141,814	47,212,505

12. RESTRICTED CASH

In thousands of Tenge	**31 December 2020**	31 December 2019
Cash reserved for return on guarantee obligations	**553,284**	292,786
Cash on reserve accounts	**–**	2,932,192
Cash on debt service accounts	**–**	1,057,574
Less: provision for expected credit losses	**(698)**	(8,467)
	552,586	4,274,085

During 2020 and 2019, interest was not charged on restricted cash.

As of 31 December 2020, there is no balance of restricted cash, including funds planned to be redeemed. This is due to the closure of the reserve account, due to the fulfilment of obligations under the terms of the guarantee agreement with the Government of the Republic of Kazakhstan, the guarantor for the Group's loans.

According to the terms of the loan agreements with IBRD, the Group's creditors, the Group accumulates cash on a special debt service bank account opened with Kazakhstan bank in 35 calendar days before the date of payment of the principal debt, interest and commissions on loans to the IBRD.

In December 2019, the final payment was made on the IBRD loan (loan agreement 4526-KZ dated 21 December 1999), attracted within the framework of the project "Modernization of the national electrical network". A letter confirming the full fulfilment of liabilities to the IBRD was received in January 2020, after which cash in the amount of KZT 2,932,192 thousand was transferred to the current account within cash and cash equivalents.

In accordance with the terms of the guarantee agreements with the Government of the Republic of Kazakhstan, the guarantor of the Group's loans *(Note 15)*, the Group is obliged to hold cash on a special reserve account opened in a Kazakhstan bank. The Group is obliged to reserve cash for at least 110% of the upcoming semi-annual payment of principal, interest and commission fees of the IBRD loans. As of 31 December 2020, the loans entered into with the above requirement have been fully repaid.

12. RESTRICTED CASH (continued)

The movement in the provision for expected credit losses on restricted cash was as follows:

In thousands of Tenge	**2020**	2019
At 1 January	**8,467**	46,480
Charge	**855**	19,390
Reversal	**(8,624)**	(57,403)
At 31 December	**698**	8,467

As at 31 December 2020 and 31 December 2019, restricted cash taking into account the funds planned to be repaid were denominated in the following currencies:

In thousands of Tenge	**31 December 2020**	31 December 2019
Tenge	**552,586**	292,422
US Dollars	**–**	3,981,663
	552,586	4,274,085

13. CASH AND CASH EQUIVALENTS

In thousands of Tenge	**31 December 2020**	31 December 2019
Current accounts with banks, in Tenge	**10,816,529**	3,136,231
Short-term deposits, in Tenge	**10,812,426**	17,795,817
Current accounts with banks, in foreign currencies	**244,835**	263,712
Cash on hand, in Tenge	**1,828**	2,672
Cash at special accounts, in Tenge	**752**	86
Less: provision for expected credit losses	**(9,165)**	(19,236)
	21,867,205	21,179,282

As at 31 December 2020 the Group placed short-term deposits with banks with maturity less than 90 days at 7-8.25% per annum (2019: 7-9% per annum) and current accounts with banks at 8.25% per annum (2019: 3.69% per annum).

Movement of the provision for expected credit losses on cash and cash equivalents is as follows:

In thousands of Tenge	**2020**	2019
As at 1 January	**19,236**	9,096
Accrual	**14,551**	26,334
Reversal	**(24,622)**	(16,194)
As at 31 December	**9,165**	19,236

As at 31 December 2020 and 31 December 2019, cash and cash equivalents were denominated in the following currencies:

In thousands of Tenge	**31 December 2020**	31 December 2019
Tenge	**21,622,663**	20,915,735
Russian Rouble	**223,177**	4,278
US Dollars	**20,991**	258,492
Euro	**1**	450
Others	**373**	327
	21,867,205	21,179,282

14. EQUITY

As at 31 December 2020 and 31 December 2019 share capital of the Group comprised of 260,000,000 shares for the total amount of KZT 126,799,554 thousand that were issued and fully paid.

Treasury shares

In November 2016 the Group repurchased shares placed on the open market consisting of 1,390 shares for the total amount of KZT 930 thousand.

14. EQUITY (continued)

Dividends

In May 2019, shareholders approved the distribution of 87.7% of net profit for 2018 minus the amount of net profit distributed for the first half of 2018. The amount to be paid was KZT 14,177,724 thousand to all common shareholders of the Group, which is KZT 54.53 per ordinary share.

In October 2019 shareholders approved the distribution of 77.36% of net profit for the 1st half-year 2019. The amount of dividends to be distributed amounted to KZT 17,464,107 thousand to all common shareholders of the Group, which is KZT 67.17 per ordinary share.

In May 2020, shareholders approved the distribution of 74% of net profit for 2019 minus the amount of net profit distributed for first half of 2019. The amount to be paid amounted to KZT 12,703,532 thousand for all common shareholders of the Group, which is equal to KZT 48.86 per ordinary share.

In November 2020, shareholders approved the distribution of 70% of net profit for first half of 2020. The amount to be paid amounted to KZT 20,043,293 thousand for all common shareholders of the Group, which is equal to KZT 77.09 per ordinary share.

Earnings per share

Basic and diluted earnings per share are calculated by dividing net profit for the period by the weighted average number of common shares outstanding during the period. The Group had weighted average number of common shares in circulation in the amount of 259,998,610 shares during the year ended 31 December 2020 (for the year ended 31 December 2019: 259,998,610 shares). For the year ended 31 December 2020 and 2019 basic and diluted earnings per share were KZT 205.64 and KZT 156.73, respectively.

Book value per share

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

In thousands of Tenge	**31 December 2020**	31 December 2019
Total assets	**812,012,626**	756,987,721
Less: intangible assets	**(3,327,999)**	(1,411,900)
Less: total liabilities	**(309,456,156)**	(275,149,697)
Net assets	**499,228,471**	480,426,124
Number of ordinary shares	**260,000,000**	260,000,000
Book value per ordinary share, Tenge	**1,920**	1,848

Asset revaluation reserve

Asset revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group's NES assets as at 1 October 2018 (previous revaluation was held as at 1 June 2014) *(Note 6)*. Transfer of asset revaluation surplus into retained earnings, upon disposal of PPE and transfer of NES assets into other classes of PPE, for the year ended 31 December 2020 amounted to KZT 532,661 thousand (for the year ended 31 December 2019: KZT 470,944 thousand).

15. BORROWINGS

In thousands of Tenge	**31 December 2020**	31 December 2019
International Bank of Reconstruction and Development (IBRD)	**41,647,967**	44,314,813
European Bank of Reconstruction and Development (EBRD)	**22,529,925**	18,694,174
	64,177,892	63,008,987
Less: current portion of loans repayable within 12 months	**(14,334,439)**	(6,083,377)
	49,843,453	56,925,610

15. BORROWINGS (continued)

As at 31 December 2020 and 31 December 2019 the accrued and unpaid interest amounts to KZT 343,237 thousand and KZT 760,458 thousand, respectively. As at 31 December 2020 and 31 December 2019 the unamortized portion of loan origination fees amounts to KZT 285,919 thousand and KZT 303,894 thousand, respectively.

Loans were denominated in the following currencies:

In thousands of Tenge	**31 December 2020**	31 December 2019
US Dollars	**41,647,967**	44,314,813
Euro	**22,529,925**	18,694,174
	64,177,892	63,008,987

"Construction of the second North-South 500 kW Electricity Transmission line"

In 2005 for the purpose of implementation of the Phase II of the "Construction of the second North-South 500 kW Electricity Transmission line", the Group received a credit line facility of USD 100,000 thousand provided by IBRD for a period of 17 (seventeen) years of which first 5 (five) years are a grace period. This credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR Dollar rate plus general spread is paid semi-annually. In 2011 the non-disbursed part of this IBRD credit line in the amount of USD 1,918 thousand was cancelled due to the fact that actual costs incurred within this project were less than expected. The outstanding balances as at 31 December 2020 and 31 December 2019 are USD 16,351 thousand (equivalent to KZT 6,882,125 thousand) and USD 24,506 thousand (equivalent to KZT 9,375,865 thousand), respectively.

"Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2"

In 2008, for the realization of the "Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2" the Group opened the following credit lines:

Two credit-line facilities of Euro 127,500 thousand and Euro 75,000 thousand from EBRD for 15 (fifteen) years, of which the first 4 (four) years are a grace period. An interest at the interbank six months EURIBOR rate plus a 3.85% margin is payable semi-annually. The outstanding balances as at 31 December 2020 and 31 December 2019 are Euro 43,130 thousand (equivalent to KZT 22,288,891 thousand) and Euro 43,130 thousand (equivalent to KZT 18,502,553 thousand), respectively.

"Moinak Electricity Transmission Project"

In 2009, for the realization of the "Moinak Electricity Transmission Project" a credit line facility from IBRD of USD 48,000 thousand was opened for 25 (twenty five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by the guarantee of the Government of the Republic of Kazakhstan. An interest rate is USD LIBOR rate plus fixed spread 0.85% is payable semi-annually. In May 2013 unused portion of the credit line from the IBRD in the amount of USD 3,274 thousand was cancelled due to the fact that the amount of actual expenses incurred in the course of the project was less than expected. The outstanding balances as at 31 December 2020 and 31 December 2019 are USD 31,308 thousand (equivalent to KZT 13,177,966 thousand) and USD 33,545 thousand (equivalent to KZT 12,833,821 thousand), respectively.

"Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW"

In 2010 for the realization of the project "Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW" the Group received a credit line facility of USD 78,000 thousand from IBRD for 25 (twenty five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR Dollar rate plus fixed spread 1.15% is repayable semi-annually. In July 2014 undeveloped part of the credit line from the IBRD in the amount USD 6,644 thousand has been cancelled due to the fact that the amount of actual costs was less than expected costs. The outstanding balances as at 31 December 2020 and 31 December 2019 are USD 51,733 thousand (equivalent to KZT 21,771,592 thousand) and USD 57,085 thousand (equivalent to KZT 21,840,184 thousand), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. BONDS PAYABLE

In thousands of Tenge	**31 December 2020**	31 December 2019
Nominal value of issued bonds	**93,500,000**	83,800,000
Accrued coupon interest	**4,138,458**	3,645,344
Less: discount on bonds issued	**(719,637)**	(86,190)
Less: transaction costs	**(62,678)**	(42,626)
	96,856,143	87,316,528
Less: current portion of bonds repayable within 12 months	**(4,138,458)**	(3,645,344)
	92,717,685	83,671,184

Under the State Program "Nurly Zhol" the Group placed two tranches of coupon bonds on "Kazakhstan Stock Exchange" JSC in order to finance the projects "Construction of 500 kW line Semey − Ak-togay − Taldykorgan − Alma":

(a) During the period from June to August 2016 the Group issued coupon bonds with nominal amount of KZT 47,500,000 thousand under floating interest rate equal to the inflation rate in Republic of Kazakhstan plus 2.9% with the maturity in 2031 (the minimum rate of the consumer price index is set at 5%). The coupon rate for the first coupon period from 26 May 2017 to 26 May 2018 is 10.6% per annum. The coupon rate for the third coupon period from 26 May 2018 to 26 May 2019 is 9.5% per annum.

All bonds under this program were acquired by United Pension Saving Fund.

Bonds were issued with discount in the amount of KZT 111,945 thousand.

(b) In August 2017, the Group placed the second tranche of coupon bonds amounting to KZT 36,300,000 thousand with a fixed rate of 11.5%.

The received cash has been temporarily placed on short-term bank deposits.

All bonds under this program were acquired by United Pension Saving Fund and other entities.

In order to implement the investment project "Reconstruction of 220-500 kW overhead lines of branches of KEGOC JSC" on 28 May 2020, KEGOC's bonds were placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a total volume of 9,700,000 thousand at par value in the amount of KZT 9,032,407 thousand with a yield of 12% per annum.

The funds received were temporarily placed on short-term bank deposits.

As a result of trades, 89.6% of bonds by the volume of attracted were purchased by STB (second-tier banks), 9.9% − by other institutional investors, 0.5% − by other legal entities.

During the year ended 31 December 2020 the Group capitalized the borrowing costs of coupon interest on the issued bonds less investment income in the amount of KZT 310,407 thousand (for the year ended 31 December 2019: KZT 2,118,729 thousand) *(Note 6)*.

17. TRADE AND OTHER ACCOUNTS PAYABLE

As at 31 December 2020 and 31 December 2019 trade accounts payable

In thousands of Tenge	**31 December 2020**	31 December 2019
Accounts payable for property, plant and equipment and construction works	**19,118,365**	5,226,900
Accounts payable for electricity purchased	**15,982,064**	10,277,750
Accounts payable for inventories, works and services	**15,414,490**	7,844,832
Less: discount	**(1,978,958)**	–
	48,535,900	23,389,482
Less: current portion of trade payables repayable within 12 months	**40,884,883**	23,389,482
	7,651,017	–

17. TRADE AND OTHER ACCOUNTS PAYABLE (continued)

As at 31 December 2020 and 31 December 2019 trade and other accounts payable are denominated in the following currencies:

In thousands of Tenge	**31 December 2020**	31 December 2019
Tenge	**45,752,581**	22,386,569
Russian Rouble	**2,677,323**	938,700
Euro	**59,275**	22,893
US Dollars	**46,721**	41,320
	48,535,900	23,389,482

18. CONSTRUCTION OBLIGATION

On 28 November 2013 in accordance with the decision of the Board of Samruk-Kazyna, the Group was committed to build a kindergarten in Nur-Sultan city and transfer it upon completion to the Akimat of Nur-Sultan. In 2014, the Group has estimated construction costs and signed a contract with the construction company. Accordingly, the Group recognized construction obligation for the total amount of KZT 683,430 thousand and the corresponding distribution to shareholders. On 23 January 2020, the Group completed the transfer of the kindergarten to the Akimat of Nur-Sultan.

19. TAXES PAYABLE OTHER THAN INCOME TAX

In thousands of Tenge	**31 December 2020**	31 December 2019
VAT payable	**960,338**	2,391,947
Contributions payable to pension fund	**364,051**	345,742
Personal income tax	**316,597**	284,573
Social tax	**269,371**	244,406
Social contribution payable	**104,804**	82,635
Property tax	**–**	1,599
Other	**13,345**	20,442
	2,028,506	3,371,344

20. OTHER CURRENT LIABILITIES

In thousands of Tenge	**31 December 2020**	31 December 2019
Due to employees	**3,727,583**	3,662,535
Other	**692,878**	321,065
	4,420,461	3,983,600

21. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of Tenge	**2020**	2019
Electricity transmission services	**121,953,313**	106,160,250
Sale of purchased electricity	**87,198,830**	40,826,184
Sale of services to ensure readiness of electricity capacity to bear the power load	**84,384,233**	67,727,113
Technical dispatch	**30,291,437**	23,003,501
Balancing of electricity production and consumption	**18,649,805**	16,493,329
Sale of electricity for compensation of the interstate balances of electricity flows	**5,101,651**	6,326,309
Power regulation services	**954,342**	708,465
Other	**2,125,940**	1,916,922
Total revenue from contracts with customers	**350,659,551**	263,162,073

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

In thousands of Tenge	**2020**	2019
Revenue recognition timeline		
The goods are transferred at a certain point in time	**92,300,481**	47,152,493
The services are provided over a period of time	**258,359,070**	216,009,580
Total revenue from contracts with customers	**350,659,551**	263,162,073

Discounts to customers are authorised by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies.

22. COST OF SALES

In thousands of Tenge	**2020**	2019
Cost of purchased electricity	**84,772,374**	41,456,649
Cost of electricity capacity readiness services	**80,381,919**	58,282,988
Depreciation and amortization	**33,349,877**	33,490,579
Payroll expenses and related taxes	**18,292,955**	16,930,191
Cost of purchased electricity for compensation of interstate balances of electricity flows	**16,019,937**	14,807,491
Technical losses of electric energy	**14,709,725**	16,022,320
Taxes other than income tax	**9,049,154**	8,845,051
Repair and maintenance expenses	**5,642,147**	5,933,830
Security services	**1,206,494**	1,157,369
Inventories	**1,031,355**	532,806
Other	**2,601,031**	2,797,403
	267,056,968	200,256,677

23. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	**2020**	2019
Payroll expenses and related taxes	**5,414,484**	5,488,847
Depreciation and amortization	**701,193**	832,919
Taxes other than income tax	**297,402**	122,354
Consulting services	**169,247**	253,477
Utilities	**68,540**	76,023
Expenses for the Board of Directors	**67,725**	134,017
Charge/(reversal) for obsolete inventories *(Note 8)*	**57,028**	67,532
Trainings	**55,174**	83,363
Materials	**49,564**	69,665
Expenses for the rights to use the software	**47,273**	122,693
Insurance	**30,368**	52,394
Business trip expenses	**28,631**	123,870
Rent expenses	**22,806**	137,628
Other	**1,300,234**	1,269,425
	8,309,669	8,834,207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. FINANCE INCOME/(COSTS)

In thousands of Tenge	**2020**	2019
Finance income		
Interest income from deposits, current accounts and bonds	**5,552,858**	3,693,259
Income from the National Bank notes	**1,399,121**	123,420
Income from recognition of premiums on long-term financial assets	**213,089**	–
Amortization of discount on other financial assets	**113,682**	544,470
Amortization of discount on accounts receivable	**98,615**	107,536
Others	**89,542**	43,885
	7,466,907	4,512,570
Less: interest capitalized into cost of qualifying asset *(Note 6)*	**(320,901)**	(341,040)
	7,146,006	4,171,530
Finance costs		
Bond coupon	**8,977,984**	8,243,226
Interest on borrowings	**1,652,890**	2,399,085
Commission on bank guarantees	**980,762**	925,963
Interest expense on finance leases	**96,818**	36,235
Discounting of the other financial assets	**79,439**	11,816
Amortization of loan origination fees	**25,416**	24,394
Other costs on bonds issued	**23,979**	17,329
Other	**–**	2,416
	11,837,288	11,660,464
Less: interest capitalized into cost of qualifying assets *(Note 6)*	**(631,308)**	(2,459,769)
	11,205,980	9,200,695

25. FOREIGN EXCHANGE LOSS, NET

On 20 August 2015 the National Bank of Republic of Kazakhstan and the Government of the Republic of Kazakhstan decided to shift to freely floating currency exchange rate as a part of implementation of inflation targeting program. As a result of change of exchange rate of Tenge for the year ended 31 December 2020, the Group incurred net foreign exchange loss in the amount of KZT 5,309,688 thousand (for the year ended 31 December 2019: net foreign exchange loss in the amount of KZT 469,129 thousand).

26. INCOME TAX EXPENSE

In thousands of Tenge	**2020**	2019
Current income tax		
Current income tax expense	**13,032,423**	9,880,628
Adjustments in respect of current income tax of previous year	**28,168**	(133,995)
Deferred tax		
Deferred income tax benefit	**(777,630)**	(224,629)
Total income tax expense reported in consolidated statement of comprehensive income	**12,282,961**	9,522,004

The income tax rate in the Republic of Kazakhstan is 20% in 2020 and 2019.

26. INCOME TAX EXPENSE (continued)

A reconciliation of the 20% income tax rate and actual income tax recorded in consolidated statement of comprehensive income is provided below:

In thousands of Tenge	**2020**	2019
Profit before tax	**65,748,232**	50,270,974
Tax at statutory income tax rate of 20%	**13,149,646**	10,054,195
(Reversal)/accrual of provision for expected credit loss	**(97,995)**	26,874
Adjustments in respect of current income tax of previous year	**28,168**	(133,995)
Accrual/(reversal) of allowance for doubtful accounts receivable from non-residents	**10,897**	(43,349)
Accrual of allowance for obsolete inventories	**10,877**	12,889
Interest income from securities	**(564,155)**	(334,796)
Income from changes in FV	**(332,284)**	(85,869)
Other permanent differences	**77,807**	26,055
Income tax expense reported in profit or loss	**12,282,961**	9,522,004

Tax effect on temporary differences leading to deferred income tax assets and liabilities at 31 December 2020 and 31 December 2019 is provided below:

	Consolidated statement of financial position		**Consolidated statement of comprehensive income**	
In thousands of Tenge	**31 December 2020**	31 December 2019	**2020**	2019
Accounts receivable	**384,646**	208,610	**176,036**	62,773
Accrued liabilities	**702,392**	602,636	**99,756**	(62,176)
Property, plant and equipment	**(90,251,221)**	(90,753,059)	**501,838**	224,032
Deferred tax benefit	**–**	–	**777,630**	224,629
Net deferred tax liabilities	**(89,164,183)**	(89,941,813)	**–**	–

Deferred tax assets and liabilities reflected in consolidated statement of financial position are presented as follows:

In thousands of Tenge	**31 December 2020**	31 December 2019
Deferred tax assets	**159,652**	53,436
Deferred tax liabilities	**(89,323,835)**	(89,995,249)
Net deferred tax liabilities	**(89,164,183)**	(89,941,813)

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

27. TRANSACTIONS WITH RELATED PARTIES

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

27. TRANSACTIONS WITH RELATED PARTIES (continued)

The following table provides the balances of trade accounts payable to/receivable from related parties as at 31 December 2020 and 31 December 2019:

In thousands of Tenge		Trade accounts receivable from related parties	Trade accounts payable to related parties
Subsidiaries of Samruk-Kazyna Group	**31 December 2020**	**5,520,116**	**18,658,353**
	31 December 2019	4,562,033	5,212,732
Associates of Samruk-Kazyna	**31 December 2020**	**397,719**	**586,602**
	31 December 2019	122,745	469,270
Entities under joint control of Samruk-Kazyna	**31 December 2020**	**404,371**	**12,646**
	31 December 2019	225,098	47,233
Associates of the Group	**31 December 2020**	**276,675**	**9,820**
	31 December 2019	51,357	874

The Group had the following transactions with related parties for the year ended 31 December 2020 and 31 December 2019:

In thousands of Tenge		Sales to related parties	Purchases from related parties
Subsidiaries of Samruk-Kazyna Group	**2020**	**67,328,921**	**56,206,438**
	2019	44,420,011	35,862,210
Associates of Samruk-Kazyna	**2020**	**11,900,079**	**3,211,878**
	2019	7,612,678	2,749,820
Entities under joint control of Samruk-Kazyna	**2020**	**4,775,623**	**44,152**
	2019	7,212,565	5,797,907
Associates of the Group	**2020**	**732,943**	**75,315**
	2019	1,745,632	6,257

The Group's sales to related parties mainly represent electricity transmission, technical dispatch and services on organizing and balancing of electricity production and consumption services, electrical capacity readiness services. The Group's purchases from related parties mainly represent communication services, energy services, purchase of electricity and purchase of electric capacity readiness maintenance services.

As at 31 December 2020 the Group's borrowings of KZT 42,800,248 thousand were guaranteed by the Government of the Republic of Kazakhstan (31 December 2019: KZT 44,558,028 thousand).

As at 31 December 2020 the Group had accounts receivable for the sale of property, plant and equipment to Balkhash TES JSC, a related party, in the amount of KZT 220,494 thousand (as at 31 December 2019: KZT 220,494 thousand). In accordance with sales agreement Balkhash TES JSC must repay the outstanding balance before the end of 2018. However, as at 31 December 2020 the debt was not paid off. In connection with the suspension of construction of Balkhash TES JSC, the management of the Group made a decision to accrue a provision for receivables of 100%.

On 30 September 2015 the Group has sold buildings and constructions with equipment and land located in Nur-Sultan city to its related party Kazpost JSC for KZT 2,161,476 thousand. In accordance with sales agreement Kazpost JSC will repay the outstanding balance by equal monthly payments until June 2027. Accordingly, the Group discounted the future cash flows using discount rate of 10.37%, which is the Group Management's best estimate of market rate. As at 31 December 2020 the discount on accounts receivable from Kazpost JSC amounted to KZT 338,205 thousand. As at 31 December 2020 the receivables net of discount comprised KZT 922,655 thousand, of which KZT 742,533 thousand was accounted for within long-term receivables from related parties. During the year ended 31 December 2020, the Group recognized income from amortization of a discount on long-term receivables from Kazpost JSC in the amount of KZT 98,615 thousand (during the year ended 31 December 2019: KZT 107,536 thousand).

In 2017, the Group entered into a long-term contract with a related party, Samruk-Kazyna Business Contract LLP, for leasing out the rights to use the software. As at 31 December 2020, lease liability of the Group comprised KZT 561,765 thousand (as at 31 December 2019: KZT 419,543 thousand).

27. TRANSACTIONS WITH RELATED PARTIES (continued)

In November-December 2020, the Group acquired a property complex from a related party − Karabatan Utility Solutions LLP in amount of KZT 11,794,689 thousand. In accordance with the sale and purchase agreement, the Group will pay by equal annual instalments until 25 March 2025. Accordingly, the Group discounted future cash flows at a discount rate of 10.25%, which is the best an estimate of the market rate by the Group's Management. As of 31 December, 2020 discount on accounts payable of Karabatan Utility Solutions LLP amounted to KZT 1,978,958 thousand. As of 31 December 2020, the amount of payable net of the discount was KZT 9,815,731 thousand, of which KZT 7,651,017 thousand were included within long-term payables from related parties. During the year ended 31 December 2020, the Group recognized the expense from amortization of discount of long-term trade payables in the amount of KZT 68,328 thousand.

Compensation to key management personnel and all related expenses (taxes, contributions, sick leaves, vacation pay, material assistance and others) included in salary expenses in the consolidated statement of comprehensive income amounted to KZT 381,788 thousand for the year ended 31 December 2020 (for the year ended 31 December 2019: KZT 543,682 thousand). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings, bonds payable, trade and other payables. The main purpose of these financial liabilities is to finance the Group's investment projects and operations. The Group has trade and other receivables, cash and cash equivalents, short-term deposits that arrive directly from its operations, as wells as investments in debt securities.

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term borrowings with floating interest rates *(Notes 15 and 16)*.

The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which the borrowings are denominated. The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates with all other variables held constant.

In thousands of Tenge	**Increase/(decrease) in basis points* / in percentage**	**Effect on profit before tax**
For the year ended 31 December 2020		
LIBOR	**1/(0,25)**	**(418,317)/104,579**
EURIBOR	**0,2/(0,2)**	**(44,578)/44,578**
Inflation rate in the Republic of Kazakhstan	**1%/0%**	**(474,048)/−**
For the year ended 31 December 2019		
LIBOR	0.35/(0.35)	(154,175)/154,175
EURIBOR	0.15/(0.15)	(27,754)/27,754
Inflation rate in the Republic of Kazakhstan	1%/0%	(474,270)/−

* *1 basis point = 0.01%.*

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities. Also, the Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

In thousands of Tenge	Increase/(decrease) in the exchange rate in absolute terms (Tenge)	Increase/(decrease) in exchange rate	Effect on profit before tax
At 31 December 2020			
US Dollar	**58.93/(46.3)**	**14%/(11%)**	**(2,062,267)/1,620,352**
Euro	**72.35/(56.85)**	**14%/(11%)**	**(3,162,488)/2,484,812**
At 31 December 2019			
US Dollar	45.91/(34.43)	12%/(9%)	(2,368,740)/1,776,555
Euro	51.48/(38.61)	12%/(9%)	(2,245,994)/1,684,496

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables *(Note 9)* and from its financing activities, including deposits with banks *(Notes 11, 12 and 13)*. The Group's exposure and the creditworthiness of its counterparties are controlled constantly. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to the credit risk is represented by the carrying value of each financial asset *(Notes 9, 11, 12 and 13)*.

Book value of financial assets recognized in consolidated financial statements of the Group less impairment allowance reflects the maximal extent of the Group's credit risk.

An impairment analysis is performed by Group management at each reporting date on an individual basis for all customers based on number of days the receivables are overdue. The calculation is based on actual incurred historical data. The maximum exposure to the credit risk is represented by the carrying value of each class of financial assets disclosed in *Note 9*. The Group does not hold collateral as security.

During 2016-2018 some banks were deprived of a license to conduct banking and other operations by the National Bank *(Note 11)*.

The Group is exposed to credit risk from its operating activities and investing activities. With regard to investing activities, the Group mainly places deposits with Kazakhstani banks.

The following table shows the balance of cash and cash equivalents and bank deposits placed in banks at the reporting date using the credit rating agency "Standard & Poor's" and "Fitch" less accrued provisions:

		Rating		**31 December**	31 December
In thousands of Tenge	**Location**	**2020**	2019	**2020**	2019
Halyk Bank Kazakhstan JSC	Kazakhstan	**BB/stable**	BB/stable	**19,333,594**	15,190,343
ATF Bank JSC	Kazakhstan	**B-/stable**	B-/stable	**12,326,032**	11,477,329
ForteBank JSC	Kazakhstan	**B/stable**	B+/stable	**9,871,765**	12,486,567
BankCenterCredit JSC	Kazakhstan	**B/stable**	B/stable	**6,149,103**	5,193,789
Kaspi Bank JSC		**BB-/stable**	BB-/stable	**4,240,228**	–
				51,920,722	44,348,028

Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework in accordance with the short, medium and long-term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, bank loans and credit lines, by monitoring projected and actual cash flows and comparing maturity dates of financial assets and liabilities.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 (twelve) months can be rolled over with existing lenders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

In thousands of Tenge	On demand	Due more than 1 month but not later than 3 months	Due more than 3 months but not later than 1 year	Due more than 1 year but not later than 5 years	Due more than 5 years	Total
At 31 December 2020						
Borrowings	**–**	**5,980,856**	**10,355,771**	**28,374,905**	**24,940,645**	**69,187,210**
Bonds payable	**–**	**2,414,750**	**7,244,250**	**38,636,000**	**155,224,542**	**203,519,542**
Trade and other accounts payable	**–**	**40,884,883**	**–**	**–**	**–**	**48,535,900**
Lease liability	**–**	**–**	**493,644**	**99,907**	**–**	**593,551**
	–	**49,280,489**	**17,628,698**	**74,761,829**	**180,165,187**	**321,836,203**
At 31 December 2019						
Borrowings	–	1,618,831	5,662,720	38,119,263	27,519,216	72,920,030
Bonds payable	–	1,981,750	5,945,250	31,708,000	139,689,340	179,324,340
Trade and other accounts payable	–	23,389,482	–	–	–	23,389,482
Lease liability	–	–	288,173	167,176	–	455,349
	–	26,990,063	11,896,143	69,994,439	167,208,556	276,089,201

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise the shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a debt to capital ratio, which is debt divided by total capital. The Group's objective is to keep the ratio not higher than 0.5. Debt is considered to be equal to all borrowings and bonds payable. Capital is considered to be equal to the total liabilities and entire equity.

	31 December 2020	31 December 2019
Debt/capital	**0.20**	0.21

In thousands of Tenge	**31 December 2020**	31 December 2019
Long-term borrowings and long-term bonds payable	**142,561,138**	140,596,794
Short-term borrowings and short-term bonds payable	**18,472,897**	9,728,721
Debt	**161,034,035**	150,325,515
Total liabilities	**309,456,156**	275,149,697
Equity	**502,556,470**	481,838,024
Total equity and liabilities	**812,012,626**	756,987,721

The structure of the Group capital includes the share capital as disclosed in *Note 14*, reserves and retained earnings.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy

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

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Assets measured at fair value

In thousands of Tenge	**31 December 2020**	**Level 1**	**Level 2**	**Level 3**
Revalued property, plant and equipment				
NES assets *(Note 6)*	**580,456,916**	**–**	**–**	**580,456,916**
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	**–**	**310,175**	**–**	**310,175**

In thousands of Tenge	31 December 2019	Level 1	Level 2	Level 3
Revalued property, plant and equipment				
NES assets *(Note 6)*	599,496,951	–	–	599,496,951
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	–	288,613	–	288,613

Assets for which fair values are disclosed

In thousands of Tenge	**31 December 2020**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Other financial assets *(Note 11)*	**90,831,639**	**–**	**90,831,639**	**–**

In thousands of Tenge	31 December 2019	Level 1	Level 2	Level 3
Financial assets				
Other financial assets *(Note 11)*	46,923,892	–	46,923,892	–

Liabilities for which fair values are disclosed

In thousands of Tenge	**31 December 2020**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities				
Bonds payable *(Note 16)*	**96,856,143**	**–**	**96,856,143**	**–**
Borrowings *(Note 15)*	**64,177,892**	**–**	**64,177,892**	**–**

In thousands of Tenge	31 December 2019	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable *(Note 16)*	87,316,528	–	87,316,528	–
Borrowings *(Note 15)*	63,008,987	–	63,008,987	–

For the years ended 31 December 2020 and 31 December 2019, there were no transitions between Level 1, 2, and 3 of the fair value of financial instruments.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments

As at 31 December 2020 and 31 December 2019 the management assessed that the fair value of financial instruments of the Group, such as trade accounts receivable and payable, other financial assets, cash and cash equivalents, cash restricted in use, approximates their carrying amounts largely due to the short-term maturities of these instruments. Borrowings and bonds payable are stated at amortized costs which approximate their fair values.

Changes in liabilities arising from financing activities

In thousand Tenge	1 January 2020	**Cash flows**	**Foreign exchange movement**	**New leases**	**Other**	**31 December 2020**
Borrowings	63,008,987	**(6,574,597)**	**8,166,364**	**–**	**(422,862)**	**64,177,892**
Bonds payable	87,316,528	**9,032,407**	**–**	**–**	**507,208**	**96,856,143**
Lease liability	419,543	**(400,692)**	**–**	**533,866**	**9,048**	**561,765**
Total liabilities from financing activities	150,745,058	**2,057,118**	**8,166,364**	**533,866**	**93,394**	**161,595,800**

In thousand Tenge	1 January 2019	Cash flows	Foreign exchange movement	New leases	Other	31 December 2019
Borrowings	74,301,860	(10,517,957)	(673,696)	–	(101,220)	63,008,987
Bonds payable	87,757,226	–	–	–	(440,698)	87,316,528
Lease liability	193,498	(47,420)	–	289,831	(16,366)	419,543
Total liabilities from financing activities	162,252,584	(10,565,377)	(673,696)	289,831	(558,284)	150,745,058

The Other column shows the amounts of received but not yet paid loan interest, including liabilities under Finance leases. The Group classifies the interest paid as cash flows from operating activities.

29. COMMITMENTS AND CONTINGENCIES

Operating environment

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

The Kazakhstan economy has been negatively impacted by a drop in oil prices. Interest rates in Tenge remain high. Combination of these factors resulted in a reduced access to capital, a higher cost of capital, increased uncertainty regarding further economic growth, which could negatively affect the Group’s financial position, results of operations and business prospects. Management of the Group believes it is taking appropriate measures to support the sustainability of the Group’s business in the current circumstances.

In connection with the recent rapid development of the coronavirus (COVID-19) pandemic, many countries, including the Republic of Kazakhstan, introduced quarantine measures, which had a significant impact on the level and scale of business activity of market participants.

Since March 2020, there has been significant volatility in the stock, foreign exchange and commodity markets, including the depreciation of the Tenge against the US Dollar and the Euro. The extent and duration of these events remains uncertain. However, management does not expect a significant impact on the profit, cash flows and financial condition of the Group.

Taxation

Kazakhstan’s tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including an opinion on the IFRS approach regarding revenue, expenses and other accounts of financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan’s tax laws are severe. Penalties are generally 50-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic 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 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 2020.

29. COMMITMENTS AND CONTINGENCIES (continued)

Compliance with loan covenants

From 1999 till 2011 the Group concluded loan facility agreements with EBRD and IBRD (the "Creditors") of which are effective for the amounts of 506 million US Dollars and 228 million Euro *(Note 15)*. According to the Loan facility Agreements concluded between the Group and the Creditors, the Group has to comply with the following covenants:

- Current ratio of not less than 1:1;
- Total debt to total capital of not more than 50%;
- Earnings before interest, income tax, depreciation and amortization ("EBITDA") to interest expense of not less than 3:1;
- Net debt to EBITDA of not more than 4:1.

Management believes that the Group complied with all existing loan covenants with EBRD and IBRD as at 31 December 2020 and 31 December 2019. The Group excludes from EBITDA the foreign exchange loss, as management believes that foreign exchange loss meets definition of non-cash impairment and as such shall be excluded from the calculation of EBITDA as provided in the loan agreement. As of 31 December 2020 the Group excluded from EBITDA the foreign exchange loss of KZT 5.309.688 thousand (during the year ended 31 December 2019: the foreign exchange gain of KZT 469,129 thousand).

Insurance

As at 31 December 2020, the Group insured production assets with a replacement value of KZT 257,314,802 thousand. The insurance payment is limited to the replacement value of property, plant and equipment. The Group does not insure its other property. Since absence of any insurance does not imply a reduction of the cost of assets or origination of liabilities, no provision has been made in these consolidated financial statements for unexpected expenses associated with damage or loss of such assets.

Contractual commitments

To ensure the stable and reliable performance of the national electricity grid, the Group developed a capital investment plan. As at 31 December 2020, the Group's outstanding contractual commitments within the frameworks of this plan amount to KZT 82,980,915 thousand (31 December 2019: KZT 52,925,016 thousand).

Due to the fact that a significant part of the plan on capital investments and, open contracts in particular, consist of equipment and spare parts purchased outside of the Republic of Kazakhstan, there is a likelihood of fluctuations in the value of contractual obligations. The main cause of these variations is the effect of changes in exchange rates caused by the transition to the regime of free-floating exchange rate in the framework of the implementation of target-based inflation.

Tariffs for the transmission of electrical energy, technical dispatching of grid output and consumption of electrical energy and organization of balancing the production and consumption of electric energy

Taking into account the expiration of the tariffs for the services of KEGOC on December 31, 2020 and in accordance with the requirements of paragraph 3 of Article 15 of the Law of the Republic of Kazakhstan *On Natural Monopolies*, the Group provides regulated services from January 1, 2021 until the approval of new tariffs at the following tariffs (without VAT):

- Transmission of electric energy in the amount of KZT 2.448 per kWh;
- Technical dispatching of the grid output and consumption of electric energy in the amount of KZT 0.264 per kWh;
- Organization of balancing the production and consumption of electric energy in the amount of KZT 0.086 per kWh.

Tariffs for consumers for 2020, approved by the Committee for the following regulated services of the Group:

- Transmission of electric energy in the amount of KZT 2.797 per kWh;
- Technical dispatching of the grid output and consumption of electric energy in the amount of KZT 0.306 per kWh;
- Organization of balancing the production and consumption of electric energy in the amount of KZT 0.098 per kWh.

29. COMMITMENTS AND CONTINGENCIES (continued)

Contractual commitments (continued)

Tariffs for the transmission of electrical energy, technical dispatching of grid output and consumption of electrical energy and organization of balancing the production and consumption of electric energy (continued)

Temporary offsetting tariffs for consumers for 2019 approved by the Committee for the following regulated services of the Group:

- For the transmission of electrical energy in the amount of 2.496 Tenge per kWh;
- On technical dispatching of supply to the grid and consumption of electric energy in the amount of 0.237 Tenge per kWh;
- On the organization of balancing the production and consumption of electrical energy in the amount of 0.088 Tenge per kWh.

Tariff on sale of electricity from renewable energy sources

The tariff on sale of electricity, produced by the renewable energy sources, to conditional consumers is calculated in accordance with the “Rules for determining the tariff for the support of renewable energy sources”, approved by Government Decision No. 290 dated 1 April 2014 and the “Rules for pricing in socially significant markets”, approved by Order of the Minister of National Economy of the Republic of Kazakhstan dated 1 February 2017 No. 36. The tariff on sale of electricity include the costs of the accounting and finance center for the purchase of electricity, produced by the renewable energy facilities, the costs of services for the organization of balancing the production and consumption of electricity, the costs of forming a reserve fund and the costs associated with the activities of the RFC on renewable energy sources.

Tariffs on sale of electricity, produced by the renewable energy sources for 2020 by Areas:

- Area 1:
  - From 1 January to 30 June − 34.62 Tenge per kWh;
  - From 1 July to 31 December − 36.47 Tenge per kWh.
- Area 2:
  - From January 1 to December 31 − 24.46 Tenge per kWh.

The management believes that during 2020 the calculation and application of tariffs on sale and purchase of electricity, produced by the renewable energy facilities, was carried out properly and in accordance with applicable norms and legislative acts.

Tariffs for the provision of services to ensure readiness of electricity capacity to bear the power load

The tariff for the provision of ensure readiness of electricity capacity to bear the power load is calculated in accordance with the “Rules for calculating and posting the price of the ensure readiness of electricity capacity to bear the power load on the Internet resource as a single purchaser”, approved by the Order of the Minister of Energy of the Republic of Kazakhstan dated 3 December 2015 No. 685. The calculation of the price of the ensure readiness of electricity capacity to bear the power load for the coming calendar year is carried out by “RFC on RES” LLP based on:

1) The weighted average price of the service to ensure readiness of electricity capacity, estimated according to the results of centralized trading of electricity capacity;
2) The weighted average price of the service to ensure readiness of electricity capacity of all contracts for the purchase of the services for maintaining readiness of electricity capacity, concluded by a single purchaser with the winners of tenders for the construction of generating units that are newly put into operation, with existing energy-producing organizations that have concluded an investment agreement for modernization, expansion, reconstruction and (or) updating with an authorized body, as well as with existing energy-producing organizations, comprising heat and power plants;
3) Forecast applications for the consumption of energy supplying, energy-transmitting organizations and consumers, which are subjects of the wholesale market;
4) Forecast demand for electricity capacity for the coming and subsequent calendar years.

29. COMMITMENTS AND CONTINGENCIES (continued)

Contractual commitments (continued)

Tariffs for the provision of services to ensure readiness of electricity capacity to bear the power load (continued)

Annually, prior to 1 December RFC LLP places on its Internet resource a price for a service to ensure readiness of electricity capacity to bear the power load for the coming calendar year along with supporting calculations. The price of the service to ensure readiness of electricity capacity to bear the power load for 2020 is 799,869 thousand Tenge / MW * month (excluding VAT) (for 2019: 613,413 thousand Tenge / MW * month (excluding VAT).

Impact of changes in legislation by type of activity "Capacity Market"

By order of the Minister of Energy of the Republic of Kazakhstan dated 6 August 2020 No. 273, amendments and additions were made to the order dated 27 February 2015 No. 152 *On approval of the Rules for the Organization and Functioning of the Electric Power Market* (hereinafter referred to as the "Rules"). One of the additions to the Rules was a change in the application of the k8 coefficient (the value of k8 before 1 January 2020 is equal to one). As a result of changes in legislation, the 2020 financial statements has been adjusted for December 2019.

As a result of the k8 coefficient, the proceeds from the provision of services for ensuring the readiness of electric power to bear the load decreased by 1,259,214 thousand Tenge, and the cost of maintaining the readiness of electric power to bear the load increased by 1,215,828 thousand Tenge for the year ended 31 December 2020.

Revision of the methodology for calculating the tariff for the services to ensure the readiness of electricity capacity to bear the power load

The Ministry of Energy of the Republic of Kazakhstan made amendments to the Law of the Republic of Kazakhstan *On Electric Power Industry* in terms of the methodology for calculating the tariff for the services to ensure the readiness of electricity capacity to bear the power load. In this regard, the Ministry of Energy of the Republic of Kazakhstan developed a draft order of the Minister of Energy of the Republic of Kazakhstan *On Amending the Order of the Minister of Energy of the Republic of Kazakhstan dated December 3, 2015 No. 685 On approval of the Rules for calculating and posting on the Internet resource by a single purchaser of prices for the services to ensure the readiness of electricity capacity to bear the power load*. The calculation of the tariff for the services to ensure the readiness of electricity capacity to bear the power load for 2021 was made taking into account the amendments made to the legislation of the Republic of Kazakhstan.

Execution of investment program

In accordance with the Law of the Republic of Kazakhstan *On Natural Monopolies*, the Company, as a subject natural monopolies, within the approved maximum tariffs for 2016-2020, there is an liability to fulfil an investment program for capital construction/reconstruction/overhaul/diagnostics of production facilities for 2016-2020 (approved by the joint order of the Ministry of Energy of the Republic of Kazakhstan No. 38 dated 29 January 2020 and Committee on regulations of natural monopolies of the Ministry of national economy of the Republic of Kazakhstan ("CREM") No. 8-OD dated January 24, 2020), for a total amount of 172 billion Tenge.

According to clause 6 of the Rules for the approval of a temporary compensating tariff, approved by order Of the Minister of National Economy of the Republic of Kazakhstan dated 23 November 2016 No. 484, for failure to comply measures of investment programs taken into account when approving tariffs or their limit levels, a temporary compensating tariff is introduced. However, in 2016-2020 the Group's expenses on its own funds exceed the approved amount by 17.4 billion Tenge. In addition, unused funds were redistributed among other activities included in the approved Investment Program. As of 31 December 2020, the Group's management believes that the investment program has been completed.

Litigation with the CREM

KEGOC JSC in accordance with the Tariff Formation Rules approved by the order of the Minister of the national economy of the Republic of Kazakhstan dated 19 November 2019 No. 90, 1 July 2020 sent to Committee an application for approval of the maximum levels of tariffs and tariff estimates for regulated services of KEGOC JSC for a five-year period (2021-2025), as well as on June 24, 2020, sent an application for approval of KEGOC's investment program for 2021-2025 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES (continued)

Litigation with the CREM (continued)

Based on the results of the consideration of the submitted materials, on 23 November 2020, the Committee decided to refuse approval limit levels of tariffs and tariff estimates for regulated services, as well as an investment program for the upcoming five-year period.

On 29 December 2020, the Group appealed the decision of the Committee on the refusal to approve tariffs in court. The first instance court dismissed the claims of KEGOC. The Group is in process of preparation of an appeal against the decision of the court of first instance.

30. SUBSEQUENT EVENTS

On December 8, 2020, the Group signed an agreement with Samruk-Kazyna Construction LLP for the sale of land plots at a contractual cost of 2,182,037 thousand Tenge for the construction of residential and non-residential premises and parking spaces. On 12 January 2021, land plots were transferred under an agreement with Samruk-Kazyna Construction LLP.

On 5 February 2021, the Group made a partial repayment of the loan of IBRD in the amount of USD 1,296 thousand (equivalent to KZT 546,910 thousand).

On 10 February 2021, the Group made a partial repayment of the EBRD loan in the amount of 9,382 thousand Euros (equivalent to KZT 4,745,384 thousand).