NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended on 30 September 2023

1. GENERAL INFORMATION

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

As at 30 September 2023, the Company's major shareholder is Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

In 2014, the Company placed 10 percent minus one share on the Kazakhstan Stock Exchange.

KEGOC is 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 higher.

On April 19, 2023, the Head of State signed the Law "On Amendments to Certain Legislative Acts of the Republic of Kazakhstan (hereinafter referred to as the RK) on Administrative Reform," which provides, among other things, for amendments to the Law "On Electric Power Industry" (hereinafter referred to as the Law) in terms of changing the target model of the wholesale electricity market from July 1, 2023 by introducing the institution of a Single Electricity Purchaser (hereinafter referred to as the Single Purchaser) and switching the balancing electricity market (hereinafter referred to as BEM) from simulation to real time.

NB: A single purchaser is a legal entity with one hundred percent state participation, determined by an authorized body, carrying out centralized purchase and centralized sale of scheduled volumes of electricity.

With this wholesale market model, the Single Purchaser, every hour, makes a centralized purchase of the declared scheduled volumes of electrical energy from energy producing organizations (hereinafter referred to as EPO), with the exception of renewable sources of electricity (hereinafter referred to as RES), which have bilateral agreements, within their marginal tariffs, sells electricity energy at an average price for all consumers and in the event of a shortage of electrical energy in the unified power system of the Republic of Kazakhstan (hereinafter referred to as the UPS of the Republic of Kazakhstan), it carries out its planned import.

The centralized purchase of electrical energy from wholesale market entities is carried out by the Single Purchaser in the order of priority specified in the Law.

Due to the fact that the Single Purchaser model excludes *"targeted"* distribution of electrical energy (*from the station to the consumer*), the system operator is introducing a new service: "the use of the NPG", which provides O&M and maintenance of operational readiness of the NPG, provided to all market participants, with the exception of the conditional consumer, on a contractual basis.

NB: a conditional consumer is a wholesale consumer who purchases electrical energy from EPO, members of the same group of entities, an industrial complex and a qualified consumer, determined in accordance with the Law of the Republic of Kazakhstan "On Supporting the Use of Renewable Energy Sources".

In case of imbalances caused by deviations of participants in the wholesale electricity market from the scheduled production/consumption of electricity, the participant in the wholesale market shall settle them at BEM.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the nine months period ended on 30 September 2023

1. GENERAL INFORMATION (continued)

BEM provides for financial responsibility of participants by targeting the distribution of payment for any imbalances at prices prevailing on BEM, which should lead to a reduction in the consumption of electrical energy by consumers during peak hours, as well as stimulate EPO through increased payment for additional generation of electrical energy. All BEM entities, independently or through a market provider, enter into agreements with the BEM Settlement Centre for financial settlement of imbalances.

NB: the BEM settlement centre is an organization determined by the authorized body that carries out the centralized purchase and sale of balancing electricity and negative imbalances on the BEM.

Physical settlement of the volumes of production and consumption, import and export of electrical energy both on the wholesale electrical energy market and on the BEM is carried out by the System Operator through the formation and approval of a daily schedule of production and consumption of electrical energy in the balancing market system.

This innovation is aimed at solving the problem of the projected shortage of electrical energy for the next three to five years and creating equal conditions for the competitiveness of all participants included in the list of participants of the wholesale electrical energy market kept by the System Operator in accordance with by-laws.

As on 30 September 2023 and 31 December 2022, the Company owned the following subsidiary:

		Ownership share	
Company	**Activity**	**30 September 2023**	31 December 2022
Energoinform JSC	Maintenance of the KEGOC's IT system	**100%**	100%

The Company and its subsidiary are hereinafter collectively referred to as "the Group".

The Company's head office is registered at: 59 Tauyelsizdik Ave, Z00T2D0, Astana, Kazakhstan.

The accompanying interim condensed consolidated financial statements of the Group were approved by the Chairman of the Management Board and the Chief Accountant on 2 November 2023.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION

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

These interim consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment, which are stated at revalued amounts and financial assets measured at fair value as described in the accounting policies and notes to these interim consolidated financial statements. The interim consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" or "KZT") and all values are rounded to the nearest thousands, except when otherwise indicated.

The Group has prepared interim consolidated financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 30 September 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the 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;
- ability of the Group to use its power to influence the amount of 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 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 of 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. The remaining investments are recognized at fair value.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policy adopted in the preparation of the consolidated financial statements are in line with the policy applied in preparing the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the new standards adopted that came into force on January 1, 2023. The Group has not early adopted any standards, clarifications or amendments that have been issued but are not yet effective.

In 2023, the Group first applied the amendments and clarifications below, but they did not have an impact on its interim consolidated financial statements.

IFRS 17 Insurance Contracts

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

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

This standard is not applicable to the Group.

Amendments to IAS 8, definition of accounting estimates

The amendments to IAS 8 clarify the difference between changes in accounting estimates and changes in accounting policies and the correction of errors. It also explains how organizations use measurement methods and inputs to develop accounting estimates.

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

Amendments to IAS 1 and IFRS Practice Statement 2 on the Application of IFRS – Disclosure of Accounting Policies

Amendments to IAS 1 and Practice Statement 2 on Making Materiality Judgments provide guidance and examples to help entities apply materiality judgments when disclosing accounting policies. The amendments should help entities disclose more useful information about accounting policies by replacing the requirement for entities to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies, and by adding guidance on how entities should apply the concept materiality in making decisions on disclosure of information about accounting policies.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations . The amendments had no impact on the interim consolidated financial statements of the Group.

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

The Group presents assets and liabilities in the consolidated statement of financial position as current/short-term and non-current/long-term.

An asset is current when it is:

- expected to be realized or intended to sold or consumed in normal operating cycle;
- 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures financial instruments such as financial assets at fair value at each reporting date and non-financial assets (NPG 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.

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 NPG assets and unquoted AFS financial assets, and for non-recurring measurement, if any.

External valuers are involved for valuation of NPG assets. Involvement of external valuers is decided upon annually by the finance management. Selection criteria include market knowledge, sectoral experience, 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (Continued)

At each reporting date, the finance management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the finance management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The finance management, in conjunction with the Group's external 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 consolidated financial statements are presented in Tenge ("KZT"). Tenge is also the Group'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 exchange differences arising on settlement or translation of monetary items are included in the consolidated statement of comprehensive income.

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

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Exchange rates for foreign currencies in which the Group had significant transactions are represented as follows:

Exchange rate as at the end of the period (to KZT)	**30 September 2023**	31 December 2022
1 USD	**474.47**	462.65
1 EUR	**503.51**	492.86
1 RUB	**4.88**	6.43

Average exchange rate for the reporting period (to Tenge)	**30 September 2023**	30 September 2022
1 USD	**452.97**	458.51
1 EUR	**490.57**	487.98
1 RUB	**5.54**	6.73

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PPE

Property, plant and equipment, except for NPG 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.

NPG assets are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation reserve is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in consolidated statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation is computed on a straight-line basis over the estimated useful lives set out in the following table:

Buildings	60 years
NPG assets	
Buildings, structures, machinery and equipment of NPG	8-100 years
Vehicles and other fixed assets	
Other machinery and equipment and vehicles	2-50 years
Other property, plant and equipment not included in other groups	2-20 years

Land is not depreciated.

The useful lives and residual values of property, plant and equipment are reviewed annually and, where applicable, adjustments are made on a prospective basis.

If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amounts of the carrying amount of property, plant and equipment and on depreciation expenses recognized in the consolidated statement of comprehensive income.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 5 years.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount is recoverable principally through their sale rather than through continued use. Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount or fair value less costs to sell. Selling costs are incremental costs that are directly attributable to the disposal of the asset (or disposal group) and do not include finance costs or income tax expense.

The criterion for classifying an item as held for sale is only met if the sale is highly probable and the asset or disposal group can be sold immediately in its current condition. The actions required to complete the sale should indicate that there is little likelihood of significant changes in the sale activity, as well as the cancellation of the sale. Management must assume responsibility for the plan to sell the asset and the sale must be expected to be completed within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the interim statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for NPG 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. At each reporting date the Group assesses 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.

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 consolidated statement of comprehensive income reflects the Group’s share of the results of operations 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 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 condensed 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group classifies trade and other receivables and other financial assets into the category of financial assets measured at amortised cost.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value, with net changes in fair value recognised in the consolidated statement of comprehensive income. This category includes instruments that the Group has designated at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Group's consolidated statement of financial position) when

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

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

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

Recognition of expected credit loss

The Group recognises an allowance for expected credit losses on financial assets measured at amortised cost equal to the expected credit losses over the whole term if the credit loss has increased significantly since initial recognition.

Detailed disclosures on impairment of financial assets are also provided in the following notes:

- disclosure of significant assumptions *(Note 4)*;
- trade receivables and other current and financial assets, including cash and cash equivalents except for those at fair value through profit or loss *(Notes 9, 10, 11, 12, 13).*

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

Recognition of expected credit loss (Continued)

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not carried at fair value through profit or loss. The ECL is calculated based on the difference between the cash flows due under the contract and all cash flows that the Group expects to receive, discounted using the original effective interest rate or its approximate value. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are an integral part of the contractual terms.

The ECLs are recognised in two stages. For financial instruments where credit risk has not increased significantly since initial recognition, an allowance is made for credit losses that may arise from defaults over the next 12 months (12-month expected credit losses). For financial instruments where the credit risk has increased significantly since initial recognition, an allowance is made for losses that may arise from credit losses over the remaining term of the financial instrument, irrespective of when the default occurs (lifetime expected credit losses)

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Consequently, the Group does not monitor changes in credit risk, but instead recognizes a loss allowance at each reporting date in an amount equal to lifetime expected credit losses. The Group used a valuation allowance matrix based on its past experience of credit losses, adjusted for forecast factors specific to the borrowers and general economic conditions.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value, net of directly attributable transaction costs in the case of loans, bonds issued and payables.

The Group’s financial liabilities include trade and other payables, loans and borrowings, and bonds issued.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Borrowings and bonds- issued

After initial recognition, interest bearing loans and borrowings are subsequently measured at 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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments

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

Inventory

Inventories are accounted for on a FIFO basis.

Inventories are valued at the lowest of cost and net realizable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity till 3 (three) months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted cash

If cash is restricted in use for the period not exceeding 12 (twelve) months from the reporting date, such cash is treated as current asset and an appropriate disclosure is provided in the notes to the consolidated financial statements. If cash is restricted in use for the period exceeding 12 (twelve) months from the reporting date, such cash is reflected within non-current assets.

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 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:

1) Identification of the contract with the consumer;

2) Identification of the obligation to be executed under the contract;

3) Determination of transaction price;

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

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

Revenue from rendering of services is recognized by reference to the stage of completion. The Group receives 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 charging income for electricity transmission, technical dispatching and balancing of electricity production/consumption are approved by the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter, 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*.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade accounts receivable

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *Financial instruments – initial recognition and subsequent measurement.*

Contract obligations

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

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the consolidated statement of comprehensive income.

Borrowing costs

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

Lease

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

The Group as a lessee

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

Group as lessee (continued)

i) Right-of-use assets

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

The Group has determined the following useful lives:

- Software – 5 year

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section.

i) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. *Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.*

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

ii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE INTERIM 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 350,000 per month (2022: KZT 300,000) to accumulative pension funds. Pension fund payments are withheld from employees' salaries and included with payroll expenses in the consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

Current corporate income tax

Current corporate income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

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

Deferred tax

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

Unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividends

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

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed in the consolidated financial statements unless the possibility of any outflow in settlement is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Fair value of property, plant and equipment

The Group performed revaluation of NPG assets as at 1 December 2022. The Group engaged Grant Thornton Appraisal LLP an accredited independent appraiser, to assess the fair value of the NPG assets.

Revalued UPS assets represent one asset class under IFRS 13 - Fair Value Measurement, based on the nature, characteristics and risks inherent in the asset. The inputs to the fair value measurement of NPG assets are categorised as Level 3 in the fair value hierarchy (unobservable inputs).

Fair value of NPG 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 in the model are taken from the Group's approved budget for the next five (5) years. In forecasting the Group's revenue, tariffs for regulated services in electricity transmission, technical dispatch and organisation of balancing of electricity generation and consumption for the period from 1 October 2021 to 30 September 2026 approved by the Committee were taken into account. Based on the results of the analysis, the recoverable amount of property, plant and equipment exceeded its current replacement cost.

As a result of the valuation, the fair value of the NPG assets as at the valuation date (1 December 2022) amounted to 774,045,986 thousand tenge. Decrease in the revalued amount of 100,105,029 thousand tenge was recognised in other comprehensive income for 2022, with a corresponding deferred tax benefit of 20,021,005 thousand tenge. The increase in value of certain previously impaired assets was recorded in the statement of comprehensive income in the amount of 949,895 thousand tenge, together with a decrease in value of certain assets in the amount of 4,524,870 thousand tenge.

The decrease in the fair value of NPG' assets, based on valuation results, is mainly due to a decline in metal prices of about 15% compared to last year.

In assessment of the fair value in 2022 the following main assumptions have been applied:

Discount rate (WACC)	12.97%
Long term growth rate	3.09%
Average remaining useful life of the primary asset	40 years

An increase in the discount rate by 0.5% or a 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 by approximately 46,537,397 thousand tenge or 24,247,101 thousand tenge, respectively.

Useful life of property, plant and equipment

During 2022, the Group conducted a technical inventory of NPG assets to determine the technical condition of fixed assets. Based on the results of the inventory, the remaining useful lives of property, plant and equipment were revised. The total effect of changes in useful lives amounted to KZT 3,732,520 thousand (reduction in depreciation expenses), which was recognized in profit or loss in the statement of comprehensive income for the year ended December 31, 2022.

The useful lives and residual values of property, plant and equipment are reviewed annually and, where applicable, adjustments are made on a prospective basis.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Useful life of property, plant and equipment (continued)

The Group estimates the remaining useful lives of property, plant and equipment at least at the end of each financial year and, if expectations differ from previous estimates, changes are accounted for as changes in estimates in accordance with IAS 8. *Accounting Policies, Changes in Accounting Estimates and Errors*

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 the Group's international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense or corporate income tax saving 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 Group and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the activities and the nature of the Group's operations.

As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Fair values of financial instruments

In cases where the fair value of financial assets and financial liabilities recognized in the 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 consolidated financial statements.

DSFK Bonds

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. DSFK bonds were carried at fair value through profit or loss.

During the nine months ended 30 September 2023, the Group repeatedly requested Kazakhmys Corporation LLP to make payment under the guarantee. In connection with the default on the part of Kazakhmys Corporation LLP, the Group filed a pre-trial claim against Kazakhmys Corporation LLP.

The management of the Group believes that as at 30 September 2023 the fair value of the DSFK bonds is nil, as the Group's claim to the guarantor to buy back the bond was rejected.

NOTES TO THE INTERIM 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:

	For the nine-month period ended on	
In thousands tenge	**30 September 2023**	30 September 2022
Revenue from Kazakhstan customers	**153,990,700**	135,308,414
Revenue from Russian customers	**17,831,146**	19,067,917
Revenue from Uzbekistan customers	**322,672**	406,690
Revenue from Kyrgyz customers	**772,854**	4,704
Total revenue per interim consolidated statement of comprehensive income	**172,917,372**	154,787,725

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

For nine months ended 30 September 2023 the revenue from one Group’s consumer, Samruk-Energo Group, including its joint-ventures, amounted to 17,966,146 thousand tenge and includes revenue from electricity transmission and the provision of related support (for nine month ended 30 September 2022: 18,062,087 thousand tenge).

For management purposes, all of the Group's activities constitute one operating segment.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

PPE

For nine months ended on 30 September 2023, the Group acquired assets with a total initial value of 36,035,774 thousand tenge (for the nine months ended 30 September 2022: KZT 20,244,878 thousand). Acquisitions were mainly represented by capital expenditures on investment projects.

Depreciation accrued for the nine months ended 30 September 2023 amounted to 37,620,785 thousand tenge (for the nine months ended 30 September 2022: KZT 47,119,407 thousand).

Capitalized costs on issued bonds

For 9 months ended 30 September 2022 the Group capitalized the cost of coupon interest on issued bonds amounted to 5,633,287 thousand tenge less investment income (for nine months ended 30 June 2021: 2,424,886 thousand tenge) *(Note 16)*.

Construction in progress

Construction in progress is mainly represented by equipment and construction works as part of the implementation of the project “Rehabilitation of 220-500 kV OHTL Aktyubinskiye MES branch, Sarbayskie MES branch, and Zapadnye MES branch of KEGOC (stage 1)” and West Kazakhstan Electricity Transmission Reinforcement Project. Construction of power grid facilities” with the planned date of commissioning in the 4th quarter of 2023.

Advances paid for non-current assets

As at 30 september 2023, advances paid for non-current assets mainly represent advances paid to suppliers for construction works and services for “West Kazakhstan Electricity Transmission Reinforcement Project. Construction of Power Grid Facilities” and other investment projects.

7. INVESTMENTS IN ASSOCIATES

The Group has 20% share in Batys Transit JSC. Principal place of operations and country of incorporation of Batys Transit JSC (“Batys Transit”) is the Republic of Kazakhstan. The main activity of Batys Transit is realization of a project on construction and exploitation of interregional power line, which connects the North Kazakhstan region with Aktobe region and construction and exploitation of street lighting networks in Atyrau city. Batys Transit has bonds traded on the Kazakhstan Stock Exchange. The following table illustrates the summarised financial information about Batys Transit:

In thousands tenge	**30 September 2023**	31 December 2022
Current assets	**21,371,026**	20,914,108
Non-current assets	**18,231,220**	16,890,064
Current liabilities	**(5,205,619)**	(4,078,403)
Non-current liabilities	**(20,810,982)**	(19,988,494)
Net assets	**13,585,645**	13,737,275

In thousands of tenge	**30 September 2023**	31 December 2022
Group’s share in net assets	**2,717,129**	2,747,455
Carrying amount of the investments	**2,717,129**	2,747,455

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENT IN AN ASSOCIATE (CONTINUED)

In thousands tenge	**30 September 2023**	30 September 2022
Income	**10,100,912**	8,906,677
Net profit	**(151,630)**	1,767,710
Group's share in profit / (loss) for a year	**(30,326)**	353,542

As at 30 September 2023 and 31 December 2022, the associate had no contingent liabilities or future capital commitments.

8. INVENTORIES

In thousands tenge	**30 September 2023**	31 December 2022
Raw and other materials	**1,939,299**	1,387,482
Spare parts	**1,783,160**	1,694,995
Fuel and lubricants	**189,431**	113,467
Other inventories	**406,376**	420,418
Less: allowance for obsolete inventories	**(421,713)**	(409,207)
	3,896,553	3,207,155

Movement in the allowance for obsolete inventories was as follows:

In thousands tenge	**2023**	2022
As on 1 January	**409,207**	337,986
Accrual	**80,355**	166,056
Reversal of previously accrued provision	**(67,637)**	(88,559)
Write-off	**(212)**	(5,578)
As on 30 September	**421,713**	409,905

9. TRADE ACCOUNTS RECEIVABLE

In thousands tenge	**30 September 2023**	31 December 2022
Trade accounts receivable	**34,412,197**	23,661,039
Less: provision for expected credit losses and impairment	**(4,261,489)**	(2,613,649)
	30,150,708	21,047,390

Movement in the provision for expected credit losses was as follows:

In thousands tenge	**2023**	2022
As on 1 January	**2,613,649**	2,273,985
Accrual	**2,235,894**	1,253,503
Reversal of previously accrued provision	**(568,471)**	(263,010)
Write-off	**(19,583)**	(123,006)
As on 30 September	**4,261,489**	3,141,472

As at 30 September 2023 trade accounts receivable included accounts receivable from the customer, National Power Grid of Uzbekistan JSC, in the amount of KZT 1,725,676 thousand (31 December 2022: 1,797,097 thousand tenge).

As of 30 September 2023, the provision for expected credit losses on debt from National Power Grids of Uzbekistan JSC amounted to 1,652,725 thousand tenge (31 December 2022: KZT 1,612,146 thousand).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE ACCOUNTS RECEIVABLE (continued)

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

		Trade accounts receivable				
			Days past due			
In thousands tenge	**Total**	**Current**	**30-90 days**	**91-180 days**	**181-270 days**	**Above 271 days**
30 September 2023						
Percentage of expected credit losses	**12.38%**	**1.26%**	**17.93%**	**47.39%**	**71.65%**	**98.15%**
Estimated total gross carrying amount at default	**34,412,197**	**28,516,235**	**1,716,082**	**726,497**	**525,687**	**2,927,696**
Expected credit losses	**(4,261,489)**	**(359,276)**	**(307,700)**	**(344,296)**	**(376,640)**	**(2,873,577)**
	30,150,708	**28,156,959**	**1,408,382**	**382,201**	**149,047**	**54,119**
31 December 2022						
Percentage of expected credit losses	11.05%	0.67%	15.04%	46.65%	78.78%	98.34%
Estimated total gross carrying amount at default	23,661,039	20,877,332	227,223	64,951	207,166	2,284,367
Expected credit losses	(2,613,649)	(139,479)	(34,172)	(30,302)	(163,200)	(2,246,496)
	21,047,390	20,737,853	193,051	34,649	43,966	37,871

Trade accounts receivable was denominated in the following currencies:

In thousands tenge	**30 September 2023**	31 December 2022
Tenge	**29,451,393**	20,862,439
Russian rouble	**583,443**	–
US dollar	**115,872**	184,951
	30,150,708	21,047,390

10. OTHER CURRENT ASSETS

In thousands tenge	**30 September 2023**	31 December 2022
Advances paid for goods and services	**5,145,489**	1,263,783
Deferred expenses	**539,566**	35,224
Other receivables from related parties for property, plant and equipment and construction in progress *(Note 26)*	**417,438**	399,974
Loans issued to employees	**469**	469
Other	**1,028,596**	691,913
Less: provision for expected credit losses and impairment	**(894,794)**	(741,392)
	6,236,764	1,649,971

Movement in the provision for expected credit losses and impairment of other current assets are as follows:

In thousands tenge	**2023**	2022
As on 1 January	**741,392**	485,933
Accrual	**264,280**	230,917
Reversal of previously accrued provision	**(107,281)**	(23,112)
Write-off	**(3,597)**	(7,166)
As on 30 September	**894,794**	686,572

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS

In thousands tenge	**30 September 2023**	31 December 2022
Financial assets at amortised cost		
Bonds of Samruk-Kazyna	**30,003,543**	30,072,911
Notes of the National Bank of the Republic of Kazakhstan	**16,072,315**	19,062,907
Placements with Eximbank Kazakhstan	**2,138,800**	2,165,823
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**2,007,922**	1,968,564
Placements with DeltaBank JSC	**1,230,000**	1,230,000
Placements with KazInvestBank JSC	**1,198,226**	1,201,850
Bonds of Development Bank of Kazakhstan (DBK) JSC	**1,153,071**	–
Bonds of KazMunaiGas (KMG) NC JSC	**913,549**	–
Interest accrued on Samruk-Kazyna bonds	**1,071,833**	254,333
Bank deposits	**65,212**	7,434,744
Interest accrued on Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**35,767**	18,945
Interest accrued on the bonds of KazMunaiGas (KMG) NC JSC	**20,158**	–
Interest accrued on the bonds of Development Bank of Kazakhstan JSC	**24,995**	–
Less: provision for impairment of placements with Eximbank Kazakhstan	**(2,138,800)**	(2,165,823)
Less: provision for impairment of placements with DeltaBank JSC	**(1,230,000)**	(1,230,000)
Less: provision for impairment of placements with Kazinvestbank JSC	**(1,198,226)**	(1,201,850)
Less: provision for expected credit losses of other financial assets	**(208)**	(24,899)
	51,368,157	58,787,505
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	**99**	377,731
Total other financial assets	**51,368,256**	59,165,236
Other current financial assets	**47,293,714**	57,196,672
Other non-current financial assets	**4,074,542**	1,968,564
Total other financial assets	**51,368,256**	59,165,236

Movement in the provision for expected credit losses on other financial assets are as follows:

In thousands tenge	**2023**	2022
As on 1 January	**4,622,572**	5,002,324
Accrual	**55**	25,632
Reversal of previously accrued provision	**(55,393)**	(400,347)
As on 30 September	**4,567,234**	4,627,609

Bonds of Samruk-Kazyna JSC

In 2020, the Group purchased coupon bonds of Samruk-Kazyna JSC on the Kazakhstan Stock Exchange. The bond circulation period is 3 December 2023. The bonds were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

At initial recognition on purchased coupon bonds a premium of 213,089 thousand tenge was accrued. For the 9 months of 2023 the amount of premium amortization was 69,368 thousand tenge (9 months of 2022: 63,628 thousand tenge).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS (continued)

Bonds of Development Bank of Kazakhstan JSC

On June 27, 29 and July 3, 2023, the Group purchased coupon international bonds of Development Bank of Kazakhstan JSC on the international market in the amount of 1,150,000, 1,000,000 and 240,000 pieces, respectively, at a rate of 5.75% per annum for a total amount of 2,436,560 US dollars (equivalent to 1,098,524 thousand tenge), maturing in May 12, 2025. The bonds classified as carried at amortized cost.

Upon initial recognition, a premium was accrued in the amount of USD 46,560 (equivalent to 20,840 thousand tenge). For the nine months of 2023 the amount of premium amortization was KZT 2,913 thousand.

Bonds of KazMunaiGas NC JSC

On June 27 and 28, 2023, the Group purchased coupon international bonds of KazMunaiGas NC JSC on the international market in the amount of 1,479,000 and 521,000 pieces, respectively, at a rate of 4.75% per annum for a total amount of 1,920,000 US dollars (equivalent to 867,067 thousand tenge), maturing in April 19, 2027. The bonds classified as carried at amortized cost.

Upon initial recognition, a discount was accrued in the amount of 80,000 (equivalent to 35,792 thousand tenge). For the nine months of 2023 the amount of discount amortization was KZT 2,487 thousand.

Notes of the National Bank of the Republic of Kazakhstan

During nine months of 2023, the Group purchased short-term discount notes of the National Bank of the Republic of Kazakhstan at Kazakhstan Stock Exchange JSC in the total amount of 100,500,000 thousand tenge (for the nine months ended September 30, 2022: KZT 11,933,373 thousand). The amount of repayments of notes of the National Bank of the Republic of Kazakhstan for the nine-month period ending on September 30, 2023 is 104,775,530 thousand tenge (for the nine months ending on September 30, 2022: KZT 21,000,000 thousand). For nine months ended 30 September 2023 the Group recognized finance income in the amount of 1,284,938 thousand tenge (for nine months ended 30 September 2022: 447,241 thousand tenge) *(Note 23).*

Bank deposits

As at 30 September 2023 and 31 December 2022 the deposits include accrued interest income in the amount of 149 thousand tenge and 1,482 thousand tenge, respectively.

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

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 Kazakhstan for accepting deposits and opening bank accounts for individuals. Accordingly, the Group reclassified cash and cash equivalents held with Eximbank to other financial assets and accrued an expected credit loss provision in the amount of 100%.

For nine months ended 30 September 2023 the Liquidation Committee of Eximbank Kazakhstan made payment in the amount of 74.3 thousand US dollars (equivalent to 33,424 thousand tenge as of the date of payment) in accordance with the approved register of creditors' claims dated 13 June 2019 (for nine months ended 30 September 2022: 334 thousand US dollars, which is equivalent to 145,645 thousand tenge as of the date of payment). The Group recognized a corresponding reversal of the allowance for impairment losses.

Kazinvestbank

During the nine months ended September 30, 2023, the Liquidation Commission of Kazinvestbank JSC made payments in the amount of 11.2 thousand US dollars (4,996 thousand tenge on the date of payment) and 57 thousand tenge.

No payments were made in 2022.

DeltaBank

No payments were made during the nine months ended September 30 2023 and 2022.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS (continued)

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On 26 April 2019, the Group acquired Eurobonds of the Ministry of Finance of the Republic of Kazakhstan at a rate of 3 875% in the amount of 4,200,000 units per annum and maturity until October 2024 in the amount of 4,368 thousand US dollars (equivalent of 2,007,922 thousand tenge).

Bonds of Special Financial Company DSFK LLP

During the nine months ended 30 September 2023 and 2022 DSFK LLP redeemed bonds worth 30,001 thousand tenge and 6,081 thousand tenge respectively.

As at 30 September 2023, the Group revalued the fair value of the bonds and decreased their carrying amount to zero tenge, recognizing a loss on revaluation of financial instruments in the amount of KZT 353,623 thousand in finance expenses in the interim consolidated statement of comprehensive income *(Note 23)*.

Other financial assets were denominated in the following currencies:

In thousands tenge	**Interest rate**	**30 September 2023**	31 December 2022
Tenge	0.01 – 15.5%	**47,148,962**	49,771,142
US dollar	1 – 5.75%	**4,219,294**	9,394,094
		51,368,256	59,165,236

12. RESTRICTED CASH

In thousands tenge	**30 September 2023**	31 December 2022
Cash reserved for return as contractors' collaterals	**1,011,890**	1,015,833
Cash in funding accounts	**898,663**	–
Less: provision for expected credit losses	**(3,490)**	(371)
	1,907,063	1,015,462

During the nine months ended September 30, 2023 and 2022, no interest accrued on cash held receivable on short-term guarantee obligations.

During the nine months ended September 30, 2023, a funding deposit was placed with Halyk Bank of Kazakhstan JSC as part of financing mortgage lending to the Company's employees. At the end of the reporting period, the deposit amount was 898,483 thousand tenge, accrued income was 180 thousand tenge.

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

In thousands tenge	**2023**	2022
As on 1 January	**371**	258
Accrual	**3,551**	43
Reversal of previously accrued provision	**(432)**	(84)
As on 30 September	**3,490**	217

As at 30 September 2023 and 31 December 2022, restricted cash was denominated in tenge.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. CASH AND CASH EQUIVALENTS

In thousands tenge	**30 September 2023**	31 December 2022
Short-term deposits, in KZT	**11,400,603**	22,775,139
Short-term deposits, in foreign currencies	**1,036,680**	–
Current accounts with banks, in KZT	**274,122**	4,918,470
Current accounts with banks, in foreign currencies	**556**	48,162
Cash on hand in tenge	**4,157**	4,232
Cash on special accounts in tenge	**653**	654
Less: provision for expected credit losses	**(26,972)**	(183,565)
	12,689,799	27,563,092

The Group, as part of diversification, placed part of free liquidity in money market instruments, such as reverse repos secured by government securities.

During the period ended 30 September 2023 the Group placed short-term deposits with banks at 1.75-16.1% per annum in tenge and current accounts with banks at 0.08% per annum.

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

In thousands tenge	**2023**	2022
As on 1 January	**183,565**	775
Accrual	**102,046**	93,458
Reversal of previously accrued provision	**(258,639)**	(36,956)
As on 30 September	**26,972**	57,277

As on 30 September 2023 and 31 December 2022, cash and cash equivalents were denominated in the following currencies:

In thousands tenge	**30 September 2023**	31 December 2022
Tenge	**11,669,398**	27,514,941
US dollar	**1,020,366**	47,775
Russian rouble	**34**	14
EUR	**1**	1
Other	**–**	361
	12,689,799	27,563,092

14. EQUITY

As at 30 September 2023 and 31 December 2022, the Company's share capital amounted to 260,000,000 issued shares of which 259,998,610 were authorised and fully paid up for a total amount of 126,799,554 thousand tenge.

Treasury shares

In November 2016 the Group repurchased 1,390 outstanding shares in the open market for the total amount of KZT 930 thousand.

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 December 2022 (previous revaluation was held as at 1 December 2021) *(Note 6)* Transfer from asset revaluation reserve to retained earnings as a result of disposal of NPG assets for the nine-month period ended 30 September 2023 amounted to KZT 318,516 thousand (for the period ended 30 September 2023: KZT 160,726 thousand).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY (continued)

Dividends

In May 2022, shareholders approved the distribution of net profit for the second half 2021. Thus, the total amount of dividends was KZT 13,220,929 billion allocated to all holders of ordinary shares of the Company, which is KZT 50.85 per one ordinary share. Dividends in the amount of 13,220,929 thousand tenge were paid on June 17, 2022.

In October 2022 the shareholders approved distribution of 100% of net profit for the 1st half of 2022 and part of retained earnings of previous periods. Thus, the total amount of dividends was KZT 17,014,309 billion allocated to all holders of ordinary shares of the Company, which is KZT 65.44 per one ordinary share. The dividends were paid on 12 January 2023:

In May 2023 the shareholders approved distribution of 100% of net profit for the 2nd half of 2022 and part of retained earnings of previous periods. Thus, the total amount of dividends was KZT 13,153,330 billion allocated to all holders of ordinary shares of the Company, which is KZT 50.59 per one ordinary share. The dividends were paid on 29 May 2023:

In September 2023, shareholders approved the distribution of 87.81% of net profit for the first half of 2023 for the payment of dividends. The amount to be paid amounted to 20,212,922 thousand tenge for all common shareholders of the Group, which is equal to 77.74 tenge per ordinary share. As of September 30, 2023, accrued dividends for the first half of 2023 have not yet been paid.

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 period ended 30 September 2023 (for the nine-month period ended 30 September 2022: 259,998,610 shares). For the nine-month period ended 30 September 2023 and 2022 basic and diluted earnings per share were KZT 110.10 and KZT 79.20, respectively.

Book value per share

In accordance with the decision of the Exchange Board of the Kazakhstan Stock Exchange JSC (“KASE”) dated 4 October 2010 financial statements shall disclose book value per share (ordinary and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In thousands tenge	**30 September 2023**	31 December 2022
Total assets	**982,224,501**	986,612,189
Less: intangible assets	**(3,134,208)**	(3,453,791)
Less: total liabilities	**(333,398,030)**	(333,047,025)
Net assets	**645,692,263**	650,111,373
Number of ordinary shares	**259,998,610**	259,998,610
Book value per ordinary share, KZT	**2,483**	2,500

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. BORROWINGS

In thousands tenge	**30 September 2023**	31 December 2022
The International Bank for Reconstruction and Development (IBRD)	**6,914,874**	12,575,944
The European Bank for Reconstruction and Development (EBRD)	**–**	4,322,713
	6,914,874	16,898,657
Less: current portion of loans repayable within 12 months	**(1,080,134)**	(5,530,813)
	5,834,740	11,367,844

As at 30 September 2023 and 31 December 2022 accrued and unpaid interest on loans amounted to KZT 20,288 thousand and KZT 252,227 thousand, respectively. As at 30 September 2023 and 31 December 2022 the unamortised part of loan arrangement fees amounted to KZT 32,371 thousand and KZT 20,450 thousand, respectively.

Loans were denominated in the following currencies:

In thousands tenge	**30 September 2023**	31 December 2022
US dollar	**6,914,874**	12,575,944
EUR	**–**	4,322,713
	6,914,874	16,898,657

Kazakhstan Electricity Transmission Rehabilitation Project, Phase II

In 2008, to implement Kazakhstan Electricity Transmission Rehabilitation Project, Phase II, the following credit facilities were received:

Two facilities of EUR 127,500 thousand and EUR 75,000 thousand provided by the EBRD for a period of fifteen (15) years, of which the first four (4) years were a grace period. The loan interest is a nine-month EUROBOR plus 3.85% margin, and repaid twice a year. As at 30 September 2023, the loan principal was fully repaid (31 December 2022: EUR 8,626 thousand (tenge equivalent of 4,251,360 thousand).

Moinak Electricity Transmission Project

In 2009 to implement the Moinak Electricity Transmission Project, KEGOC received a credit facility to the amount of USD 48,000 thousand granted by IBRD for 25 years, including first five years of grace period. The credit facility is secured by the guarantee of the Government of Kazakhstan. Interest on the loan is accrued at SOFR (secured overnight financing rate (monthly)) plus a fixed spread of 1.28% and is repaid twice a year. In May 2013, the undisbursed part of IBRD loan to the amount of USD 3,274 thousand was cancelled because the actual Project costs appeared to be lower than expected. As of 30 September 2023 and 31 December 2022, the outstanding balance of the loan is USD 14,599 thousand (equivalent of KZT 6,926,957 thousand) and USD 26,836 thousand (equivalent of KZT 12,415,520 thousand) , respectively.

16. BONDS

In thousands tenge	**30 September 2023**	31 December 2022
Nominal value of bonds issued	**150,941,100**	134,941,100
Accrued coupon interest	**6,537,730**	6,058,889
Less: discount on issued bonds	**(1,368,110)**	(1,457,789)
Less: transaction costs	**(83,275)**	(89,156)
	156,027,445	139,453,044
Less: current portion of bonds repayable within 12 months	**(6,537,730)**	(6,058,889)
	149,489,715	133,394,155

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. BONDS (continued)

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 47,500,000 thousand tenge 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 period from January 1, 2022 to May 26, 2022 was 9.9% per annum, from May 27, 2022 to May 26, 2023 was 14.9% per annum, from May 27, 2023 to September 30, 2023 was 18. 9% per annum.
All bonds under this tranche were purchased by the Unified Accumulative Pension Fund.
The bonds were placed at a 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%.
All bonds under this program were acquired by Unified Accumulative Pension Fund and other entities.

To implement the investment project "Rehabilitation of 220-500 kV overhead lines at the branches of KEGOC", "West Kazakhstan Electricity Transmission Reinforcement Project. Construction of Power Grid Facilities":

- On 28 May 2020, bonds of KEGOC were placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a nominal value of KZT 9,700,000 thousand with a yield of 11% per annum and maturity ending in 2035. The bonds were placed at a discount in the amount of KZT 667,593 thousand. 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's bonds were placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with nominal volume of KZT 8,869,672 thousand with an average weighted yield to maturity of 11,62% per annum and maturity ending in 2035. The bonds were placed at a discount in the amount of KZT 380,267 thousand tenge, the accrued coupon interest on the date of placement was KZT 159,900 thousand. As a result of trades, 22.6% of bonds by the volume of attracted were purchased by broker-dealer organizations, 72.8% by other institutional investors, 4.6%− by other legal entities.

On 21 October 2021, KEGOC's bonds were placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with nominal volume of KZT 16,430,328 thousand with an average weighted yield to maturity of 11,5% per annum and maturity ending in 2035. The bonds were placed at a discount in the amount of KZT 562,427 thousand tenge, the accrued coupon interest on the date of placement was KZT 717,914 thousand. As a result of trades, 86.7% of the bonds were purchases by Eurasian Development bank JSC and other banks, 13.3% – by other institutional investors.

- On 21 December 2022, KEGOC's green bonds were successfully placed on the trading floor of Kazakhstan Stock Exchange (KASE) with a total volume of KZT 16,141,100 thousand and a margin of 3%. Securities were placed as part of the second issue of bonds of the second bond programme of the issuer in the amount of KZT 35 billion, maturity ending in 2037. In the context of the main categories of investors, 50.4% were banks, 49.6% were other institutional investors.

- On 30 March 2023, KEGOC's green bonds were successfully placed on the trading floor of Kazakhstan Stock Exchange (KASE) with a total volume of KZT 16,000,000 thousand and a margin of 3%. The securities were placed as part of the second issue of bonds of the second bond programme of the issuer with a maturity in 2037. The investors were the Development Bank of Kazakhstan JSC and the European Bank for Reconstruction and Development (EBRD).

During the nine-month period ended 30 September 2023, the Group capitalized the cost of coupon interest on bonds issued less investment income in the amount of KZT 5,633,286 thousand (9-month 2022: 2,424,886 thousand tenge) *(Note 23).*

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other payables as at 30 September 2023 2023 and 31 December 2022:

In thousands tenge	**30 September 2023**	31 December 2022
Accounts payable for property, plant and equipment and construction in progress	**10,888,195**	17,076,998
Accounts payable for electricity purchased	**7,407,991**	6,986,171
Accounts payable for inventories, works and services	**2,980,684**	2,493,858
Less: discount	**(384,451)**	(697,311)
	20,895,419	25,859,716
Less: current portion of trade payables repayable within 12 months	**18,732,295**	21,713,025
	2,163,124	4,146,691

As at 30 September 2023 and 31 December 2022 trade and other accounts payable are denominated in the following currencies:

In thousands tenge	**30 September 2023**	31 December 2022
Tenge	**19,564,812**	19,480,873
Russian rouble	**1,278,581**	6,325,079
USD	**52,026**	53,764
	20,895,419	25,859,716

Accounts payable for property, plant and equipment and construction in progress include debt to a related party, Karabatan Utility Solutions LLP, details of which are disclosed in *Note 26*.

18. TAXES PAYABLE OTHER THAN CORPORATE INCOME TAX

In thousands tenge	**30 September 2023**	31 December 2022
VAT payable	**1,459,849**	682,925
Liabilities to the pension fund	**193,330**	401,717
Individual income tax	**151,695**	350,859
Social contribution payable	**130,871**	185,992
Social tax	**114,050**	282,789
Property tax	**3,823**	3,190
Other	**2,313**	25,624
	2,055,931	1,933,096

19. OTHER CURRENT LIABILITIES

In thousands tenge	**30 September 2023**	31 December 2022
Due to employees	**3,366,723**	3,996,978
Other	**1,220,801**	1,240,113
	4,587,524	5,237,091

Due to employees are primarily wage arrears and accrued allowance for unused vacations.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

	For three-month period ended		**For the nine months period ended on**	
In thousands tenge	**30 September 2023**	30 September 2022	**30 September 2023**	30 September 2022
Electricity transmission	**9,894,629**	35,876,895	**89,918,696**	107,556,266
Services for using the NPG	**27,706,799**	–	**27,706,799**	–
Technical dispatching services	**7,947,067**	7,464,292	**24,749,951**	23,265,122
Electricity generation and consumption balancing services	**2,667,576**	4,643,693	**13,285,147**	14,547,444
Sale of electricity for compensation of the interstate balances of electricity flows	**2,032,432**	3,498,165	**7,601,718**	7,564,499
Income from the sale of balancing electricity	**7,440,051**	–	**7,440,051**	–
Power control services	**138,031**	48,208	**360,321**	406,690
Revenue from sale of the purchased electricity	**95,910**	–	**118,080**	4,704
Other	**644,749**	478,521	**1,736,609**	1,443,000
	58,567,244	52,009,774	**172,917,372**	154,787,725

	For three-month period ended		**For the nine months period ended on**	
MW/hour	**30 September 2023**	30 September 2022	**30 September 2023**	30 September 2022
Electricity transmission	**3,368,587**	12,826,920	**31,462,553**	38,347,478
Services for using the NPG	**16,781,829**	–	**16,781,829**	–
Technical dispatching services	**24,834,856**	24,393,113	**78,347,225**	76,029,812
Electricity generation and consumption balancing services	**46,915,827**	47,384,624	**151,014,257**	148,450,392
Sale of electricity for compensation of the interstate balances of electricity flows	**403,438**	415,776	**1,248,672**	886,341
Income from the sale of balancing electricity	**334,539**	–	**334,539**	–
Power regulation services (MW)	**169**	45	**384**	380
Revenue from sale of the purchased electricity	**10,324**	–	**13,141**	629

	For three-month period ended		**For the nine months period ended on**	
In thousands of tenge	**30 September 2023**	30 September 2022	**30 September 2023**	30 September 2022
Revenue recognition timeline				
The goods are transferred at a certain point in time	**2,128,342**	3,498,165	**7,719,798**	7,569,203
The services are provided over a period of time	**56,438,902**	48,511,609	**165,197,574**	147,218,522
Total revenue from contracts with customers	**58,567,244**	52,009,774	**172,917,372**	154,787,725

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. COST OF SERVICES

In thousands tenge	For three-month period ended **30 September 2023**	For three-month period ended 30 September 2022	For the nine months period ended on **30 September 2023**	For the nine months period ended on 30 September 2022
Depreciation and amortisation	**12,554,112**	15,058,454	**37,521,590**	47,033,457
Technical losses of electric energy	**10,858,735**	4,258,318	**23,684,790**	16,173,196
Cost of purchased electricity for compensation of interstate balances of electricity flows	**6,595,260**	6,192,021	**21,329,091**	16,650,434
Payroll expenses and other deductions associated with payroll	**6,602,525**	5,816,307	**19,893,740**	16,238,905
Operation and maintenance costs	**2,860,368**	2,891,494	**6,296,106**	6,497,647
Taxes	**1,973,785**	2,450,897	**5,836,960**	7,244,893
For the purchase of services associated with maintaining readiness of electric capacity to bear the load	**1,035,011**	1,175,356	**3,105,032**	3,526,070
Costs for the purchase of balancing electricity at the BEM of the Republic of Kazakhstan	**2,473,176**	–	**2,473,176**	–
Security expenses	**392,502**	366,398	**1,154,238**	1,099,189
Inventory	**427,640**	314,864	**1,094,212**	795,250
Cost of purchased electricity	**57,133**	–	**79,303**	4,704
Other	**1,535,280**	1,173,765	**4,200,684**	2,956,542
	47,365,527	39,697,874	**126,668,922**	118,220,287

22. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands tenge	For three-month period ended **30 September 2023**	For three-month period ended 30 September 2022	For the nine months period ended on **30 September 2023**	For the nine months period ended on 30 September 2022
Payroll expenses and other deductions associated with payroll	**1,244,060**	965,037	**3,508,686**	2,943,462
Depreciation and amortisation	**249,376**	228,872	**740,918**	687,246
Technical support costs	**231,741**	161,132	**653,729**	421,837
Third-party services	**209,662**	169,298	**537,031**	408,877
Taxes excluding income tax	**31,512**	26,824	**185,469**	125,614
Consulting services	**47,860**	26,666	**152,587**	156,432
Insurance expenses	**28,229**	6,517	**83,997**	19,625
Business trip expenses	**24,510**	16,256	**67,754**	36,542
Utility service costs	**23,060**	15,091	**55,879**	56,102
Materials	**12,164**	14,788	**45,307**	51,047
Expenses for the Board of Directors	**14,452**	19,857	**39,714**	51,972
Education and trainings	**16,125**	6,332	**33,141**	13,609
Change in provision for obsolete inventory *(Note 8)*	**16,200**	18,153	**12,718**	77,497
Other	**159,398**	(255,157)	**866,938**	609,637
	2,308,349	1,886,922	**6,983,868**	5,659,499

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. FINANCE INCOME/(COSTS)

	For three-month period ended		For the nine months period ended on	
In thousands tenge	**30 September 2023**	30 September 2022	**30 September 2023**	30 September 2022
Finance income				
Interest income on deposits, current accounts and quoted bonds	**1,352,538**	1,408,181	**5,042,996**	3,933,610
Income from the National Bank notes (*Note 11*)	**756,921**	93,722	**1,284,938**	447,241
Income from a reverse REPO transaction	**126,316**	–	**459,490**	–
Amortization of discount on long-term accounts receivable *(Note 26)*	**15,874**	19,035	**49,493**	58,651
Amortization of discount on other financial assets	**2,415**	–	**2,487**	–
Income from revaluation of DSFK financial instruments *(Note 11)*	**5,893**	14,717	**5,893**	44,897
Other	**–**	–	**18,998**	–
	2,259,957	1,535,655	**6,864,295**	4,484,399
Less: interest capitalized into the cost of qualified property, plant and equipment *(Note 6)*	**(530,471)**	(113,876)	**(1,382,493)**	(548,940)
	1,729,486	1,421,779	**5,481,802**	3,935,459
Finance costs				
Bond coupon	**5,842,963**	3,775,500	**16,021,951**	10,363,305
Interest on loans	**166,190**	293,208	**511,257**	735,449
Discount expenses	**125,278**	165,138	**411,421**	527,425
Loss from revaluation of DSFK financial instruments *(Note 11)*	**–**	–	**353,623**	–
Bank guarantee commission	**29,920**	194,791	**92,409**	566,050
Amortization of premium on other financial assets	**24,237**	19,516	**82,773**	74,263
Loan administration fee amortization	**3,641**	642,464	**10,436**	669,287
Other expenses for bonds issued	**10,274**	3,259	**42,036**	5,933
	6,202,503	5,093,876	**17,525,906**	12,941,712
Less: interest capitalized into the cost of qualified property, plant and equipment *(Note 6)*	**(2,584,373)**	(991,592)	**(7,015,779)**	(2,973,826)
	3,618,130	4,102,284	**10,510,127**	9,967,886

The discounting expense is mainly represented by the amortization of the discount on long-term payables to related party Karabatan Utility Solutions LLP *(Note 26).*

24. FOREIGN EXCHANGE GAIN/(LOSS), NET

Due to the change in KZT exchange rate for the period ended 30 September 2023, the Group recognized a net foreign exchange gain of KZT 920,264 thousand (for the period ended 30 September 2022: a net foreign exchange loss of KZT 324,449 thousand).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. CORPORATE INCOME TAX EXPENSE

In thousands tenge	For three-month period ended 30 September 2023	For three-month period ended 30 September 2022	For the nine months period ended on 30 September 2023	For the nine months period ended on 30 September 2022
Current corporate income tax				
Corporate income tax expense	**1,901,060**	3,259,936	**9,746,537**	10,269,426
Adjustments in respect of current corporate income tax of previous year	**106,849**	(578)	**230,910**	(21,316)
Deferred tax				
Deferred tax benefit	**(737,892)**	(1,730,709)	**(3,187,577)**	(5,697,842)
Total corporate income tax expenses recognized in profit and loss	**1,270,017**	1,528,649	**6,789,870**	4,550,268

The income tax rate in the Republic of Kazakhstan is 20% in 2023 and 2022.

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

In thousands tenge	30 September 2023	31 December 2022
Deferred tax assets	**–**	–
Deferred tax liabilities	**(120,783,707)**	**(123,971,284)**
Net deferred tax liabilities	**(120,783,707)**	**(123,971,284)**

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 2023 and 2022 does not have any income tax consequences.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. TRANSACTIONS WITH RELATED PARTIES

Related parties include key management personnel of the Group, entities in which key management personnel of the Group directly or indirectly own a significant interest, as well as other entities controlled by Samruk-Kazyna Sovereign Wealth Fund JSC or where Samruk-Kazyna Sovereign Wealth Fund JSC has a significant impact. The related party transactions were made on terms agreed between the parties that may not necessarily be at market rates, except for regulated services, which are provided based on tariffs available to related and third parties.

Transactions with related parties for the period ended September 30, 2023 and 2022 represent the following:

In thousands tenge		Subsidiaries of Samruk-Kazyna Group	Associated of Samruk-Kazyna	Samruk-Kazyna joint ventures	Associated of the Group
	2023	**32,435,942**	**4,887,031**	**2,172,266**	**416,377**
Sales of services	2022	27,144,740	5,976,040	1,762,024	445,489
	2023	**13,654,312**	**1,178,206**	–	**30,206**
Purchase goods and services	2022	18,563,968	1,416,550	–	63,307
Depreciation of discount on long-term receivables	**2023**	**49,493**	**–**	**–**	**–**
	2022	58,651	–	–	–
Depreciation of discount on long-term payables	**2023**	**315,861**	**–**	**–**	**–**
	2022	432,812	–	–	–

The liabilities as at 30 September 2023 and 31 December 2022 from transactions with related parties are follows:

In thousands tenge		Subsidiaries of Samruk-Kazyna Group	Associated of Samruk-Kazyna	Samruk-Kazyna joint ventures	Associated of the Group
Current trade accounts receivables for the sale of services	**2023**	**2,373,106**	**33,333**	**169,055**	**41,207**
	2022	4,196,537	706,405	137,722	58,744
Accounts receivable for sale of property, plant and equipment	**2023**	**720,492**	**–**	**–**	**–**
	2022	694,735	–	–	–
	2023	**4,336,425**	**–**	**–**	**–**
Accounts payables for property complex	2022	6,379,501	–	–	–
Current trade and other accounts payable for the services purchased	**2023**	**488,249**	**243,110**	**64,328**	**-**
	2022	1,446,569	208,615	582	8,821

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Revenues and cost of sales, trade accounts receivable and payable

Sales of services to related parties are mainly represented by electricity transmission, services for technical dispatching and organization of balancing the production and consumption of electricity, services for maintaining the readiness of electric power. The purchase of services from related parties mainly represents communication services, energy services, electricity purchase, electric capacity readiness services, postal service and software support services.

Other receivables

On 30 September 2015 the Group has sold buildings and constructions with equipment and land located in Astana 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 has discounted future cash flows at a market discount rate of 10.37%. As of 30 September 2023, the unamortized discount on receivables from Kazpost JSC amounted to KZT 123,636 thousand. As of September 30, 2023, the amount of debt less discount amounted to 596,866 thousand tenge, where the amount of 416,733 thousand tenge was part of long-term receivables from related parties (as of December 31, 2022, the amount of debt less discount was 694,735 thousand tenge, the amount of long-term receivables from related parties is 514,613 thousand tenge). For the nine months ended 30 September 2023, the Group recognized income from amortization of the discount in the amount of KZT 49,493 thousand (for the nine months ended 30 September 2022: KZT 58,651 thousand) *(Note 23).*

As at 30 September 2023 the Group had accounts receivable for the sale of property, plant and equipment of Balkhash thermal power plant (TPP) JSC to a related party in the amount of KZT 220,494 thousand (as at 31 December 2022: KZT 220,494 thousand). In accordance with sale agreement, Balkhash TPP JSC had to pay the outstanding balance till the end of 2018, however, as at 30 September 2023 the amount hasn't been paid. In connection with the suspension of construction of Balkhash TPP, the management of the Group decided to accrue a 100% provision for the expected credit losses in 2018.

The total ECL for trade receivables from related parties as at 30 September 2023 was KZT 370,341 thousand (as at 31 December
2022: KZT 312,336 thousand).

Accounts payables for property complex and amortization of discount

In November-December 2020, the Group acquired a property complex from a related party − Karabatan Utility Solutions LLP in the amount of 11,794,689 thousand tenge. In accordance with the sale and purchase agreement, the Group shall complete the payment in equal annual instalments until 25 March 2025. Accordingly, the Group has discounted future cash flows at a market interest rate of 10.25%. As of 30 September 2023, the unamortized discount on accounts payable of Karabatan Utility Solutions LLP amounted to KZT 381,451 thousand (as of 31 December 2022: KZT 697,311 thousand).

As at 30 September 2023, net debt amounted to KZT 4,336,425 thousand, of which KZT 2,163,124 thousand were included in long-term payables from related parties. For the nine months ended 30 September 2023, the Group recognized an expense from amortization of the discount on long-term accounts payable in the amount of KZT 315,861 thousand.

Other

The amount of the guarantee of the Government of the Republic of Kazakhstan under the IBRD loan as of 30 September 2023 amounted to KZT 6,937,231 thousand (as of 31 December 2022: KZT 12,590,206 thousand).

The remuneration of key management personnel and all other expenses related to it (taxes, deductions, sick leave, vacation pay, material assistance, etc.) included in salary expenses in the attached interim consolidated statement of comprehensive income amounted to KZT 370,341 thousand for the period ended 30 September 2023 (for the three months ended 30 September 2022: KZT 232,902 thousand).

Compensation to key management personnel mainly consists of salary and performance bonus based on operating results.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. COMMITMENTS AND CONTINGENCIES

Operating environment

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

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 recognition of revenue, expenses and other items in the financial statements. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe. As a result, the amount of additional taxes, penalties and interest may exceed the amount expensed to date and accrued as of September 30, 2023.

Management believes that, as at 30 September 2023, the interpretation of applicable legislation is appropriate and the Group's tax position will be affirmed.

Compliance with loan covenants

As disclosed in *Note 15*, the Group has loan agreements with the EBRD and IBRD. Due to the fact that the loan agreement with the EBRD has been fully satisfied in accordance with the repayment schedule, as of 30 September 2023, there is no need to meet the terms of the loan agreement in terms of financial covenants.

The Group also issued bonds *(Note 16)* and must comply with the following covenants:

- the ratio of Debt to EBITDA is not more than 3:1 (1.61 as of 30 September 2023);
- the ratio of Debt to Equity is not more than 0.6:1 (0.25 as of 30 September 2023);
- self-financing ratio of at least 20% (155% as of September 30, 2023);
- debt service ratio of at least 1.2 (11.8 as of September 30, 2023);
- liquidity of at least 1:1 (3.2 as of September 30, 2023);
- the ratio of net debt to EBITDA is not more than 4:1 (0.8 as of 30 September 2023);

The Group's management believes that it has complied with all covenants stipulated by the terms of the bond issue.

Insurance

As at 30 September 2023, the Group insured operational assets for the amount of KZT 542,550,435 thousand. This amount does not include the result of the revaluation of NPG assets carried as at 1 December 2022, since the procedure for concluding an insurance contract was carried out before 1 December 2022. In the event of an insured event, the insurance payment is made within the insured amount. The Group did not provide insurance coverage for its other operation property. Because the absence of insurance does not result in a decrease in the value of assets or the creation of liabilities, no provision has been made in these consolidated financial statements for damage to or loss of such assets.

Contractual commitments

In order to ensure the reliability of the national power grid through the reconstruction of 220-500 kV power lines that have already reached the limit of the standard service life and which will reach it in the coming years, as well as to improve the reliability of power supply to consumers in Zone West of the UPS of Kazakhstan and to maintain production assets in working order by the Group a capital investment plan has been developed.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. CONTINGENT LIABILITIES (continued)

Contractual commitments (continued)

In accordance with the legislation on natural monopolies of the Republic of Kazakhstan, the five-year (2021-2025) investment programme of KEGOC for a total amount of KZT 274,760,648 thousand was approved by joint order No.122 of the sectoral state body dated 7 April 2021 and the department of the authorized body No.21-OD dated 11 March 2021 and must be implemented 100%. However, KEGOC may make changes to it and adjust the cost and timing of individual events.

As at 30 September 2023, the amount of capital commitments under contracts entered into by the Group under the investment plan amounted to KZT 45,139,044 thousand (31 December 2022: KZT 57,388,081 thousand).

Regulation and Litigation

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

Order No.79-OD of the Committee for the Regulation of Natural monopolies (CRNM) of the Ministry of National Economy of the Republic of Kazakhstan dated 16 August 2021, approved the following tariffs:

1) electricity transmission tariffs:
   - 2.797 tenge/kWh (excluding VAT) from 1 October 2021 to 30 September 2022;
   - 2.848 tenge/kWh (excluding VAT) from 1 October 2022 to 30 September 2023;
2) technical dispatching of the electricity supply and consumption in the grid:
   - 0.306 tenge/kWh (excluding VAT) from 1 October 2021 to 30 September 2022;
   - 0.314 tenge/kWh (excluding VAT) from 1 October 2022 to 30 September 2023;
3) electricity production and consumption balancing:
   - 0.098 tenge/kWh (excluding VAT) from 1 October 2021 to 30 September 2022;
   - 0.102 tenge/kWh (excluding VAT)from 1 October 2022 to 30 September 2023;

By order of the CRNM of the Republic of Kazakhstan dated April 22, 2022 No. 67-OD , temporary compensating tariffs for regulated services of KEGOC JSC were approved effective June 1, 2022 to May 31, 2023

KEGOC did not agree with the decision of the CRNM since, in accordance with the Law of the Republic of Kazakhstan on Natural Monopolies, the savings accumulated in terms of cost items of the tariff estimate in 2017 and 2018 were used for implementation of the Investment Programme. Thus, KEGOC did not inflict losses on its consumers and did not receive unreasonable income. In this connection, this Order No. 67-OD dated 22 April 2022 is being challenged by KEGOC in court.

This Order has been suspended for the duration of the trial.

If the Company had applied the temporary compensatory tariff, then the Company's profit for the nie months ended 30 September
2023 would have decreased by KZT 3,245,513 thousand.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. CONTINGENT LIABILITIES (continued)

Activity regulation (continued)

For the duration of the trial, Order No. 79-OD dated August 16, 2021 on approval of tariffs, the tariff estimates for regulated services of KEGOC JSC for 2021-2026, and No. 133-OD dated September 22, 2023 are in effect.

Order No. 133-OD of CRNM dated September 22, 2023 approved changes in tariffs and tariff estimates for regulated services of KEGOC JSC for the transmission of electrical energy through the national power grid, for the use of the national electrical grid, for technical dispatch of supply and consumption of electricity in the grid, for management of production and consumption balancing effective on July 1, 2023 onwards:

1) for the transmission of electrical energy in the national power grid in the amount of:
   - 2.935 tenge/kWh (excluding VAT) from 1 July 2023 to 30 September 2023;
   - 3.381 tenge/kWh (excluding VAT) from 1 October 2023 to 30 September 2024;
   - 3.492 tenge/kWh (excluding VAT) from 1 October 2024 to 30 September 2025;
   - 3.564 tenge/kWh (excluding VAT) from 1 October 2025 to 30 September 2026.
2) for the use of the national electrical grid in the amount of:
   - 1.651 tenge/kWh (excluding VAT) from 1 July 2023 to 30 September 2023;
   - 1.943 tenge/kWh (excluding VAT) from 1 October 2023 to 30 September 2024;
   - 2.002 tenge/kWh (excluding VAT) from 1 October 2024 to 30 September 2025;
   - 2.056 tenge/kWh (excluding VAT) from 1 October 2025 to 30 September 2026.
3) technical dispatching of the electricity supply and consumption in the grid:
   - 0.320 tenge/kWh (excluding VAT) from 1 July 2023 to 30 September 2023;
   - 0.339 tenge/kWh (excluding VAT) from 1 October 2023 to 30 September 2024;
   - 0.351 tenge/kWh (excluding VAT) from 1 October 2024 to 30 September 2025;
   - 0.356 tenge/kWh (excluding VAT) from 1 October 2025 to 30 September 2026.
4) management of production and consumption balancing:
   - 0.057 tenge/kWh (excluding VAT) from 1 July 2023 to 30 September 2023;
   - 0.060 tenge/kWh (excluding VAT) from 1 October 2023 to 30 September 2024;
   - 0.064 tenge/kWh (excluding VAT) from 1 October 2024 to 30 September 2025;
   - 0.066 tenge/kWh (excluding VAT) from 1 October 2025 to 30 September 2026.

28. SUBSEQUENT EVENTS

As disclosed in *Note 14*, on September 26, 2023, the extraordinary General Meeting of Shareholders of KEGOC JSC decided to pay dividends based on H1 2023 performance in the amount of 20,212,292 thousand tenge to all holders of ordinary shares of KEGOC JSC. On October 31, 2023, KEGOC JSC paid dividends to all minority shareholders in the total amount of 2,021,132 thousand tenge.

By Decree of the Government of the Republic of Kazakhstan No. 814 dated September 19, 2023, KEGOC JSC received permission to place 15,294,118 ordinary shares on the organized securities market. On September 26, 2023, the extraordinary General Meeting of Shareholders of KEGOC JSC decided to conduct a secondary placement (SPO) of ordinary shares of KEGOC JSC in the amount of up to 15,294,118 pieces at a price of 1,482 tenge per share.

The secondary placement was carried out through an additional issue of ordinary shares. Applications for the purchase of additionally issued ordinary shares were accepted from September 28, 2023 to November 2, 2023 inclusive.