

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

1. GENERAL INFORMATION

Kazakhstan Electricity Grid Operating Company JSC (“the Company” or “KEGOC”) was established in accordance with the Government Resolution No. 1188 dated 28 September 1996 by transferring of some assets of the former National Energy System “Kazakhstanenergo”.

As on 31 March 2021 the Company’s major shareholder is “Samruk-Kazyna” Sovereign Wealth Fund 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 a national company rendering the services of electricity transmission, technical dispatching, and electricity generation-consumption balancing 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 national power grid (the “NPG”), ensures its technical support and maintenance. The NPG consists of substations, switchgear devices, interregional and/or international power transmission lines which provide the output of electricity of electrical stations with the voltage of 220 kV and more.

As on 31 March 2021 and 31 March 2020, the Company had interest ownership in the following subsidiaries:

Company	Activity	Ownership share	
		31 December 2021	31 March 2020
Energoinform JSC (hereinafter - "Energoinform")	Maintenance of the KEGOC's IT system	100%	100%
Financial Settlement Centre for Renewable Energy Sources Support LLP (hereinafter - FSC RES);	Centralized purchase and sale of renewable electricity that is supplied to the networks of the unified power system of Kazakhstan; purchase of services for maintaining availability of electric capacity and centralized delivery of service associated with maintaining readiness of electric capacity to bear the load in the electric capacity market.	100%	100%

The Company and its subsidiaries are hereinafter collectively referred to 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 services and related support.* Electricity transmission is regulated by the Law of the Republic of Kazakhstan dated 27 December 2018 No. 204VI 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 shall be approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy (“the Committee”).
- *Maintain readiness of electric capacity to bear the load.* The electricity capacity market has been in operation in Kazakhstan since 1 January 2019, and has the main purpose to maintain adequacy of the power system of the Republic of Kazakhstan. The power system adequacy is the ability to meet consumers' demand for electricity at any given time.
- *Sale of the purchased electricity.* The sale of purchased electricity segment includes the renewable energy sector (“RES”) created by the Government of the Republic of Kazakhstan in order to create favourable conditions for the development of the RES. The RES sector is regulated by the Law of the Republic of Kazakhstan On Supporting the Use of Renewable Energy Sources No. 165-IV dated 4 July 2009.

The Company’s head office is registered at: 59 Tauelsyzdyk Ave., Nur-Sultan, Z00T2D0, the Republic of Kazakhstan.

The accompanying interim condensed consolidated financial statements were signed by the Managing Director for Finance and Accounting and the Chief Accountant on 14 May 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IAS) 34 *Interim Financial Statements* as issued by the International Accounting Standards Board (“IASB”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020.

These interim condensed consolidated financial statements are presented in tenge and all values are rounded to the nearest thousand unless otherwise stated.

Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 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 Group has:

- power over the investee (i.e. existing rights that provide it the current ability to manage the relevant activities of the investee);
- exposure, or rights, to variable income from its involvement with the investee;
- the ability to use its power over the investee to affect its income.

As a rule, it is assumed that most voting rights determine the existence of control. 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 interim condensed 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 interests and other components of equity and recognizes the resulting gain or loss in profit or loss. Any retained investment are recognized at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments, first applied by the Group

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended on 31 December 2019, except for the adoption of new standards effective as of 1 January 2020 the Group has not early adopted any standards, interpretations or amendments that has been issued but is not yet effective.

In 2020 the Group first applied the amendments and interpretations below, but they did not have an impact on its interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments, first applied by the Group (continued)

Amendments to IFRS 3 Business Definition

The amendments to IFRS 3 clarify that, to be considered a business, an integrated set of activities and assets must include at least input and a fundamentally significant process that together significantly contribute to the ability to create outputs. It also clarifies that a business does not have to include all the inputs and processes needed to generate outputs. The amendments had no impact on the Group's interim condensed consolidated financial statements.

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

Amendments to IFRS 9, IAS 39 "Financial Instruments: Recognition and Measurement" provide a number of exemptions that apply to all hedging relationships that are directly affected by the interest rate reform. The interest rate reform has an impact on hedging relationships if it results in uncertainties about the timing or amount of interest rate benchmark-based cash flows of the hedged item or hedging instrument. The amendments had no impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 1 and IAS 8 Determination of Materiality

The amendments propose a new definition of materiality, according to which "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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 quantitative significance of the information (taken separately or in combination with other information) in the context of the financial statements considered as a whole. Misstatement is material if it can be reasonably expected to influence the decisions of the primary users of the financial statements. The amendments had no impact on the Group's interim condensed consolidated financial statements.

Conceptual Framework for the Presentation of Financial Statements issued on March 29, 2018

The Conceptual Framework is not a standard and none of the provisions of the Conceptual Framework take precedence over any provision or requirement of the standard. The objectives of the Conceptual Framework are to: assist the IASB in developing standards; assist preparers of financial statements in the development of accounting policies when none of the standards regulate a specific transaction or other event; and assist all parties to understand and interpret the standards.

The revised Conceptual Framework contains several new concepts, updated definitions of assets and liabilities and criteria for their recognition, and clarifies some significant provisions.

The revision of this document had no impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 16 Rental concessions related to the Covid-19 pandemic

On 28 May 2020, the IASB issued an amendment to IFRS 16 Leases - Lease concessions related to the Covid-19 pandemic. The amendment provides an exemption for lessees from applying the requirements of IFRS 16 to account for modifications to leases in the event of lease concessions that arise as a direct consequence of the Covid-19 pandemic. As a practical expedient, the lessee may choose not to analyse whether the lease assignment provided by the landlord in connection with the Covid-19 pandemic is a modification of the lease. A lessee, who made such decision, should take into account any change in lease payments arising from a lease assignment related to the Covid-19 pandemic, in the same way that the change would be accounted for under IFRS 16 if it were not a contract modification lease. This amendment applies to annual periods beginning on or after 1 June 2020. Earlier application is permitted. These amendments had no impact on the consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of assets and liabilities into current / short-term and non-current / long-term

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 sold or consumed in normal operating cycle; Held primarily for the purpose of trading;
- intended 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/long-term assets and liabilities.

Fair value measurement

The Group measures financial instruments such as financial assets at fair value at each reporting date and non-financial assets (NEG assets) at fair value when their fair value differs significantly from their residual 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.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (Continued)

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 AFS 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 valuers, 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 valuers discuss 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 interim consolidated financial statements are presented in Tenge ("KZT"). Tenge is also the 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 translated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are included in the interim condensed 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:

<i>Exchange rate as at the end of the period (to Tenge)</i>	31 March 2021	31 December 2020
1 USD	424.34	420.91
1 Euro	498.13	516.79
1 RUB	5.59	5.62

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

<i>Average exchange rate for the nine months period (to KZT)</i>	31 March 2021	31 December 2020
1 USD	419.70	412.95
1 Euro	506.28	471.44
1 RUB	5.65	5.73

Fixed assets

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.

Property, plant and equipment

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
NPG assets	
Overhead transmission lines	50 years
Constructions	10-30 years
Machinery and equipment	12-30 years
Vehicles and other fixed assets	
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 interim consolidated statement of comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 the derecognition of an asset (calculated as the difference between the net proceeds to and from disposal and the carrying amount of the asset) is included in profit or loss in the reporting year in which the asset is derecognised.

Intangible assets

Intangible assets are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization 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.

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. The recoverable amount of an asset or cash generating unit (CGU) is the higher of the fair value of the asset (CGU), less costs to sell, and the value in use of the asset (CGU). 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. 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 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 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. Reversal is limited so that the asset's carrying amount does not exceed its recoverable amount and cannot exceed its carrying amount, less depreciation, at which the asset would have been recognized if no impairment loss had been recognized 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. In these cases, the reversal is recorded as an increase in value from revaluation.

Investments in associates

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

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 subsequently increases or decreases due to the recognition of the Group's share of changes in the net assets of the associate arising after the acquisition date. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized and is not separately tested for impairment.

The interim condensed consolidated statement of comprehensive income reflects the Group's share in the financial performance of the associate. If there has been a change directly recognized in the equity of the associate, the Group recognizes its share of the change and discloses that fact, when applicable, in the interim consolidated statement of changes in equity.

Unrealized gains and losses arising from transactions of the Group with an associate are eliminated to the extent that the Group has an 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 interim 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 for one entity and a financial liability or equity instrument for 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.

NOTES TO THE INTERIM CONDENSED 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 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.

Termination of acknowledgement

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 a third party the received cash flows in full and without significant delay under the "transit" agreement; and either (a) the Group has transferred substantially all of the risks and rewards of the asset; or (b) the Group has not transferred, but does not retain, substantially all the risks and rewards of the asset, but has transferred control over 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 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.

NOTES TO THE INTERIM CONDENSED 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 loss(continued)

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) assessment of the risk of a default occurring 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:

- acquired or created credit-impaired financial assets;
- trade receivables or contractual assets arising from transactions that are within the scope of IFRS 15 *Revenue from Contracts with Customers*; and
- 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 allowance for losses on a financial instrument in an amount equal to the expected credit losses for the entire period, but, as of the current reporting date, determines that there is no significant increase in credit risk, then, as on the current reporting date, the Group should estimate the estimated provision as 12-month expected credit losses.

The Group recognizes as an impairment gain or loss the amount required to adjust the loss allowance to the amount of expected credit losses as on 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.

Measurement of expected credit loss

The Group estimates expected credit losses for a financial instrument in a manner that reflects:

- an unbiased and probability-weighted amount determined by assessing the range of possible results;
- the time value of money;
- 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 annul 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.

NOTES TO THE INTERIM CONDENSED 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 (continued)

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. The Group determines the classification of its financial liabilities at initial recognition.

All 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 interim consolidated statement of comprehensive income.

Trade and other accounts payable

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Termination of acknowledgement

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 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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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 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

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. The funds reflected in these bank accounts can be used exclusively for making planned payments on interest and principal. 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.

Reserves

Reserves 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 interim 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.

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:

Identification of the contract with the consumer;

Identification of the obligation to be executed under the contract;

Determination of transaction price;

Distribution of the transaction price between certain duties to be performed under the contract;

Recognition of proceeds at the time of (or as far as) the performance of the obligations to be performed under the contract.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from rendering of services is recognized by reference to the stage of completion. The Group receives income from the provision of services: for the transmission of electricity from producers to wholesale and large consumers; for the technical dispatching of electricity supply and consumption in the grid; for the balancing of production and consumption of electricity, as well as services for ensuring contractual electricity flows to and from the neighbouring power systems and other services.

Tariffs for services of electricity transmission, technical dispatch, organization of balancing of production/consumption of electricity are approved by the Committee.

The revenues from providing a contractual electricity flows to/from 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 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 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.

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 assurance that title to the asset will transfer to the Group at the end of the lease term, the asset is amortized over the shorter of the following periods: the estimated useful life of the asset or the lease term. Operating lease payments are recognised as an operating expense in the interim consolidated statement of comprehensive income on a straight-line basis over the lease term.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interim 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 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 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is estimated that it is unlikely that sufficient taxable profit will be achieved to enable the use of all or part of the deferred tax assets. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

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 interim consolidated financial statements are authorised for issue.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the interim 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 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 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. The increase in tariffs resulted in a revaluation surplus of certain assets included in other comprehensive income in the amount of KZT 113,259,316 thousand and a related deferred tax liability in the amount of KZT 22,651,864 thousand, as well as an increase in the value of some previously revalued assets included in profit and loss in the amount of KZT 3,342,507 thousand.

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.

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

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

Revaluation of property, plant and equipment (continued)

As a result of the assessment, the amount of KZT 527,147,904 thousand was recognized as the fair value of NPG assets as at 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 KZT 40,116,819 thousand or KZT 26,219,011 thousand, accordingly.

At each reporting date, the Group assesses whether there is any difference between the carrying amount of NPG assets and the amount, which was determined using fair values at the reporting date. As on 31 March 2021 and 31 December 2020, the management of the Group revised its assessments in relation to the fair value of its NPG assets, calculating the current replacement cost of NPG assets less all types of accumulated depreciation. As a result, the management of the Group concluded that as on 31 March 2021, the carrying amount of NPG assets does not differ materially 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 interim consolidated financial statements, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair values of financial instruments

In cases where the fair value of financial assets and financial liabilities recognized in the interim consolidated statement of financial position cannot be determined from active markets, it is determined using valuation techniques, including a discounted cash flow 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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Fair value of financial instruments (continued)

Bonds DSFK (continued)

Management of the Group believes that as at 31 March 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 March 2021, the bonds were classified as financial instruments at fair value through profit or loss. As at 31 March 2021, the Group revalued the fair value of the bonds at a discount rate of 12.4%, which represents the market discount rate as at 31 March 2021.

Bonds of Samruk-Kazyna

On 2 December 2020, the Group purchased coupon bonds of Samruk-Kazyna JSC in the amount of 16,000,000, with a nominal value of KZT 1,000 per unit on the Kazakhstan Stock Exchange. The bonds mature on 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 7 December 2020, the Group purchased coupon bonds of Samruk-Kazyna JSC in the amount of 14,000,000, with a nominal value of KZT 1,000 per unit at Freedom Finance JSC. The bonds mature on 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%.

Amortization of premiums as on 31 March 2021 amounted to KZT 35,125 thousand.

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 – FSC RES LLP of electricity produced by renewable energy facilities. The activities of the FSC RES 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 RES electricity are concluded by the Group for a period of 15 years, while the contracts for the sale of electricity are concluded with buyers 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.

Definition of the lease component in contracts for the purchase of RES electricity

A subsidiary of the Group, FSC RES LLP, has entered into long-term contracts for the purchase of electricity generated at RES power plants (hereinafter - “RES power plants”). According to these contracts, the RFC has the right to receive almost all economic benefits from the use of a RES power plant during the period of use, defined as a 15-year period of validity of the purchase contracts. FSC RES LLP purchases all electricity produced at these RES power plants. RES electricity purchase agreements provide for fixed tariffs in KZT/kWh of electricity produced at a RES power plant.

Therefore, the Group's management has determined that RES electricity purchase agreements contain a lease component in accordance with IFRS 16. However, the Group's management is unable to reliably estimate the amount of electricity due to high fluctuations in production volumes 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 Group's management was unable to measure reliably the lease liabilities (and, accordingly, the right-of-use asset).

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

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

Estimated allowance for expected credit losses on receivables

The Group uses a provision matrix to calculate ECL for accounts receivable. Valuation allowance rates are based on the number of days delayed payment by the groups of different customer segments with similar loss patterns (i.e. geographic region, product type, customer type and rating, collateral through letters of credit and other forms of credit risk insurance).

The provision matrix is initially based on observable historical defaults. The Group will update the matrix to adjust past credit loss experience based on forward-looking information. At each reporting date, the observed data on the default rates in the previous periods are updated and the changes in the forecast estimates are analyzed.

Assessing the relationship between historical observed default rates, projected economic conditions and ECL is a significant estimate. ECL is sensitive to changes in circumstances and projected economic conditions. The Group's past experience of incurring credit losses and forecasts of economic conditions may also not be indicative of actual customer default in the future.

5. OPERATING SEGMENTS INFORMATION

Geographic information

Revenues from external customers based on the geographic locations of the customers represent the following:

<i>KZT thousand</i>	For three-month period ended	
	31 March 2021	31 March 2020
Revenue from Kazakhstan customers	81,525,696	79,386,223
Revenue from Russian customers	3,717,831	3,977,270
Revenue from Uzbekistan customers	585,388	284,209
Revenue from Kyrgys customers	33,815	2,620
Total revenue per interim consolidated statement of comprehensive income	85,862,730	83,650,322

Management analyses the Group's revenue and profit before tax determined in accordance with IFRS.

For the three months period ended on 31 March 2021 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to KZT 14,494,275 thousand, including from transmission, technical dispatching and balancing services, services for the sale of the purchased electricity, services for maintaining readiness of electric capacity to bear the load (for the three months period ended on 31 March 2020: KZT 13,691,204 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 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 balancing tariffs shall be approved by the Committee.
- *Maintain readiness of electric capacity to bear the 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 reliability of the power system of the Republic of Kazakhstan. The balance security in the power system is the ability to meet consumers' demand for electricity at any given time.
- *Sale of the 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 favourable conditions for the development of the RES. The RES sector is regulated by the Law of the Republic of Kazakhstan *On Supporting the Use of Renewable Energy Sources* No. 165-IV dated 4 July 2009.

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

5. OPERATING SEGMENTS INFORMATION (continued)

Operating segments (continued)

<i>KZT thousand</i>	For three-month period ended on 31 March 2021						Total
	Electricity transmission and related support services	Services to ensure readiness of electricity capacity to bear the power load	Sale of purchased electricity	Other	Elimination		
Revenues from sale to external customers	45,069,197	18,979,631	21,715,304	98,598	–	85,862,730	
Revenues from sale to other segments	60,651	997,021	–	2,314,233	(3,371,905)	–	
Total revenues	45,129,848	19,976,652	21,715,304	2,412,831	(3,371,905)	85,862,730	
Gross profit	19,582,938	749,995	(3,544,697)	700,931	(404,933)	17,084,234	
General and administrative expenses	(1,721,449)	(62,353)	(29,162)	(135,281)	158,644	(1,789,601)	
Costs of transportation and sales	(90,019)	–	–	–	6,882	(83,137)	
Finance income	1,474,180	366,775	50,753	14,612	–	1,906,320	
Financial expenditures	(2,956,449)	(2,237)	–	(6,184)	–	(2,964,870)	
Share in profit of an associate	129,383	–	–	–	–	129,383	
Exchange loss, net	563,016	–	–	(501)	–	562,515	
Income tax expenses	(3,188,313)	127,326	–	(108,144)	–	(3,169,131)	
Net profit/loss for the year from continuing operations	14,053,138	1,065,380	(4,087,248)	2,021,361	301,613	13,354,244	
Total net profit/loss	14,053,138	1,065,380	(4,087,248)	2,021,361	301,613	13,354,244	
Other segment information							
Total segment assets	773,210,358	33,835,607	21,632,602	6,620,130	(2,299,421)	832,999,276	
Total segment liabilities	278,608,571	18,990,300	19,765,414	750,580	(1,026,303)	317,088,562	
Provision for expected credit losses on doubtful debts	(151,145)	(114,125)	(532,485)	(7,192)	–	(804,947)	
Investments in joint ventures and associates	2,146,976	–	–	–	–	2,146,976	

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

5. OPERATING SEGMENTS INFORMATION (continued)

Operating segments (continued)

<i>KZT thousand</i>	For three-month period ended on 31 March 2020					
	Electricity transmission and related support services	Services to ensure readiness of electricity capacity to bear the power load	Sale of purchased electricity	Other	Elimination	Total
Revenues from sale to external customers	46,744,730	22,711,596	13,996,503	197,493	–	83,650,322
Revenues from sale to other segments	44,933	1,094	1,118,217	971,828	(2,136,072)	–
Total revenues	46,789,663	22,712,690	15,114,720	1,169,321	(2,136,072)	83,650,322
Gross profit	22,304,186	3,590,139	(1,196,551)	368,772	(20,744)	25,045,802
General and administrative expenses	(1,762,384)	(64,348)	(29,191)	(113,065)	257,519	(1,711,469)
Costs of transportation and sales	(85,781)	–	–	–	6,348	(79,433)
Finance income	730,614	246,547	67,479	17,587	–	1,062,227
Financial expenditures	(2,734,952)	(634)	–	–	–	(2,735,586)
Share in profit of an associate	66,115	–	–	–	–	66,115
Exchange gain/loss, net	(5,418,330)	–	–	(113)	–	(5,418,443)
Income tax expenses	(2,630,949)	(530,823)	–	(64,675)	–	(3,226,447)
Net profit/loss for the year from continuing operations	(10,243,099)	3,292,191	(1,168,900)	208,591	189,374	12,764,355
Total net profit/loss	(10,243,099)	3,292,191	(1,168,900)	208,591	189,374	12,764,355
Other segment information						
Total segment assets	748,488,222	29,222,130	13,282,787	4,563,396	(3,526,915)	792,029,620
Total segment liabilities	268,785,173	20,537,318	9,335,145	698,880	(1,929,725)	297,427,241
Provision for expected credit losses on doubtful debts	(431,158)	46,962	(22,349)	5,078	–	(401,467)
Investments in joint ventures and associates	1,928,356	–	–	–	–	1,928,356

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

6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS

During the three months ended 31 March 2021, the Group acquired assets with a total initial value of KZT 6,242,042 thousand (for the three months ended 31 March 2020: KZT 1,476,414 thousand). Acquisitions mainly comprise capital expenditures under the projects 'Rehabilitation of 220-500 kV OHTLs of the branches of KEGOC', 'Rehabilitation of 220 kV OSG, 110 kV OSG including replacement of 220 kV and 110 kV disconnectors, 220 kV and 110 kV current and voltage transformers, 220 kV and 110 kV dischargers, auxiliary transformers No.1 and 2, AC and DC supply in Zapadnye MES branch', 'Modernization of the automatic frequency and power flows control system'.

Depreciation accrued for the the three months ended on 31 March 2021 amounted to KZT 8,387,901 thousand (for the three months ended 31 March 2020: KZT 8,240,649 thousand).

Advances paid for non-current assets

As on 31 March 2021 advances paid for non-current assets mainly represent prepayments made to suppliers for construction works and services related to the projects 'Rehabilitation of 220-500 kV OHTL at KEGOC branches' and 'Turkestan External Power Supply Reinforcement Project'. Construction of Power Grid Facilities'.

Capitalisation of loan and bond costs

During the three months ended 31 March 2021, the Group capitalized the borrowing costs of coupon interest on the issued bonds, which amounted to KZT 309,636 thousand less investment income (for the three months ended 31 December 2021: KZT 310,407 thousand).

7. INVENTORIES

<i>KZT thousand</i>	31 March 2021	31 December 2020
Raw and other materials	1,883,538	1,441,729
Spare parts	1,658,029	1,113,256
Fuel and lubricants	100,533	84,148
Other inventories	194,863	273,433
Less: allowance for obsolete inventories	(364,332)	(363,273)
	3,472,631	2,549,293

Movement in the allowance for obsolete inventories was as follows:

<i>KZT thousand</i>	2021	2020
As on 1 January	363,273	313,118
Accrual (Note 20)	21,933	47,248
Recovery (Note 20)	(20,874)	(19,074)
31 March	364,332	341,292

8. TRADE ACCOUNTS RECEIVABLE

<i>KZT thousand</i>	31 March 2021	31 December 2020
Trade accounts receivable	35,331,060	31,505,569
Less: provision for expected credit losses	(3,619,211)	(2,902,262)
	31,711,849	28,603,307

Movement of the provision for expected credit losses is as follows:

<i>KZT thousand</i>	2021	2020
As on 1 January	2,902,262	2,104,309
Accrual	822,705	639,181
Recovery	(105,756)	(258,074)
31 March	3,619,211	2,485,416

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

8. TRADE ACCOUNTS RECEIVABLE (continued)

As at 31 March 2021 trade accounts receivable included accounts receivable from the customer, Uzbekistan National Power Grid JSC, in the amount of KZT 1,719,076 thousand (31 December 2020: KZT 1,805,978 thousand).

As at 31 March 2021, allowance for debts from Uzbekistan National Power Grid JSC amounted to KZT 1,564,749 thousand (31 December 2020: KZT 1,550,092 thousand).

Trade accounts receivable was denominated in the following currencies:

<i>KZT thousand</i>	31 March 2021	31 December 2020
KZT	30,682,591	27,812,664
Russian rouble	875,377	535,922
US dollar	153,881	254,721
	31,711,849	28,603,307

9. OTHER FINANCIAL ASSETS

<i>KZT thousand</i>	31 March 2021	31 December 2020
Financial assets at amortised cost		
Bank deposits	31,220,083	29,656,027
Bonds of Samruk-Kazyna	30,177,964	30,213,089
Notes of the National Bank of the Republic of Kazakhstan	18,933,046	28,823,615
Placements with Eximbank Kazakhstan	2,482,852	2,572,504
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	1,830,747	1,816,832
Placements with DeltaBank JSC	1,230,000	1,230,000
Placements with KazInvestBank JSC	1,218,925	1,219,017
Interest accrued on Samruk-Kazyna bonds	1,071,833	254,334
Dividends receivable from an associate	203,095	203,095
Interest accrued on Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	34,588	17,163
Less: provision for impairment of placements with Eximbank Kazakhstan	(2,482,852)	(2,572,504)
Less: provision for impairment of placements with DeltaBank JSC	(1,230,000)	(1,230,000)
Less: provision for impairment of placements with Kazinvestbank JSC	(1,218,925)	(1,219,017)
Less: provision for expected credit losses	(364,721)	(152,516)
	83,106,635	90,831,639
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	303,738	310,175
	303,738	310,175
Total other financial assets	83,410,373	91,141,814
Other current financial assets	51,097,960	58,801,720
Other non-current financial assets	32,312,413	32,340,094
Total other financial assets	83,410,373	91,141,814

Movements in the provision for impairment of other financial assets are presented as follows:

<i>KZT thousand</i>	2021	2020
As on 1 January	5,174,037	5,632,274
Accrual	212,274	129,949
Recovery	(89,813)	(191,569)
31 March	5,296,498	5,570,654

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

9. OTHER FINANCIAL ASSETS (continued)

Bonds of Samruk-Kazyna

On 2 December 2020, the Group purchased coupon bonds of Samruk-Kazyna JSC in the amount of 16,000,000, with a nominal value of KZT 1,000 per unit on the Kazakhstan Stock Exchange. The bonds mature on 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 7 December 2020, the Group purchased coupon bonds of Samruk-Kazyna JSC in the amount of 14,000,000, with a nominal value of KZT 1,000 per unit at Freedom Finance JSC. The bonds mature on 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 three months ended 31 March 2021, Special Financial Company DSFK LLP redeemed bonds amounting to KZT 46,736 thousand.

As at 31 March 2021, the Group revalued the fair value of bonds and increased their carrying amount to KZT 303,738 thousand, recognizing income on revaluation of financial instruments in the amount of KZT 33,184 thousand in finance income in the interim consolidated statement of comprehensive income.

Deposits

As at 31 March 2021 and 31 December 2020 the deposits include accrued interest income in the amount of KZT 73,848 thousand and KZT 65,981 thousand, respectively.

Funds held in JSC "Eximbank Kazakhstan" (hereinafter - "Eximbank")

On 27 August 2018, based on the resolution of the Board of the National Bank of the Republic of Kazakhstan a decision was made to revoke the license of Eximbank for accepting deposits and opening bank accounts for individuals. In this regard, the Group reclassified cash and cash equivalents held in Eximbank within other financial assets and accrued a provision of 100%, which amounts to KZT 2,930,115 thousand.

On 14 November 2019, the Liquidation Commission of Eximbank Kazakhstan JSC made a payment in the amount of USD 178 thousand (equivalent to KZT 69,151 thousand on the date of payment), according to the approved register of creditors' claims dated 13 June, 2019. The Group recognized the related reversal of impairment allowance.

During the three months ended 31 March 2021, the Liquidation Commission of Eximbank Kazakhstan JSC made a payment in the amount of USD 247 thousand (equivalent to KZT 103,606 thousand at the date of payment) according to the approved register of creditors' claims dated 13 June 2019. The Group recognized the respective reversal of impairment allowance.

Notes of the National Bank of the Republic of Kazakhstan

During 2020, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan at a price lower than the nominal value at the Auction of the National Bank of the Republic of Kazakhstan and on the Kazakhstan Stock Exchange JSC. The circulation period of the notes of the National Bank of the Republic of Kazakhstan is from 15 May 2020 to 25 June 2021.

During the three months ended 31 March 2021, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan at a price lower than the nominal value at the Auction of the National Bank of the Republic of Kazakhstan and on the Kazakhstan Stock Exchange JSC. The circulation period of notes of the National Bank of the Republic of Kazakhstan is from 25 January to 18 June 2021.

During the period ended 31 March 2021 the Group recognized finance income in the amount of KZT 614,977 thousand.

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

9. OTHER FINANCIAL ASSETS (continued)

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On 26 April 2019, the Group acquired 4,200,000 Eurobonds of the Ministry of Finance of the Republic of Kazakhstan with the interest rate of 3.875% per annum and maturity until October 2024 at a price higher than the face value and to the total amount of USD 4,368 thousand (equivalent of KZT 1,830,747 thousand).

Other financial assets were denominated in the following currencies:

<i>KZT thousand</i>	Interest rate	31 March 2021	31 December 2020
KZT	8.5-9%	56,230,126	64,453,314
US dollar	1-1.5%	27,180,247	26,688,500
		83,410,373	91,141,814

10. RESTRICTED CASH

<i>KZT thousand</i>	31 March 2021	31 December 2020
Cash reserved for return as contractors' collaterals	555,067	553,284
Less: provision for expected credit losses	(704)	(698)
	554,363	552,586

During 2021 and 2020, no interest was accrued on restricted cash.

As on 31 March 2021, there is no restricted cash taking into account the funds planned to be repaid. This is due to the closure of the reserve account, as a result of the completion of obligations under the terms of the guarantee agreement with the Government of the Republic of Kazakhstan, the guarantor for the Group's loans.

In accordance with the terms of the loan agreements with IBRD, the Group's lender, the Group accumulates cash in a special debt service bank account opened with a Kazakhstan bank 35 calendar days before the date of repayment of the principal, interest and commissions on the IBRD loans.

The movement in the provision for expected credit losses on restricted cash was as follows:

<i>KZT thousand</i>	2021	2020
As on 1 January	698	8,467
Accrual	8	425
Recovery	(2)	(7,700)
31 March	704	1,192

As on 31 March 2021 and 31 December 2020, restricted cash taking into account the funds planned to be repaid were denominated in the following currencies:

<i>KZT thousand</i>	31 March 2021	31 December 2020
KZT	554,363	552,586
	554,363	552,586

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

11. CASH AND CASH EQUIVALENTS

<i>KZT thousand</i>	31 March 2021	31 December 2020
Short-term deposits, in KZT	21,546,780	10,812,426
Current accounts with banks, in KZT	20,847,728	10,816,529
Current accounts with banks, in foreign currencies	380,074	244,835
Cash on hand in tenge	3,400	1,828
Cash on special accounts in tenge	1,123	752
Less: provision for expected credit losses	(15,574)	(9,165)
	42,763,531	21,867,205

As at 31 March 2021, the Group placed short-term deposits with banks for the period of up to 90 days at 7.5%-8% per annum (2020: 7-8.25% per annum) and current bank accounts at 8.25% per annum (2020: 8.25% p.a.)

Movement of the provision for expected credit losses on cash and cash equivalents is as follows:

<i>KZT thousand</i>	2021	2020
As on 1 January	9,165	19,236
Accrual	6,598	4,501
Recovery	(189)	(10,392)
31 March	15,574	13,345

As on 31 March 2021 and 31 December 2020, cash and cash equivalents were denominated in the following currencies:

<i>KZT thousand</i>	31 March 2021	31 December 2020
KZT	42,383,928	21,622,663
Russian rouble	287,409	223,177
US dollar	91,813	20,991
Euro	1	1
Other	380	373
	42,763,531	21,867,205

12. EQUITY

As at 31 March 2021 and 31 December 2020 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 1,390 of floating shares for the total amount of KZT 930 thousand.

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 three-month period ended 31 March 2021 (for the three-month period ended 31 March 2020: 259,998,610 shares). For the three-month period ended 31 March 2021 and 2020, basic and diluted earnings per share were KZT 51.36 and KZT 49.09, respectively.

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

12. EQUITY (continued)

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.

<i>KZT thousand</i>	31 March 2021	31 December 2020
Total assets	832,999,276	812,012,626
Less: intangible assets	(3,827,595)	(3,327,999)
Less: total liabilities	(317,088,562)	(309,456,156)
Net assets	512,083,119	499,228,471
Number of ordinary shares	260,000,000	260,000,000
Book value per ordinary share, KZT	1,970	1,920

Asset revaluation reserve

Asset revaluation reserve is represented by revaluation surplus recognized as a result of revaluation of Group’s National Power Grid (NPG) assets as on 1 October 2018 (previous revaluation was held as at 1 June 2014) Transfer of asset revaluation surplus into retained earnings, upon disposal of PPE and transfer of NES assets into other classes of PPE, for the three-month period ended 31 March 2021 amounted to KZT 10,455 thousand (for the three-month period ended 31 March 2020: KZT 137,445 thousand).

13. BORROWINGS

<i>KZT thousand</i>	31 March 2021	31 December 2020
The International Bank for Reconstruction and Development (IBRD)	39,895,514	41,647,967
The European Bank for Reconstruction and Development (EBRD)	17,216,064	22,529,925
	57,111,578	64,177,892
Less: current portion of loans repayable within 12 months	(12,919,196)	(14,334,439)
	44,192,382	49,843,453

As of 31 March 2021 and 31 December 2020, the charged and unpaid interest on the loans amounted to KZT 145,914 thousand and KZT 343,237 thousand accordingly. As of 31 March 2021 and 31 December 2020, unamortised part of the administration fee amounted to KZT 274,462 thousand and KZT 285,919 thousand accordingly.

Loans were denominated in the following currencies:

<i>KZT thousand</i>	31 March 2021	31 December 2020
US dollar	39,895,514	41,647,967
Euro	17,216,064	22,529,925
	57,111,578	64,177,892

During the three months ended 31 March 2021, the Group repaid the outstanding loan debt in the amount of KZT 6,544,031 thousand (KZT 1,114,797 thousand during the three months ended 31 March 2021), as well as payment accrued interest in the amount of KZT 482,929 thousand (KZT 880,785 thousand during the three months ended 31 March 2021). Also, as a result of changes in the FX rate of the KZT against the USD dollar and EUR, the balance of loans and accrued interest decreased by KZT 342,455 thousand during the three months ended 31 March 2021 (during the three months ended 31 March 2020 it increased by KZT 8,526,053 thousand).

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

14. BONDS

<i>KZT thousand</i>	31 March 2021	31 December 2020
Nominal value of bonds issued	102,369,672	93,500,000
Accrued coupon interest	6,886,560	4,138,458
Less: discount on issued bonds	(1,082,495)	(719,637)
Less: transaction costs	(63,597)	(62,678)
	108,110,140	96,856,143
Less: current portion of bonds repayable within 12 months	(6,886,560)	(4,138,458)
	101,223,580	92,717,685

As a part of the Nurly Zhol state program, the Group placed two tranches of coupon bonds at the Kazakhstan Stock Exchange JSC in order to finance the project of "Construction of a 500 kV OHTL Semey - Aktogay - 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 tranche were purchased by the Unified Accumulative Pension Fund.

Bonds were issued with discount 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 was 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 of "Rehabilitation of 220-500 kV overhead lines of branches of KEGOC" on 28 May 2020, KEGOC's bonds were placed through Kazakhstan Stock Exchange JSC (KASE) with a total amount 9,700,000 thousand at par value in the amount KZT 9,032,407 thousand with a yield of 12% per annum.

The received money resources have been temporarily placed on short-term bank deposits.

As a result of the 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 successfully placed 8.9 billion bonds on Kazakhstan Stock Exchange JSC (KASE) for the amount of KZT 8.6 billion with weighted average yield to maturity of 11.6161 % per annum. The received cash was temporarily placed on short-term bank deposits.

22.6% of bonds were bought out by broker/dealer companies, 72.8%, by other institutional investors, and 4.6% by other legal entities.

During the three months ended 31 March 2021, the Group capitalized the borrowing costs of coupon interest on the issued bonds less investment income in the amount of KZT 309,636 thousand.

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

15. TRADE AND OTHER ACCOUNTS PAYABLE

Accounts payable as on 31 March 2021 and 31 December 2020:

<i>KZT thousand</i>	31 March 2021	31 December 2020
Accounts payable for electricity purchased	22,183,823	15,982,064
Accounts payable for inventories, works and services	20,066,141	15,414,429
Accounts payable for property, plant and equipment and construction in progress	11,036,237	19,118,365
Less: discount	(1,774,074)	(1,978,958)
	51,512,127	48,535,900
Less: current portion of repayable within 12 months	45,539,443	40,884,883
	5,972,684	7,651,017

As at 31 March 2021 and 31 December 2020 trade and other accounts payable are denominated in the following currencies:

<i>KZT thousand</i>	31 March 2021	31 December 2020
KZT	49,725,381	45,752,581
Russian rouble	1,749,124	2,677,323
Euro	37,622	59,275
USD	-	46,721
	51,512,127	48,535,900

16. TAXES PAYABLE OTHER THAN INCOME TAX

<i>KZT thousand</i>	31 March 2021	31 December 2020
VAT payable	2,089,928	960,338
Pension fund liabilities	157,236	364,051
Individual income tax	96,751	316,597
Social contribution payable	86,264	104,804
Social tax	80,847	269,371
Other	10,113	13,345
	2,521,139	2,028,506

17. OTHER CURRENT LIABILITIES

<i>KZT thousand</i>	31 March 2021	31 December 2020
Due to employees	4,002,702	3,727,583
Other	906,948	692,878
	4,909,650	4,420,461

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

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>KZT thousand</i>	For the three months ended	
	31 March 2021	31 March 2020
Types of goods or services		
Electricity transmission	30,654,733	31,660,110
Revenue from sale of the purchased electricity	21,698,347	15,116,247
Revenue from the sale of services associated with maintaining readiness of the electric capacity to bear the load	18,979,631	21,594,473
Technical dispatching services	7,363,347	8,162,887
Electricity generation and consumption balancing services	4,580,319	5,074,851
Income from electricity sale to compensate the hourly deviations	1,498,144	1,206,048
Power regulation services	585,388	284,209
Other	502,821	551,497
	85,862,730	83,650,322
<i>KZT thousand</i>	31 March 2021	31 March 2020
Revenue recognition timeline		
The goods are transferred at a certain point in time	23,196,491	16,322,295
The services are provided over a period of time	62,666,239	67,328,027
Total revenue from contracts with customers	85,862,730	83,650,322

Discounts to customers are authorised by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies.

19. COST OF SERVICES

<i>KZT thousand</i>	For the three months ended	
	31 March 2021	31 March 2020
Cost of purchased electricity	25,179,478	16,268,749
For the purchase of services associated with maintaining readiness of electric capacity to bear the load	19,226,657	19,122,551
Depreciation and amortisation	8,336,550	8,179,312
Technical losses of electric energy	4,864,024	4,316,405
Payroll expenses and other deductions associated with payroll	3,997,139	3,948,752
Costs for purchase of electricity to compensate for interstate electricity balance flows	3,873,283	2,796,834
Property tax	1,414,327	2,301,188
Operation and maintenance costs	845,803	720,167
Security expenses	318,863	298,916
Inventories	163,328	148,070
Other	559,044	503,576
	68,778,496	58,604,520

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

20. GENERAL AND ADMINISTRATIVE EXPENSES

<i>KZT thousand</i>	For the three months ended	
	31 March 2021	31 March 2020
Payroll expenses and other deductions associated with payroll	1,184,261	1,176,956
Depreciation and amortisation	229,987	62,801
Utility service costs	23,766	20,916
Taxes excluding income tax	19,686	30,759
Consulting services	18,889	20,371
Technical support costs	15,381	10,503
Insurance expenses	6,820	9,787
Business trip expenses	6,317	11,836
Education and trainings	5,974	1,691
Materials	4,714	8,630
Accrual of provision for obsolete inventories	1,059	28,174
Expenses for the Board of Directors	168	16,620
Other	272,579	312,425
	1,789,601	1,711,469

21. FINANCE INCOME/(COSTS)

	For the three months ended	
	31 March 2021	31 March 2020
Finance income		
Interest income on deposits, current accounts and quoted bonds	1,404,701	865,934
Income from revaluation of financial instruments ДСФК	33,184	8,603
Amortization of discount on accounts receivable	22,725	25,418
Amortization of discount on other financial assets	–	113,682
Other	592,252	48,590
	2,052,862	1,062,227
Less: interest capitalized into the cost of qualified property, plant and equipment (<i>Note 4</i>)	(146,542)	–
	1,906,320	1,062,227
Finance costs		
Bond coupon	2,786,470	1,984,843
Interest on loans	291,644	492,181
Bank guarantee commission	244,453	234,951
Discount expenses	207,614	2,762
Interest expenses under finance lease	12,148	11,303
Loan administration fee amortization	11,457	4,494
Other expenses for bonds issued	11,186	5,052
	3,564,972	2,735,586
Less: interest capitalized into the cost of qualified property, plant and equipment (<i>Note 4</i>)	(600,102)	–
	2,964,870	2,735,586

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

22. INCOME TAX EXPENSES

<i>KZT thousand</i>	For the three months ended	
	31 March 2021	31 March 2020
Current income tax:		
Current income tax expenses	3,807,334	3,241,521
Adjustments with respect to current income tax of prior year	100	–
Deferred income tax:		
Deferred tax expenses	(638,303)	(15,074)
Total profit tax expenses reported in the interim consolidated statement of comprehensive income	3,169,131	3,226,447

Deferred tax assets and liabilities reflected in the interim consolidated statement of financial position are presented as follows:

<i>KZT thousand</i>	31 March 2021	31 December 2020
Deferred tax assets	286,977	159,652
Deferred tax liabilities	(88,812,858)	(89,323,835)
Net deferred tax liabilities	(89,099,835)	(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.

Payment of dividends by the Group to its shareholders for both 2021 and 2020 does not have any income tax consequences.

23. RELATED PARTY TRANSACTIONS

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

The following table shows the total outstanding amount as at 31 March 2021 and 31 December 2020:

<i>KZT thousand</i>		Accounts receivable from related parties	Accounts payable to related parties
Subsidiaries of Samruk-Kazyna Group	31 March 2021	8,063,322	20,079,326
	31 December 2020	5,520,116	18,658,353
Samruk-Kazyna associates	31 March 2021	492,705	334,075
	31 December 2020	397,719	586,602
Samruk-Kazyna joint ventures	31 March 2021	342,800	157
	31 December 2020	404,371	12,646
Group associates	31 March 2021	255,954	13,819
	31 December 2020	276,675	9,820

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

23. RELATED PARTY TRANSACTIONS (continued)

For the three months ended 31 March 2021 and 2020, the Group had the following related party transactions:

<i>KZT thousand</i>		Sales to related parties	Purchases from related parties
Subsidiaries of Samruk-Kazyna Group	2021	17,959,799	16,244,329
	2020	15,328,029	13,811,761
Samruk-Kazyna associates	2021	2,283,658	547,128
	2020	2,124,399	681,179
Samruk-Kazyna joint ventures	2021	1,075,772	–
	2020	1,084,717	8,551
Group associates	2021	187,187	21,997
	2020	202,434	22,825

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. The Group's acquisitions from related parties primarily include telecommunications services, energy services, purchases of electricity and purchases of services to maintain the readiness of electricity capacity.

As at 31 March 2019 the Group's borrowings of KZT 41,850,926 thousand were guaranteed by the Government of the Republic of Kazakhstan (31 December 2020: KZT 42,800,248 thousand).

As at 31 March 2021 the Group had accounts receivable for the sale of property, plant and equipment of Balkhash TES JSC to a related party in the amount of KZT 220,494 thousand (as at 31 December 2020: KZT 220,494 thousand). In accordance with sales agreement Balkhash TES JSC was to repay the outstanding balance before the end of 2018. However, as at 31 March 2021, 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 on 31 March 2021 the discount on accounts receivable from Kazpost JSC amounted to KZT 315,480 thousand. As on 31 March 2020 the receivables net of discount comprised KZT 896,256 thousand, of which KZT 716,133 thousand was accounted as a part of long-term receivables from related parties. During the three months ended 31 March 2021, the Group recognized income from amortization of a discount on long-term receivables from Kazpost JSC in the amount of KZT 22,725 thousand (during the three months ended 31 March 2020: KZT 25,418 thousand).

In 2017, the Group entered into a long-term contract with a related party, Samruk-Kazyna Business Service LLP, for the rights to use the software. As at 31 March 2021, allowance for debts from the Group on leases amounted to KZT 839,555 thousand (31 December 2020: KZT 561,765 thousand).

In November-December 2020, the Group acquired a property from a related party, for KZT 11,794,689 thousand. In accordance with sales agreement the Group will repay the outstanding balance by equal monthly payments until 25 March 2025. Accordingly, the Group discounted the future cash flows using discount rate of 10.25%, which is the Group Management's best estimate of market rate. As on 31 March 2021 the discount on accounts payable from Karabatan Utility Solutions LLP amounted to KZT 1,774,074 thousand. As on 31 March 2021 the receivables net of discount comprised KZT 7,661,677 thousand, of which KZT 5,972,684 thousand was accounted as a part of long-term payable from related parties. For three months ended 31 March 2021, the Group recognized cost from amortization of a discount on long-term receivables from in the amount of KZT 204,883 thousand (on 31 March 2020: 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 interim consolidated statement of comprehensive income amounted to KZT 35,651 thousand for the three months period ended 31 March 2021 (for the three months period ended 31 March 2020: KZT 39,142 thousand). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. CONTINGENT LIABILITIES

Operating environment

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

Kazakhstan economy has been negatively impacted by a drop in oil prices. Interest rates in KZT 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. The 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 KZT to USD and EUR. 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 unreported and discovered violations of Kazakhstan law are severe. Penalties include fines, as a rule, in the amount of 50-80% of the amount of additionally assessed taxes, and a penalty calculated 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 five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at 31 March 2021.

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 214 million US Dollars and 228 million Euro. 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;

The management believes that the Group complied with all existing loan covenants with EBRD and IBRD as at 31 March 2021 and 31 December 2020. 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 on 31 March 2021 the Group excluded from EBITDA the three-month foreign exchange gain of KZT 562,515 thousand (during the three-month period ended 31 March 2020: the foreign exchange loss of KZT 5,418,443 thousand).

Insurance

As at 31 March 2021, the Group insured production assets at a replacement value of KZT 257,314,802 thousand. The insurance payment in case of occurrence is limited to the replacement value of the assets. The Group did not insure its other operating assets. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. CONTINGENT LIABILITIES (continued)

CONTRACTUAL COMMITMENTS

To ensure the stable and reliable performance of the national electricity grid, the Group developed a capital investment plan.

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

Considering the expiration of the tariffs for the regulated services of KEGOC on 31 December 2020 and in accordance with the requirements of Article 15.3 of the Law of the Republic of Kazakhstan On Natural Monopolies, the Company provides the regulated services from 1 January 2021 before approval of new ones at the following tariffs (excluding VAT accounting):

- transmission of electric energy – 2.448 KZT/kWh;
- technical dispatching of the grid output and consumption of electric energy – 0.264 KZT/kWh;
- electricity production and consumption balancing: – 0.086 KZT/kWh).

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)

Consumer tariffs 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.

Tariff on sale of electricity from renewable energy sources

Renewable electricity sale tariff to nominal consumers is calculated in accordance with the “Rules for determining the renewable electricity tariff”, approved by the order of the Minister of Energy of the Republic of Kazakhstan No. 118i dated 20 February 2015 “The rules of pricing in socially significant markets” approved by the Order of the Minister of National Economy of the Republic of Kazakhstan No. 36 dated 1 February 2017. The tariff for electricity sale comprises costs of accounting and finance centre for the purchase of electricity produced by energy producers using renewable energy sources, facilities for energy waste disposal, the cost of buying flood electricity, costs of the services for electricity production-consumption balance, costs of forming a reserve fund and the costs associated with the implementation of its activities.

Tariff for the support of renewable energy for 2021 by zones:

- Zone 1: 31.36 KZT/kWh from 1 January 2021;
- Zone 2: 25.86 KZT/kWh from 1 January 2021.

The Management believes that during the three months ended 31 March 2021, the calculation and application of tariff for the support of electricity sale and purchase, produced by energy producers using renewable energy sources applied properly and in accordance with applicable regulations and legislative acts.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. CONTINGENT LIABILITIES (continued)

Contractual commitments (continued)

Tariff for the provision of services to ensure the readiness of electricity capacity to bear the power load

The tariff for the provision of the service to ensure readiness of electricity capacity to bear the power load is calculated in accordance with the "Rules for calculating and posting by single purchaser on the internet resource of the price of service the ensure readiness of electricity capacity to bear the load", approved by the Order of the Minister of Energy of the Republic of Kazakhstan No. 685 dated 3 December 2015. 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 FSC RES LLP based on:

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 for the service for maintaining the readiness of electric capacity of all contracts for the purchase of the service for maintaining the readiness of electric capacity, concluded by a single purchaser with the winners of tenders for the tenders for construction of new generating plants, with operating energy producing organizations that have entered into an investment agreement for modernization, expansion, reconstruction and (or) renewal with the authorized body, as well as with the existing energy producing organizations, which include combined heat and power plants;

Tariffs for the provision of services to ensure the readiness of electricity capacity to bear the power load (continued)

3) forecast consumption statements of energy supplying, energy transmission organizations and consumers who are subjects of the wholesale market;

4) predicted demand for electric power for the coming and subsequent calendar years.

5) a positive financial result, confirmed by an audit report, on the activities of a single purchaser on the capacity market for the year preceding the year in which the price is calculated.

Annually, prior to 1 December FSC RES 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 for the service to ensure the readiness of electric power to bear the load for 2021 is 692,376 KZT / MW * month (excluding VAT) (2020: 799,869 KZT/MW * month (excluding VAT), 2019: 613,413 KZT/MW * month (excluding VAT).

Revision of the Methodology on calculating the tariff to ensure the readiness of electricity capacity to bear the power load

Order of the Minister of Energy of the Republic of Kazakhstan No. 96 dated 19 March 2021 amendments were made to the order of the Ministry of Energy of the Republic of Kazakhstan No. 685 dated 3 December 2015 On the approval of the rules for calculating and posting the price on the Internet resource by a single purchaser for the service to ensure readiness of electric capacity to bear the power load. The tariff for the service associated with maintaining the readiness of electricity capacity to bear the power load for 2021 was calculated taking into account the amendments made to the Laws of the Republic of Kazakhstan.

25. SUBSEQUENT EVENTS

On 27 April 2021 the annual General Meeting of Shareholders of KEGOC was held, where such decision was made to pay dividends on the ordinary shares for 2020 in the amount of KZT 19,502,496 thousand.