Kazakhstan Electricity Grid Operating Company JSC

Interim consolidated financial statements

For the six months ended 30 June 2023

with independent Auditor's report

CONTENTS

TOO «RSM Qazaqstan»
050010, Республика Казахстан
г. Алматы, пр. Достык, 43
Бизнес-Центр «D43», офис 302
Тел.: +7 727 339 87 78
www.rsm.kz

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Board of Directors and Management of Kazakhstan Electricity Grid Operating Company JSC

Opinion

We have audited the interim consolidated financial statements of Kazakhstan Electricity Grid Operating Company JSC and its subsidiary (hereinafter the "Group"), which comprise the interim consolidated statement of financial position as at June 30, 2023, and the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six months then ended, and notes to the interim consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim consolidated financial statements present fairly, in all material respects, the interim consolidated financial position of the Group as at June 30, 2023, and its interim consolidated financial performance and its interim consolidated cash flows for six months then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the interim consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the interim consolidated financial statements of the current period. These matters were addressed in the context of our audit of the interim consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the interim consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the interim consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying interim consolidated financial statements.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of property, plant and equipment	
As at 30 June 2023, the carrying value of assets of the National Electricity Grid ("NES") amounted to 719.314.087 thousand tenge (31 December 2022: 733.464.524 thousand tenge). The NES assets are accounted for at fair value in accordance with the Group's accounting policy. At each reporting date, the Group analyzes to what extent the fair value of the NES assets differs significantly from their carrying value. In order to assess the possible fluctuations in the fair values Management of the Group determines the replacement cost of assets most exposed to the risk of changes in fair value. Due to the significance of the carrying amount of the NES assets, as well as significant use of professional judgement and estimates by Management when analyzing changes in the fair value of the NES assets, this issue was one of the key audit matters. Information on the NES assets and analysis of changes in fair value of the NES assets is presented in *Notes 4 and 6* to the interim consolidated financial statements.	We have received from the Group's management an analysis of possible changes in the fair value of NES assets. We reviewed the assumptions underlying the Management's analysis. Thus, we analyzed the assumptions regarding the price index used by the Group in determining replacement cost. We compared changes in tariffs for services provided by the Group, forecasts of tariff growth in comparison with current tariffs. We analyzed information, disclosed in *Notes 4 and 6* to the interim consolidated financial statements.

Compliance with covenants under credit facility agreements

In accordance with terms of loan agreements and bond programs, the Group is required to comply with certain financial and non-financial covenants. Breaching of these covenants may lead to the request of early repayment of loans and bonds and funding shortages. Compliance with covenants was one of the matters of most significance in the audit, because it has major impact on the going concern assumption used in preparation of the interim consolidated financial statements, and on classification of loans and bonds in the interim consolidated statement of financial position. Information on compliance with covenants is disclosed in *Note 28* to the interim consolidated financial statements.	We examined the terms of credit facilities and reviewed financial and non-financial covenants. We compared data used in the calculations with the data presented in the interim consolidated financial statements. We reviewed mathematical accuracy of calculations of the financial ratios. We analyzed the management evaluation of the risk that breach of any covenants is likely within the next 12 months and the potential impact of breach on the going concern basis. We analyzed information received from creditors in relation to compliance with covenants as of 30 June 2023. We also analyzed information disclosed in the interim consolidated financial statements.

Responsibilities of management and those charged with governance for the interim consolidated financial statements

Management is responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free form material misstatement, whether due to fraud or error. In preparing the interim consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the preparation of the Group's interim consolidated financial statements.

Auditor's responsibilities for the audit of the interim consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing , we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the interim consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the interim consolidated financial statements, including the disclosures, and whether the interim consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the interim consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the interim consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner responsible for the audit resulting in this independent auditor's report is Aisulu Narbayeva.

RSM Qazaqstan LLP

Aisulu Narbayeva
Auditor / General Director
RSM Qazaqstan LLP

Auditor qualification certificate # 0000137
dated 21 October 1994

State audit license for audit activities
on the territory of the Republic of Kazakhstan
#19024411 issued by the Ministry of finance of the
Republic of Kazakhstan on 24 December 2019

43, Dostyk Avenue, office 302
Almaty, 050010, Republic of Kazakhstan

7 August 2023

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

In thousands of tenge	Notes	30 June 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	6	**853.223.235**	859.129.917
Intangible assets		**3.174.437**	3.453.791
Advances paid for non-current assets	6	**10.312.532**	6.118.449
Investment in associate	7	**2.671.730**	2.747.455
Long-term receivables from related parties	26	**449.981**	514.613
Other financial assets, non-current portion	11	**3.779.200**	1.968.564
		873.611.115	873.932.789
Current assets			
Inventories	8	**4.746.867**	3.207.155
Trade account receivable	9	**22.653.859**	21.047.390
VAT recoverable and other prepaid taxes		**301.792**	871.258
Prepaid income tax		**116.157**	128.400
Other current assets	10	**2.119.851**	1.649.971
Other financial assets, current portion	11	**47.433.813**	57.196.672
Restricted cash	12	**1.948.206**	1.015.462
Cash and cash equivalents	13	**28.901.077**	27.563.092
		108.221.622	112.679.400
Total assets		**981.832.737**	986.612.189

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2023

In thousands of tenge	Notes	For the six months period ended 30 June 2023	30 June 2022
Operating activities			
Profit before tax		**28.537.211**	17.034.019
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization		**25.473.092**	32.446.065
Finance costs	23	**6.891.997**	5.865.602
Finance income	23	**(3.752.316)**	(2.513.680)
(Positive) / negative foreign exchange difference, net		**(489.104)**	748.669
Accrual of provision for expected credit losses		**909.966**	212.195
Accrual of allowance for obsolete inventories	22	**(3.482)**	59.344
Loss from disposal of property, plant and equipment and intangible assets		**3.203**	41.876
Gain from recovery of loss from revaluation of property, plant and equipment		**(155)**	(85.102)
Share of loss/(gain) of associate	7	**75.725**	(121.995)
Income from government grants		**(26.621)**	(13.744)
Working capital adjustments			
Change in inventories		**(1.536.230)**	(898.737)
Change in trade accounts receivable		**(2.845.617)**	(5.426.022)
Change in VAT recoverable and other prepaid taxes		**569.466**	1.417.070
Change in other current assets		**(674.884)**	(1.408.239)
Change in trade and other accounts payable		**(2.484.371)**	273.102
Change in contract liabilities		**(493.840)**	(328.304)
Change in taxes payable other than income tax		**1.467.709**	892.494
Change in other current liabilities		**(608.945)**	(375.367)
Change in other non-current liabilities		**(13.522)**	-
		50.999.282	47.819.246
Interest and fees paid on loans	27	**(414.283)**	(456.105)
Coupon interest paid	27	**(9.002.500)**	(6.627.500)
Payment of commission on bank guarantees		**(62.620)**	(382.017)
Corporate income tax paid		**(7.368.348)**	(4.796.803)
Interest received		**4.018.258**	2.514.833
Net cash flows received from operating activities		**38.169.789**	38.071.654

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2023

In thousands of tenge	Notes	30 June 2023	31 December 2022
Equity and liabilities			
Equity			
Share capital	14	**126.799.554**	126.799.554
Treasury shares	14	**(930)**	(930)
Asset revaluation reserve	14	**489.229.537**	489.297.133
Retained earnings		**47.401.031**	37.469.407
		663.429.192	653.565.164
Non-current liabilities			
Borrowings, non-current portion	15	**10.590.681**	11.367.844
Bonds payable, non-current portion	16	**149.457.511**	133.394.155
Deferred tax liability	25	**121.521.599**	123.971.284
Long-term accounts payables	17	**2.163.124**	4.146.691
Deferred income, non-current portion		**649.517**	676.138
Other liabilities, non-current portion		**–**	13.522
		284.382.432	273.569.634
Current liabilities			
Borrowings, current portion	15	**1.216.719**	5.530.813
Bonds payable, current portion	16	**8.083.978**	6.058.889
Trade and other accounts payable	17	**14.543.690**	21.713.025
Dividends payable	14	**–**	17.014.309
Obligations under the contract		**1.175.750**	1.669.590
Deferred income, short-term portion		**53.243**	53.243
Tax debt other than corporate income tax	18	**3.444.280**	1.933.096
Corporate Income Tax Debt		**806.840**	267.335
Other current liabilities	19	**4.696.613**	5.237.091
		34.021.113	59.477.391
Total liabilities		**318.403.545**	333.047.025
Total equity and liabilities		**981.832.737**	986.612.189
Book value per ordinary share (in tenge)	14	**2.539**	2.500

The accounting policies and explanatory notes on pages 7 to 47 are an integral part of these interim consolidated financial statements.

Chairman of the Management Board Aitzhanov N.E.

Chief Accountant Mukanova D.T.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2023

		For the three months period ended 30 June		For the six months period ended 30 June	
In thousands of tenge	**Notes**	**2023**	2022	**2023**	2022
Continuing operations					
Revenue from contracts with customers	20	**53.746.479**	47.957.472	**114.350.128**	102.777.951
Cost of sales	21	**(37.390.806)**	(37.465.959)	**(79.303.395)**	(78.522.413)
Gross profit		**16.355.673**	10.491.513	**35.046.733**	24.255.538
General and administrative expenses	22	**(2.213.825)**	(1.867.664)	**(4.675.519)**	(3.772.577)
Selling expenses		**(106.837)**	(58.510)	**(217.523)**	(121.403)
Impairment recovery / (impairment) of property, plant and equipment	6	**114**	(2.141)	**155**	85.102
Operating profit		**14.035.125**	8.563.198	**30.153.846**	20.446.660
Finance income	23	**1.964.006**	1.412.650	**3.752.316**	2.513.680
Finance costs	23	**(3.677.852)**	(3.017.140)	**(6.891.997)**	(5.865.602)
Foreign exchange gain/(loss), net	24	**108.808**	(94.848)	**489.104**	(748.669)
Share of (loss)/profit of associate	7	**(9.922)**	80.458	**(75.725)**	121.995
Other income		**307.766**	33.692	**2.215.106**	1.001.270
Other expenses		**(43.814)**	(120.635)	**(195.473)**	(223.120)
Accrual of provision for expected credit losses	9, 10, 11, 12, 13	**(856.260)**	(220.811)	**(909.966)**	(212.195)
Profit before tax		**11.827.857**	6.636.564	**28.537.211**	17.034.019
Corporate income tax expense	25	**(2.282.934)**	(1.148.641)	**(5.519.853)**	(3.021.619)
Profit for the reporting period		**9.544.923**	5.487.923	**23.017.358**	14.012.400
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the period		**9.544.923**	5.487.923	**23.017.358**	14.012.400
Earnings per share					
Basic and diluted profit for the year attributable to ordinary equity holders of the parent (in tenge)	14	**36,71**	21,10	**88,53**	53,89

The accounting policies and explanatory notes on pages 7 to 47 are an integral part of these interim consolidated financial statements.

Chairman of the Management Board Aitzhanov N.E.

Chief Accountant Mukanova D.T.

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of tenge	Notes	For the six months period ended 30 June 2023	30 June 2022
Investing activities			
Withdraw of bank deposits		**7.253.277**	26.600.719
Replenishment of bank deposits		**(59.207)**	(17.102.851)
Change in restricted cash	12	**(867.526)**	–
Revenue from the sale of fixed assets and intangible assets		**98.249**	1.189.269
Acquisition of fixed assets		**(25.794.585)**	(25.593.896)
Acquisition of intangible assets		**(157.307)**	(17.675)
Acquisition of debt securities (notes of the National Bank of the Republic of Kazakhstan, bonds of DBK and KMG)	11	**(46.854.824)**	–
Redemption of debt securities (notes of the National Bank of the Republic of Kazakhstan, bonds of DBK and KMG)	11	**47.555.591**	14.000.000
Redemption of DSFK bonds by the issuer	11	**24.108**	2.014
Partial refund to Eximbank Kazakhstan	11	**23.876**	134.111
Net cash flows used in investing activities		**(18.778.348)**	(788.309)
Financing activities			
Issue of bonds	27	**16.867.599**	–
Dividends paid	14	**(30.167.639)**	(13.220.929)
Repayment of borrowings	27	**(4.835.136)**	(7.490.906)
Principal repayment of lease liability	27	**–**	(111.895)
Net cash flows used in financing activities		**(18.135.176)**	(20.823.730)
Net change in cash and cash equivalents		**1.256.265**	16.459.615
Effect of exchange rate changes on cash and cash equivalents		**(74.405)**	(265.704)
Effect of accrual of provision on expected credit losses on cash and cash equivalents	13	**156.125**	(32.235)
Cash and cash equivalent, as at 1 January		**27.563.092**	11.933.828
Cash and cash equivalents, as at 30 June	13	**28.901.077**	28.095.504

Non-cash transactions:

During the six months of 2023, the Group capitalized the cost of coupon interest on bonds in the cost of property, plant and equipment in the amount of 3.579.384 thousand tenge *(Note 6)*.

The accounting policies and explanatory notes on pages 7 to 47 are an integral part of these interim consolidated financial statements.

Chairman of the Management Board Aitzhanov N.E.

Chief Accountant Mukanova D.T.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2023

In thousands of tenge	Share capital	Treasury Shares	Asset revaluation reserve	Retained earnings	Total
As at 1 January 2022	126.799.554	(930)	569.845.780	40.492.413	737.136.817
Profit for the period	–	–	–	14.012.400	14.012.400
Total comprehensive income	–	–	–	14.012.400	14.012.400
Transfer of asset revaluation reserve *(Note 14)*	–	–	(46.420)	46.420	–
Dividends *(Note 14)*	–	–	–	(13.220.929)	(13.220.929)
As at 30 June 2022	126.799.554	(930)	569.799.360	41.330.304	737.928.288
As at 1 January 2023	**126.799.554**	**(930)**	**489.297.133**	**37.469.407**	**653.565.164**
Profit for the period	**–**	**–**	**–**	**23.017.358**	**23.017.358**
Total comprehensive income	**–**	**–**	**–**	**23.017.358**	**23.017.358**
Transfer of asset revaluation reserve *(Note 14)*	**–**	**–**	**(67.596)**	**67.596**	**–**
Dividends *(Note 14)*	**–**	**–**	**–**	**(13.153.330)**	**(13.153.330)**
As at 30 June 2023	**126.799.554**	**(930)**	**489.229.537**	**47.401.031**	**663.429.192**

The accounting policies and explanatory notes on pages 7 to 47 are an integral part of these interim consolidated financial statements.

Chairman of the Management Board ______________ Aitzhanov N.E.

Chief Accountant ______________ Mukanova D.T.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

As at 31 December 2022 and 30 June 2023 the Company's major shareholder was Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

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

KEGOC is the national Company, which provides electricity transmission, dispatch, and electricity production-consumption balancing services in Kazakhstan. As the state-appointed system operator. the Company provides centralized dispatching control, ensures parallel work with energy systems of other countries, maintains the balance in energy system, provides system services and acquires auxiliary services from wholesale entities at energy market, as well as transmits electricity through unified power system (the "NES"), ensures its technical support and maintenance, The NES consists of substations, distribution devices, interregional and international power transmission lines which provide the output of electricity of electrical stations with the voltage of 220 kW and more.

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

For reference: A single purchaser is a legal entity with one hundred percent state participation, determined by the authorized body, carrying out centralized purchase and centralized sale of planned volumes of electrical energy.

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

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

In view of the fact that the model of the Single Purchaser excludes the "*targeting*" of the distribution of electrical energy (*from the station to the consumer*), the system operator introduces a new service - for the use of NES, which provides maintenance and maintenance of the NES in operational readiness, provided to all market participants, with the exception of conditional consumer, on the basis of the concluded contract.

For reference: a conditional consumer is a wholesale consumer who purchases electrical energy from EPO, included in the same group of persons, an industrial complex and a qualified consumer, determined in accordance with the Law of the Republic of Kazakhstan "On Supporting the Use of RES".

If imbalances are allowed by the deviation of the participants of the wholesale electricity market from the declared planned volume of production - consumption of electricity, the participant of the wholesale market switches to the BEM.

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

For reference: BEM *settlement center is an organization determined by the authorized body that carries out centralized purchase and sale of balancing electricity and negative imbalances at* BEM.

1. GENERAL INFORMATION (continued)

The physical regulation of the volumes of production and consumption, import and export of electricity both in the wholesale electricity market and in the BEM is carried out by the System Operator through the formation and approval of the daily schedule for the production and consumption of electricity in the balancing market system.

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

As at 30 June 2023 and 31 December 2022 the Company has stake in the following company:

		Percentage of ownership	
Company	**Activities**	**30 June 2023**	31 December 2022
Energoinform JSC (“Energoinform”)	Maintenance of the KEGOC’s IT system	**100%**	100%

The Company and its subsidiary is collectively referred to as the “Group”.

The head office of the Company is registered at the address: Republic of Kazakhstan, Z00T2D0, Astana, Tauelsizdik avenue, building 59.

The accompanying interim consolidated financial statements of the Group were approved by the Chairman of the Management Board and the Chief Accountant of the Company on August 7, 2023.

2. BASIS OF PREPARATION

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

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

The Group has prepared the interim consolidated financial statements on the basis that it will continue to operate as going concern.

Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the following term apply:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee. including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights.

2. BASIS OF PREPARATION

Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards. interpretations and amendments adopted to the existing standards and interpretations adopted by the Company for the first time

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as at 1 January 2023. The Group has not early adopted any standard interpretation or amendment that has been issued but is not yet effective.

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

IFRS 17 Insurance Contracts

In May 2017, the IASB released IFRS 17 Insurance Contracts, a comprehensive new financial reporting standard for insurance contracts that addresses recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life and non-life insurance, direct insurance and reinsurance), regardless of the type of entity that issues them, and to certain guarantees and financial instruments with conditions discretionary participation. There are several exceptions to the scope. The main objective of IFRS 17 is to provide an accounting model for insurance contracts that is more efficient and consistent for insurers. Unlike the requirements of IFRS 4, which are primarily based on previous local accounting policies, IFRS 17 provides a comprehensive accounting model for insurance contracts, covering all relevant aspects of accounting. IFRS 17 is based on a general model, supplemented by the following:

- Certain modifications for insurance contracts with direct participation terms (variable fee method).
- Simplified approach (premium distribution approach) mainly for short-term contracts.

This standard is not applicable to the Group.

Amendments to IAS 8 – Determination of Accounting Estimates

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

These amendments did not have a material effect on the interim consolidated financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards. interpretations and amendments adopted to the existing standards and interpretations adopted by the Company for the first time (continued)

Amendments to IAS 1 and Practice Guideline No. 2 on the Application of IFRS – Accounting Policies Disclosures

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

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

Amendments to IAS 12 - Deferred Tax on Assets and Liabilities Arising from a Single Transaction

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

Current versus non-current classification

The Group presents assets and liabilities in the interim consolidated statement of financial position based on current/non-current classification.

An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 (twelve) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current.

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

Fair value measurement

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability. assuming that market participants act in their economic best interest.

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

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

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

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Group's finance management determines the policies and procedures for both recurring fair value measurement, such as NES assets and unquoted trading financial assets, and for non-recurring measurement, if any.

External valuers are involved for valuation of NES assets. Involvement of external valuers is decided upon annually by the finance management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The finance management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

The finance management, in conjunction with the Group's external values, also compares each the changes in the fair value of each asset of revalued class of property, plant and equipment in accordance with Group accounting policy with relevant external sources to determine whether the change is reasonable. The finance management and external values discusses the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currency transactions

The consolidated financial statements of the Group are presented in tenge. Tenge is also the functional currency of the Group companies. Each company in the Group determines its own functional currency, and items included in the financial statements of each company are measured in that functional currency.

Foreign currency transactions are initially recognized by the Group companies in their functional currency at the spot rate ruling on the date the transaction qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are recognized in interim consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

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

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

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

Exchange rate as at the end of the year (to KZT)	**30 June 2023**	31 December 2022
1 USD	**452,26**	462,65
1 EUR	**490,7**	492,86
1 RUB	**5,14**	6,43

Average exchange rate for the six months period (to KZT)	**30 June 2023**	30 June 2022
1 USD	**448,82**	449,96
1 EUR	**488,37**	492,38
1 RUB	**5,54**	6,08

Property, plant and equipment

Property, plant and equipment, except for NES assets, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Buildings	60 years
NES assets	
Structures, machinery and equipment of NES	8-100 years
Transport and other fixed assets	
Other machinery and equipment and vehicles	2-50 years
Other fixed assets not included in other groups	2-20 years

Land is not depreciated.

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

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets of the Group, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit and loss in the period in which expenditure is incurred.

Intangible assets of the Group consist primarily of licenses and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 3 to 5 years.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

The Group bases its impairment calculation on value in use, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations (including impairment on inventories) are recognized in the interim consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for NES assets previously revalued with the revaluation taken to OCI. For such assets, the impairment is recognized in OCI up to the amount of any previous revaluation. For assets previously impaired, except for goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation surplus.

Investments in an associate

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

The Group's investment in its associate is accounted for using the equity method. Under the equity method, an investment in an associate is initially recognized at cost. The carrying amount of the investment subsequently increases or decreases as a result of the recognition of the Group's share of the post-acquisition changes in net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized or separately tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the associate's financial performance. If there has been a change recognized directly in equity of the associate, the Group recognizes its share of the change and discloses that fact, where applicable, in the consolidated statement of changes in equity. Unrealized gains and losses arising from the Group's transactions with an associate are eliminated to the extent that the Group has an interest in the associate.

The Group's share of associate's profit is presented directly in the consolidated statement of comprehensive income. It represents the profit attributable to the shareholders of the associate and is therefore defined as profit after taxes and non-controlling interest in the associate's subsidiaries.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in an associate (continued)

The associate's financial statements are prepared for the same reporting period as the Group's financial statements. If necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

Financial instruments ‒initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost includes trade receivables, and loans issued.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the interim consolidated statement of financial position at fair value with net changes in fair value recognized in the interim consolidated statement of profit or loss. This category includes instruments which the Group has classified at fair value through profit and loss.

Derecognition

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

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

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

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

Recognition of expected credit losses

The Group recognizes an allowance for expected credit losses on financial assets measured at amortized cost at an amount equal to lifetime expected credit losses if the credit loss has increased significantly since initial recognition.

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions *(Note 4)*;
- Trade receivables and other current and financial assets including cash and cash equivalents (*Notes 9, 10, 11, 12, 13*).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

***Financial assets* (*continued*)**

Recognition of expected credit losses (continued)

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Financial liabilities

Initial recognition and measurement

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

Financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, net of directly attributable transaction costs.

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

Subsequent measurement

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

<u>Borrowings and bonds issued</u>

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the interim consolidated statement of comprehensive income.

<u>Trade and other payables</u>

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition

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

Offsetting of financial instruments

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

Inventory

Inventories are accounted for on a FIFO basis.

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

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

Cash and cash equivalents

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

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

Restricted cash

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the interim consolidated statement of comprehensive income, net of any reimbursement.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The Group recognizes revenue to reflect the provision of promised services to consumers in the amount of compensation that the Group expects to be entitled to receive in exchange for goods or services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Group, when recognizing revenue, takes the following steps:

1) Identification of the contract with the consumer;
2) Identification of the obligation to be executed under the contract;
3) Determination of transaction price;
4) Distribution of the transaction price between certain duties to be performed under the contract;
5) Recognition of proceeds at the time of (or as far as) the performance of the obligations to be performed under the contract.

Revenue from rendering of services is recognized by reference to the stage of completion. The Group receives its revenue from rendering of transmission services of electricity from power generators to wholesale and major customers, technical dispatching of the input of electricity into the energy system and consumption of electricity, organization of balancing of electricity producing and consumption and ensuring a contractual power supply with energy systems of neighboring countries and other.

Tariffs for accruing income on services for the transmission of electrical energy, technical dispatching and balancing the production / consumption of electrical energy are approved by the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter referred to as the "Committee").

Income from services to ensure the contractual values of electrical energy flows with the energy systems of neighboring states are recognized in accordance with the terms of contracts concluded on the basis of the Agreement between the Government of the Republic of Kazakhstan and the Government of the Russian Federation *"On measures to ensure parallel operation of the Unified Energy Systems of the Republic of Kazakhstan and the Russian Federation"* .

Trade receivables

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

Contract liabilities

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

Interest income

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

Borrowing costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease

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

The Group as a lessee

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

i) Right-of-use assets

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

- Software – 5 years

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

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

ii) Lease liabilities

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

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

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

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

Pension obligations

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees' salaries, but no more than 350.000 tenge per month (2022: 300.000 tenge) to accumulative pension funds. Pension fund payments are withheld from employees' salaries and included with payroll expenses in the interim consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

Unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent that it is probable that future taxable profit will allow the use of deferred tax assets.

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

Deferred tax relating to items recognized outside of profit or loss is also not recognized in profit or loss. Deferred tax items are recognized in accordance with the underlying transactions either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset against each other if there is a legal right to offset current tax assets and liabilities and the deferred taxes relate to the same taxable company and tax authority.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

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

Contingent liabilities and contingent assets

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

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

Revaluation of property, plant and equipment

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

The revalued NES assets represent one class of assets according to IFRS 13, based on the nature, characteristics and risk of the property. Input data for determining the fair value of NES assets refer to Level 3 in the fair value hierarchy (unobservable inputs).

The fair value of NES assets was determined using the cost method. The cost method was used because the assets are highly specialized and historically these assets have never been sold. As part of the cost method, the method of determining the cost of replacement or the cost of reproduction was applied, according to which the full replacement cost of fixed assets was calculated minus all types of accumulated depreciation, as well as the method of calculation by analogues, the method of specific indicators and the method of indexing past costs.

The estimated current replacement cost was subsequently compared to the recoverable amount determined based on a discounted cash flow model. The cash flows in the model are taken from the Group's approved budget for the next 5 (five) years. When forecasting the Group's income, the tariffs approved by the Committee for regulated services for the transmission of electricity, technical dispatching and balancing the production and consumption of electricity for the period from October 1, 2021 to September 30, 2026 were taken into account. Based on the results of the analysis, the recoverable amount of property, plant and equipment exceeded its current replacement cost.

As a result of the valuation, the fair value of NPG assets as at the valuation date (December 1, 2022) amounted to 774.045.986 thousand tenge. The decrease in the revalued value of NES assets in the amount of 100.105.029 thousand tenge was recognized in other comprehensive income for 2022, taking into account the corresponding deferred tax benefit in the amount of 20.021.005 thousand tenge. An increase in the value of certain previously depreciated assets was recognized in the statement of comprehensive income in the amount of 949.895 thousand tenge, together with a decrease in the value of certain assets in the amount of 4.524.870 thousand tenge.

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

Revaluation of property, plant and equipment (continued)

The decrease in the fair value of NES assets based on the results of the valuation is mainly due to a decrease in metal prices by about 15% compared to the previous year.

In assessment of the fair value in 2021 the following main assumptions have been applied:

Discount rate (WACC)	12,97%
Long term growth rate	3,09%
Average remaining useful life of the primary asset	40 years

An increase in the discount rate by 0.5% or a decrease in the long-term growth rate by 0.5% would result in a decrease in the fair value of the Group's property, plant and equipment by 46.537.397 thousand tenge or 24.247.101 thousand tenge, respectively.

Useful life of property, plant and equipment

During 2022, the Group carried out a technical inventory of NES assets to determine the technical condition of fixed assets. Based on the results of the inventory, the remaining useful lives of property, plant and equipment were revised. The overall effect of changes in useful lives amounted to 3.732.520 thousand tenge (decrease in depreciation), which was recognized in profit or loss in the statement of comprehensive income for the year ended 31 December 2022.

The useful lives and residual values of property, plant and equipment are reviewed at the end of each annual reporting period and adjusted if necessary.

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

Taxes

There is uncertainty regarding the interpretation of complex tax laws and the amount and timing of future taxable profits. Given the significant diversity of the Group's international operations, and the long-term nature and complexity of existing contractual relationships, differences arising between actual results and assumptions made, or future changes in such assumptions, may result in future adjustments to already reported expenses or corporate income savings. tax. Based on reasonable assumptions, the Group creates provisions for possible consequences of tax audits. The amount of such allowances depends on various factors, such as the results of previous audits and different interpretations of tax laws by the Group and the relevant tax authority. Such differences of interpretation may arise on a wide range of issues depending on the activities and nature of the operations of the Group.

Since the Group assesses the occurrence of litigation in connection with tax legislation and the subsequent cash outflow as unlikely, a contingent liability has not been recognized.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the interim consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk. credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Fair value of financial instruments (continued)

Bonds DSFK

On December 28, 2017, in accordance with the Decision of the Government of the Republic of Kazakhstan dated November 7, 2017, the Group purchased bonds of Special Financial Company DSFK LLP (hereinafter referred to as DSFK bonds), paying for the acquisition with funds placed with JSC RBK bank (hereinafter − RBK bank). The nominal amount of deposits placed with RBK bank before the purchase of bonds amounted to 1.498.249 thousand tenge. DSFK bonds have a coupon rate of 0.01% per annum and a maturity of 15 years. The bonds are secured by a financial guarantee of Kazakhmys Corporation LLP in the amount of 411.883 thousand tenge. The guarantee can be used at the request of the Group, but not earlier than the fifth anniversary from the date of issue of the bonds. DSFK bonds were carried at fair value through profit or loss.

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

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

Estimated allowance for expected credit losses on receivables

The Group uses an allowance matrix to calculate ECLs for receivables. Allowance rates are set based on the number of days past due for groups of different customer segments with similar loss characteristics (i.e. by geographic region, product type, customer type and rating, collateral through letters of credit and other forms of credit risk insurance).

Initially, the allowance matrix is based on observed data on the occurrence of defaults in past periods. The Group will update the matrix to adjust past credit loss experience based on forward-looking information. At each reporting date, observable data on the level of default in previous periods are updated and changes in forward estimates are analysed.

Estimating the relationship between historical observed default rates, projected economic conditions and ECLs is a significant estimate. ECLs are sensitive to changes in circumstances and projected economic conditions. The Group's past history of credit losses and the forecast of economic conditions may also not be indicative of an actual customer default in the future.

5. OPERATIONAL SEGMENTS INFORMATION

Geographic information

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

	For the six months ended	
In thousands of Tenge	**30 June 2023**	30 June 2022
Revenue from Kazakhstan customers	**99.707.153**	90.442.593
Revenue from Russian customers	**13.994.896**	11.972.172
Revenue from Uzbekistan customers	**222.290**	358.482
Revenue from Kyrgyz customers	**425.789**	4.704
Total revenue per interim consolidated statement of comprehensive income	**114.350.128**	102.777.951

Management analyzes revenue and profit before tax in accordance with IFRS.

For the six-month period ended June 30, 2023, revenue from one customer of the Group, the Samruk-Energy group, including its joint ventures, amounted to 12.299.747 thousand tenge, and includes revenue from electricity transmission and related support, maintenance services power grid assets (for the six-month period ended June 30, 2022: 11.886.232 thousand tenge).

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

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

In thousands of tenge	**Land**	**Building**	**NES assets**	**Vehicles and other property, plant and equipment**	**Construction in-progress**	**Total**
Cost						
As at 1 January 2022	1.965.212	19.110.271	1.874.498.349	47.969.510	59.430.985	2.002.974.327
Additions	228	–	–	805.664	10.509.678	11.315.570
Transfers	–	68.215	760.634	418.097	(1.246.946)	–
Transfers to intangible assets	–	–	–	–	(340.261)	(340.261)
Disposals	–	(16.846)	(119.451)	(232.275)	(28.837)	(397.409)
As at 30 June 2022	1.965.440	19.161.640	1.875.139.532	48.960.996	68.324.619	2.013.552.227
As at 1 January 2023	**1.973.225**	**20.480.769**	**1.571.605.523**	**51.529.119**	**87.155.146**	**1.732.743.782**
Additions	**–**	**48.760**	**6.565**	**1.862.928**	**17.264.248**	**19.182.501**
Transfers	**–**	**104.313**	**8.967.599**	**599.684**	**(9.671.596)**	**–**
Transfers to intangible assets	**–**	**–**	**–**	**–**	**(3.349)**	**(3.349)**
Disposals	**–**	**(4.046)**	**(397.070)**	**(254.802)**	**(574)**	**(656.492)**
As at 30 June 2023	**1.973.225**	**20.629.796**	**1.580.182.617**	**53.736.929**	**94.743.875**	**1.751.266.442**
Accumulated depreciation and impairment						
As at 1 January 2022	–	(4.935.891)	(994.516.999)	(27.234.670)	(285.451)	(1.026.973.01)
Charge for the period	–	(232.745)	(30.212.997)	(1.589.187)	–	(32.034.929)
Transfers		1.022	–	(1.022)	–	–
Disposals	–	9.252	68.797	211.943	–	289.992
Reversal of impairment	–	–	–	–	85.102	85.102
As at 30 June 2022	–	(5.158.362)	(1.024.661.19)	(28.612.936)	(200.349)	(1.058.632.84)
As at 1 January 2023	–	**(5.394.035)**	**(838.140.999)**	**(29.818.605)**	**(260.226)**	**(873.613.865)**
Charge for the period	**–**	**(253.005)**	**(23.078.757)**	**(1.701.320)**	**–**	**(25.033.082)**
Transfers	**–**	**464**	**2.708**	**(3.172)**	**–**	**–**
Disposals	**–**	**1.841**	**348.518**	**253.226**	**–**	**603.585**
Reversal of impairment	**–**	**–**	**–**	**–**	**155**	**155**
As at 30 June 2023	**–**	**(5.644.735)**	**(860.868.530)**	**(31.269.87)**	**(260.071)**	**(898.043.207)**
Net book value						
As at 1 January 2022	1.965.212	14.174.380	879.981.350	20.734.840	59.145.534	976.001.316
As at 30 June 2022	1.965.440	14.003.278	850.478.333	20.348.060	68.124.270	954.919.381
As at 1 January 2023	**1.973.225**	**15.086.734**	**733.464.524**	**21.710.514**	**86.894.920**	**859.129.917**
As at 30 June 2023	**1.973.225**	**14.985.061**	**719.314.087**	**22.467.058**	**94.483.804**	**853.223.235**

If NES assets were measured using the cost model, net of accumulated depreciation, the carrying amount would be as follows:

In thousands of tenge	**30 June 2023**	31 December 2022
Cost	**457.897.727**	449.000.591
Accumulated depreciation	**(153.597.155)**	(147.975.065)
Net book value	**304.300.572**	301.025.526

As at 30 June 2023 and 31 December 2022 the cost of fully amortized property, plant and equipment, which is still in use amounted to 14.388.149 thousand tenge and 13.720.023 thousand tenge, respectively.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Capitalized costs on issued bonds

During the six-month period ended June 30, 2023, the Group capitalized the cost of coupon interest on bonds issued, net of investment income, in the amount of 3.579.384 thousand tenge (for the six-month period ended June 30, 2022: 1.547.170 thousand tenge) (Note 16).

Construction in progress

Construction in progress, mainly represented by equipment and construction and installation works for the implementation of the project "Strengthening the electrical network of the Western zone of the UES of Kazakhstan. Construction of power grid facilities" and "Reconstruction of 220-500 kV overhead lines of Aktobe MES, Sarbai MES and Western MES branches of KEGOC JSC (stage 1)" with the planned commissioning date in the 4th quarter of 2023.

Advances paid for non-current assets

As at June 30, 2023, advances paid for long-term assets are mainly represented by advances paid to suppliers for construction works and services under the project "Strengthening the power grid of the Western zone of the UES of Kazakhstan. Construction of power grid facilities" and other projects.

7. INVESTMENTS IN ASSOCIATE

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

In thousands of tenge	**30 June 2023**	31 December 2022
Current assets	**19.493.149**	20.914.108
Fixed assets	**17.770.208**	16.890.064
Short-term liabilities	**(4.049.729)**	(4.078.403)
Long term duties	**(19.854.979)**	(19.988.494)
Net assets	**13.358.649**	13.737.275

In thousands of tenge	**30 June 2023**	31 December 2022
Group's share in net assets	**2.671.730**	2.747.455
Carrying amount of the investments	**2.671.730**	2.747.455

In thousands of tenge	**30 June 2023**	30 June 2022
Statement of comprehensive income		
Revenue	**6.912.013**	5.711.168
Net profit	**(378.626)**	609.976
Group's share in profit of Batys Transit	**(75.725)**	121.995

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVENTORIES

In thousands of tenge	**30 June 2023**	31 December 2022
Raw and other materials	**2.480.248**	1.387.482
Spare parts	**1.939.481**	1.694.995
Fuel and lubricants	**239.802**	113.467
Other inventory	**493.061**	420.418
Less: allowance for obsolete inventories	**(405.725)**	(409.207)
	4.746.867	3.207.155

Movement in the allowance for obsolete inventories was as follows:

In thousands of tenge	**2023**	2022
As at 1 January	**409.207**	337.986
Charge	**34.840**	114.928
Reversal	**(38.322)**	(55.584)
Write-off	**–**	(5.578)
As at 30 June	**405.725**	391.752

9. TRADE ACCOUNTS RECEIVABLE

In thousands of tenge	**30 June 2023**	31 December 2022
Trade accounts receivable	**26.154.627**	23.661.039
Less: allowance for expected credit losses and impairment	**(3.500.768)**	(2.613.649)
	22.653.859	21.047.390

The movement in the allowance for expected credit losses is represented as follows:

In thousands of tenge	**2023**	2022
As at 1 January	**2.613.649**	2.273.985
Charge	**1.147.059**	591.101
Recovery of the previously accrued reserve	**(240.357)**	(187.382)
Write-off	**(19.583)**	(123.006)
As at 30 June	**3.500.768**	2.554.698

As at June 30, 2023, trade receivables included receivables from the consumer JSC National Electric Grids of Uzbekistan in the amount of 1.631.724 thousand tenge (December 31, 2022: 1.797.097 thousand tenge).

As at June 30, 2023, the allowance for expected credit losses on debt from National Electric Grids of Uzbekistan JSC amounted to 1.576.123 thousand tenge (December 31, 2022:1.612.146 thousand tenge).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE ACCOUNTS RECEIVABLE (continued)

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

		Trade accounts receivable				
			Days past due			
In thousands of tenge	**Total**	**Current**	**30-90 days**	**91-180 days**	**181-270 days**	**Above 271 days**
30 June 2023						
Percentage of expected credit losses	**13.38%**	**0.83%**	**17.75%**	**48.53%**	**66.45%**	**98.06%**
Estimated total gross carrying amount in case of default	**26.154.627**	**20.864.687**	**1.754.262**	**691.062**	**342.007**	**2.502.609**
Expected credit losses	**(3.500.768)**	**(172.749)**	**(311.309)**	**(335.394)**	**(227.252)**	**(2.454.064)**
	22.653.859	**20.691.938**	**1.442.953**	**355.668**	**114.755**	**48.545**
31 December 2022						
Percentage of expected credit losses	11.05%	0.67%	15.04%	46.65%	78.78%	98.34%
Estimated total gross carrying amount in case of default	23.661.039	20.877.332	227.223	64.951	207.166	2.284.367
Expected credit losses	(2.613.649)	(139.479)	(34.172)	(30.302)	(163.200)	(2.246.496)
	21.047.390	20.737.853	193.051	34.649	43.966	37.871

Trade accounts receivable were denominated in the following currencies:

In thousands of tenge	**30 June 2023**	31 December 2022
Tenge	**22.598.258**	20.862.439
US Dollars	**55.601**	184.951
	22.653.859	21.047.390

10. OTHER CURRENT ASSETS

In thousands of tenge	**30 June 2023**	31 December 2022
Advances paid for the supply of materials and services	**927.233**	1.263.783
Future expenses	**857.445**	35.224
Other receivables from related parties for property, plant and equipment and construction in progress *(Note 26)*	**399.974**	399.974
Loans issued to employees	**469**	469
Other	**873.874**	691.913
Less: allowance for expected credit losses and impairment	**(939.144)**	(741.392)
	2.119.851	1.649.971

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

In thousands of tenge	**2023**	2022
As at 1 January	**741.392**	485.933
Charge	**218.538**	62.608
Recovery of the previously accrued reserve	**(18.090)**	(9.824)
Write-off	**(2.696)**	(7.166)
As at 30 June	**939.144**	531.551

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS

In thousands of tenge	**30 June 2023**	31 December 2022
Financial assets at amortized cost		
Bonds of Samruk-Kazyna	**30.021.390**	30.072.911
Notes of the National Bank of the Republic of Kazakhstan	**17.035.332**	19.062.907
Funds held in Eximbank Kazakhstan	**2.146.370**	2.165.823
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1.918.466**	1.968.564
Funds in DeltaBank	**1.230.000**	1.230.000
Funds held in Kazinvestbank	**1.201.850**	1.201.850
Bonds of JSC Development Bank of Kazakhstan (DBK)	**991.843**	–
Bonds of JSC NC Kazmunaigas (KMG)	**868.891**	–
Accrued interest on bonds of Samruk-Kazyna	**254.333**	254.333
Bank deposits	**91.331**	7.434.744
Accrued interest on Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**15.708**	18.945
Accrued interest on bonds of JSC NC Kazmunaigas	**8.478**	–
Accrued interest on bonds of JSC Development Bank of Kazakhstan	**7.459**	–
Minus: allowance for impairment of funds held in Eximbank Kazakhstan	**(2.146.370)**	(2.165.823)
Minus: provision for depreciation of funds held in DeltaBank	**(1.230.000)**	(1.230.000)
Minus: allowance for impairment of funds held in Kazinvestbank	**(1.201.850)**	(1.201.850)
Minus: allowance for expected credit losses of other financial assets	**(285)**	(24.899)
	51.212.946	58.787.505
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	**67**	377.731
Total other financial assets	**51.213.013**	59.165.236
Other current financial assets	**47.433.813**	57.196.672
Other non-current financial assets	**3.779.200**	1.968.564
Total other financial assets	**51.213.013**	59.165.236

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

In thousands of tenge	**2023**	2022
As at 1 January	**4.622.572**	5.002.324
Charge	**22**	25.629
Recovery of the previously accrued reserve	**(44.089)**	(302.211)
As at 30 June	**4.578.505**	4.725.742

Bonds of Samruk-Kazyna JSC

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

Upon initial recognition, a premium of 213.089 thousand tenge was accrued on the purchased coupon bonds. For 6 months of 2023, the amount of depreciation of the premium amounted to 51.521 thousand tenge (for 6 months of 2022: 47.765 thousand tenge).

Bonds of Development Bank of Kazakhstan JSC

On June 27 and 29, 2023, the Group purchased 1.150.000 and 1.000.000 coupon international bonds of Development Bank of Kazakhstan JSC on the international market, respectively, at a rate of 5.75% per annum for a total amount of 2.192.000 US dollar (equivalent to 987.757 thousand tenge), with a maturity date of May 12, 2025. The bonds were classified as carried at amortized cost.

On initial recognition, a premium of 42.000 US dollar (the tenge equivalent of 18.790 thousand) was accrued. For 6 months of 2023, the premium amortization amounted to 59 thousand tenge.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS (continued)

Bonds of NC KazMunaiGas JSC

On June 27 and 28, 2023, the Group purchased 1.479.000 and 521.000 coupon international bonds of NC KazMunaiGas JSC on the international market, respectively, at a rate of 4.75% per annum for a total amount of USD 1.920.000 (equivalent to 867.067 thousand tenge), with a maturity date of April 19, 2027. The bonds were classified as carried at amortized cost.

A discount of 80.000 (equivalent in tenge 35.792 thousand) was accrued on initial recognition. For 6 months of 2023, the discount amortization amounted to 72 thousand tenge.

Notes of the National Bank of the Republic of Kazakhstan

During the six months of 2023, the Group acquired short-term discount notes of the National Bank of the Republic of Kazakhstan on Kazakhstan Stock Exchange JSC in the total amount of 45.000.000 thousand tenge (for the six months ended 30 June 2022: - no acquisitions). The amount of repayments of notes of the National Bank of the Republic of Kazakhstan for the six-month period ended June 30, 2023 amounted to 47.555.591 thousand tenge (for the six months ended June 30, 2022: 14.000.000 thousand tenge). During the six months ended 30 June 2023 the Group recognized finance income in the amount of 528,017 thousand tenge (for the six months ended 30 June 2022: 353,519 thousand tenge) *(Note 23).*

Bank deposits

As at 30 June 2023 and 31 December 2022, bank deposits include accrued interest income of 97 thousand tenge and 1.482 thousand tenge, respectively. Information about banks is provided in *Note 27* under credit risk

Funds held by Eximbank Kazakhstan JSC (hereinafter referred to as Eximbank Kazakhstan)

On August 27, 2018, by a resolution of the Board of the National Bank of the Republic of Kazakhstan, it was decided to deprive Ekimbank Kazakhstan of a license in terms of accepting deposits, opening bank accounts for individuals. As a result, the Group has reclassified cash and equivalents held with Eskimbank to other financial assets and has accrued a provision for expected credit losses of 100%.

During the six months ended June 30, 2023, the Eximbank Kazakhstan Liquidation Commission made a payment in the amount of 53.6 thousand dollar (equivalent in tenge 23.876 thousand as at the date of payment) in accordance with the approved register of creditors' claims dated June 13, 2019 (for six months ending June 30, 2022: 309.7 thousand dollars, which is equivalent to 134.111 thousand tenge at the date of payment). The Group has recognized a corresponding recovery in the impairment allowance.

Kazinvestbank and DeltaBank

No payments were made during the six months ended 30 June 2023 and 2022.

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On April 26, 2019, the Group purchased Eurobonds of the Ministry of Finance of the Republic of Kazakhstan in the amount of 4.200.000 bonds at a rate of 3.875% per annum and maturity until October 2024 for a total amount 4.368 thousand dollar (equivalent in tenge to 1.918.466 thousand tenge at the reporting date).

Bonds of Special Financial Company DSFK LLP

During the six months ended June 30, 2023 and 2022, Special Financial Company DSFK LLP redeemed bonds worth 24,108 thousand tenge and 2,014 thousand tenge, respectively.

As at 30 June 2023, the Group revalued the fair value of the bonds and reduced their carrying amount to nil tenge, recognizing the loss from the revaluation of financial instruments in the amount of 353.623 thousand tenge as part of finance costs in the interim consolidated statement of comprehensive income *(Note 23).*

Other financial assets were represented in the following currencies:

In thousands of tenge	**Interest rate**	**30 June 2023**	31 December 2022
Tenge	0,01 – 15,5%	**47.314.516**	49.771.142
US Dollar	1 – 5,75%	**3.898.497**	9.394.094
		51.213.013	59.165.236

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. RESTRICTED CASH

In thousands of tenge	**30 June 2023**	31 December 2022
Cash reserved for return on guarantee obligations	**1.084.056**	1.015.833
Funding accounts	**867.526**	–
Less: provision for expected credit losses	**(3.376)**	(371)
	1.948.206	1.015.462

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

During the six months ended June 30, 2023, a funding deposit was placed with Halyk Bank of Kazakhstan JSC as part of financing mortgage lending to the Company's employees. At the end of the reporting period, the amount of the deposit amounted to 867.179 thousand tenge, the accrued income was 347 thousand tenge.

The movement in the allowance for expected credit losses on restricted cash is as follows:

In thousands of tenge	**30 June 2023**	30 June 2022
As at 1 January	**371**	258
Charge	**3.347**	42
Recovery of the previously accrued reserve	**(342)**	(3)
As at 30 June	**3.376**	297

As at 30 June 2023 and 31 December 2022, restricted cash, including funds scheduled to be redeemed, was denominated in tenge.

13. CASH AND CASH EQUIVALENTS

In thousands of tenge	**30 June 2023**	31 December 2022
Cash in reverse REPO operations	**12.039.096**	–
Short-term deposits in tenge	**11.087.421**	22.775.139
Short-term deposits in foreign currency	**5.353.185**	–
Current bank accounts in tenge	**299.040**	4.918.470
Current bank accounts in foreign currency	**142.406**	48.162
Cash on hand in tenge	**6.714**	4.232
Money on special accounts in tenge	**655**	654
Less: allowance for expected credit losses	**(27.440)**	(183.565)
	28.901.077	27.563.092

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

During the period ended 30 June 2023, the Group placed short-term deposits with banks at 1,75-16,1% per annum in tenge, as well as on current accounts with banks at 0.06% per annum.

The movement in the allowance for expected credit losses on cash and cash equivalents is as follows:

In thousands of tenge	**2023**	2022
As at 1 January	**183.565**	775
Charge	**86.056**	61.015
Reversal	**(242.181)**	(28.780)
As at 30 June	**27.440**	33.010

13. CASH AND CASH EQUIVALENTS (continued)

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

In thousands of tenge	**30 June 2023**	31 December 2022
Tenge	**23.425.168**	27.514.941
US dollar	**5.475.883**	47.775
Russian rouble	**25**	14
Euro	**1**	1
Others	**–**	361
	28.901.077	27.563.092

14. EQUITY

As at June 30, 2023 and December 31, 2022, the share capital of the Company amounted to 260.000.000 issued shares, of which 259.998.610 shares were placed and fully paid for a total of 126.799.554 thousand tenge.

Own redeemed shares

In November 2016, the Group bought back 1.390 outstanding shares on the open market for the total amount of 930 thousand tenge.

Asset revaluation reserve

The asset revaluation reserve is represented by the increase in value as a result of the revaluation of NES Group assets carried out as at December 1, 2022 (the previous revaluation was carried out as at December 1, 2021) (Note 6). The transfer from the asset revaluation reserve to retained earnings as a result of the disposal of NES assets for the six-month period ended June 30, 2023 amounted to 67.596 thousand tenge (for the six-month period ended June 30, 2022: 46.420 thousand tenge).

Dividends

In May 2022, shareholders approved the distribution of dividends for the second half of 2021. The amount to be paid was 13.220.929 thousand tenge for all holders of ordinary shares of the Company, which is equal to 50.85 tenge per one ordinary share. Dividends in the amount of 13.220.929 thousand tenge were paid on June 17, 2022.

In October 2022, shareholders approved the distribution of 100% of net profit for the 1st half of 2022, as well as a portion of retained earnings of previous periods. The amount payable was 17.014.309 thousand tenge for all holders of ordinary shares of the Company, which is equal to 65.44 tenge per one ordinary share. Dividends were paid on January 12, 2023.

In May 2023, shareholders approved the distribution of 100% of net profit for the second half of 2022, as well as a portion of retained earnings of previous periods. The amount to be paid was 13.153.330 thousand tenge for all holders of ordinary shares of the Company, which is equal to 50.59 tenge per one ordinary share. Dividends were paid on May 29, 2023.

Earnings per share

Basic and diluted earnings per share are calculated by dividing net income for the period by the weighted average number of ordinary shares outstanding during the period. The Group had a weighted average number of ordinary shares outstanding of 259.998.610 shares during the period ended June 30, 2023 (for the six-month period ended June 30, 2022: 259,998,610 shares). For the six-month period ended June 30, 2023 and 2022, basic and diluted earnings per share were 88.53 tenge and 53.89 tenge, respectively.

14. EQUITY (continued)

Book value per share

In accordance with the decision of the Exchange Council of Kazakhstan Stock Exchange JSC (hereinafter referred to as the “KASE”) dated October 4, 2010, the financial statements must contain data on the book value per share (common and preferred) as at the reporting date, calculated in accordance with the approved KASE rules.

In thousands of tenge	**30 June 2023**	31 December 2022
Total assets	**981.832.737**	986.612.189
Less: intangible assets	**(3.174.437)**	(3.453.791)
Less: total liabilities	**(318.403.545)**	(333.047.025)
Net assets	**660.254.755**	650.111.373
Number of ordinary shares	**259.998.610**	259.998.610
Book value per ordinary share, tenge	**2.539**	2.500

15. LOANS

In thousands of tenge	**30 June 2023**	31 December 2022
International Bank of Reconstruction and Development (IBRD)	**11.807.400**	12.575.944
European Bank of Reconstruction and Development (EBRD)	**–**	4.322.713
	11.807.400	16.898.657
Less: current portion of loans repayable within 12 months	**(1.216.719)**	(5.530.813)
	10.590.681	11.367.844

As at 30 June 2023 and 31 December 2022 accrued and unpaid interest on loans amounted to 205.982 thousand tenge and 252.227 thousand tenge, respectively. As at June 30, 2023 and December 31, 2022, the unamortized portion of the fee for arranging loans was 36.013 thousand tenge and 20.450 thousand tenge, respectively.

Loans were denominated in the following currencies:

In thousands of tenge	**30 June 2023**	31 December 2022
US dollars	**11.807.400**	12.575.944
Euro	**–**	4.322.713
	11.807.400	16.898.657

"Modernization of the National Electric Grid of Kazakhstan" II stage

In 2008, the following credit lines were opened for the implementation of the project "Modernization of the National Electric Grid of Kazakhstan" II stage:

Two credit lines in the amount of 127.500 thousand euro and 75.000 thousand euro provided by the EBRD for a period of 15 (fifteen) years, of which the first 4 (four) years were a grace period. The loan bears interest at the six-month interbank EUROBOR plus a 3.85% margin and is repaid twice a year. As at 30 June 2023, the principal amount of the loan was repaid in full (as at 31 December 2022: 8.626 thousand euro (equivalent in tenge 4.251.360 thousand).

"Scheme of power distribution of the Moinak HPP"

In 2009, for the implementation of the Moinak HPP Power Distribution Scheme, the Group received a credit line in the amount of USD 48,000 thousand provided by the IBRD for 25 (twenty-five) years, of which the first 5 (five) years were a grace period. The credit line is guaranteed by the Government of the Republic of Kazakhstan. The loan bears interest at six-month interbank LIBOR plus a fixed spread of 0.85% and is repaid twice a year. In May 2013, the undrawn portion of the credit line from IBRD in the amount of USD 3,274 thousand was canceled due to the fact that the amount of actual costs incurred during this project turned out to be less than expected. As at

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2023 and December 31, 2022, the outstanding balance of the loan is 25.717 thousand US dollars (equivalent in tenge 11.637.430 thousand) and 26.836 thousand US dollars (equivalent in tenge 12.415.520 thousand), respectively .

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. BONDS PAYABLE

In thousands of tenge	**30 June 2023**	31 December 2022
Nominal value of issued bonds	**150.941.100**	134.941.100
Accrued coupon interest	**8.083.978**	6.058.889
Less: discount on bonds issued	**(1.398.332)**	(1.457.789)
Less: transaction costs	**(85.257)**	(89.156)
	157.541.489	139.453.044
Less: current portion of bonds repayable within 12 months	**(8.083.978)**	(6.058.889)
	149.457.511	133.394.155

Under the State Program "Nurly Zhol" the Group placed two tranches of coupon bonds on "Kazakhstan Stock Exchange" JSC to finance the projects "Construction of 500 kW line Semey − Ak-togay − Taldykorgan − Alma":

(a) During the period from June to August 2016, the Group placed coupon bonds in the amount of 47.500.000 thousand tenge with a floating rate equal to the inflation rate in the Republic of Kazakhstan plus a margin of 2,9% maturing until 2031 (the minimum rate of the consumer price index is set at the 5% level. The coupon rate for the period from January 1, 2022 to May 26, 2022 was 9,9% per annum, from May 27, 2022 to May 26, 2023 14,9% per annum, from May 27, 2023 to June 30, 2023 was 18, 9% per annum.

All bonds within this tranche were purchased by the Unified Accumulative Pension Fund.

The bonds were placed at a discount of 111.945 thousand tenge.

(b) In August 2017, the Group placed the second tranche of coupon bonds in the amount of 36.300.000 thousand tenge with a fixed rate of 11,5%. All bonds within this tranche were purchased by the Unified Accumulative Pension Fund and other organizations.

In order to implement the investment projects "Reconstruction of the 220-500 kV overhead lines of the branches of KEGOC JSC", "Strengthening the electrical network of the Western zone of the UES of Kazakhstan. Construction of power grid facilities»:

- On May 28, 2020, bonds of KEGOC JSC were placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a nominal value of 9.700.000 thousand tenge with a yield of 11% per annum. The bonds were placed at a discount in the amount of 667.593 thousand tenge. As a result of trades, 89,6% of bonds in terms of attraction volume were purchased by STBs (second-tier banks), 9,9% - by other institutional investors, 0,5% - by other legal entities.

- On January 27, 2021, the bonds of KEGOC JSC were successfully placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a nominal value of 8.869.672 thousand tenge with a weighted average yield to maturity of 11,62% per annum. The bonds were placed at a discount in the amount of 380.267 thousand tenge, the accrued coupon interest on the placement date was 159,900 thousand tenge. As a result of trades, 22,6% of the bonds by volume of attraction were purchased by broker-dealer organizations, 72,8% - by other institutional investors, 4,6% - by other legal entities.

- On October 21, 2021, the bonds of KEGOC JSC were successfully placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a nominal value of 16.430.328 thousand tenge with a weighted average yield to maturity of 11,5% per annum. The bonds were placed at a discount in the amount of 562.427 thousand tenge, the accrued coupon interest on the placement date was 717.914 thousand tenge. As a result of trades, 86,7% of the bonds by the volume of attraction were purchased by the Eurasian Development Bank and banks, 13,3% - by other institutional investors.

- On December 21, 2022, KEGOC's green bonds were successfully placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a total volume of 16.141.100 thousand tenge with a margin of 3%. Securities were placed as part of the second issue of bonds of the second bond program of the issuer in the amount of 35 billion tenge, maturing until 2037. In the context of the main categories of investors, 50.4% of the total volume of active applications fell on the share of banks, 49,6% - on the share of other institutional investors.

- On March 30, 2023, KEGOC's green bonds were successfully placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a total volume of 16.000.000 thousand tenge with a margin of 3%. The securities were placed as part of the second issue of bonds of the issuer's second bond program, maturing until 2037. The investors were the Development Bank of Kazakhstan JSC and the European Bank for Reconstruction and Development (EBRD).

During the six-month period ended 30 June 2023, the Group capitalized the cost of coupon interest on bonds issued less investment income in the amount of 3.579.384 thousand tenge(for 6 months 2022: 1,547,170 thousand tenge) *(Note 23)* .

The movements in the bonds for reconciliation with the statement of cash flows are presented in *Note 27*.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of tenge	**30 June 2023**	31 December 2022
Accounts payable for property, plant and equipment and construction in progress	**10.304.260**	17.076.998
Accounts payable for purchased electricity	**4.271.121**	6.986.171
Accounts payable for inventories and work and services rendered	**2.605.959**	2.493.858
Less: discount	**(474.526)**	(697.311)
	16.706.814	25.859.716
Less: current portion of trade payables repayable within 12 months	**14.543.690**	21.713.025
	2.163.124	4.146.691

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

In thousands of tenge	**30 June 2023**	31 December 2022
Tenge	**14.388.067**	19.480.873
Russian rouble	**2.262.330**	6.325.079
US dollar	**56.417**	53.764
	16.706.814	25.859.716

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

18. TAXES PAYABLE OTHER THAN INCOME TAX

In thousands of tenge	**30 June 2023**	31 December 2022
VAT payable	**2.834.042**	682.925
Contributions payable to pension fund	**204.303**	401.717
Individual income tax	**143.248**	350.859
Social security obligations	**130.184**	185.992
Social tax	**111.947**	282.789
Property tax	**–**	3.190
Other	**20.556**	25.624
	3.444.280	1.933.096

19. OTHER CURRENT LIABILITIES

In thousands of tenge	**30 June 2023**	31 December 2022
Due to employees	**3.399.074**	3.996.978
Other	**1.297.539**	1.240.113
	4.696.613	5.237.091

Due to employees mainly comprise of salaries payable and provision for unused vacation.

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

	For the three months ended		For the six months ended	
In thousands of tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Electricity transmission	**37.948.493**	33.332.258	**80.024.067**	71.679.371
Services for technical dispatching	**7.825.689**	7.241.738	**16.802.884**	15.800.830
Services for the organization of balancing the production and consumption of electricity	**4.880.512**	4.580.748	**10.617.571**	9.903.751
Income from the sale of electricity to compensate for the interstate balance of electricity flows	**2.441.682**	2.193.349	**5.569.286**	4.066.334
Power regulation services	**67.201**	120.431	**222.290**	358.482
Income from the sale of purchased electricity	**22.170**	4.704	**22.170**	4.704
Other	**560.732**	484.244	**1.091.860**	964.479
	53.746.479	47.957.472	**114.350.128**	102.777.951

	For the three months ended		For the six months ended	
In volumes MW/h	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Electricity transmission	**13.324.611**	11.917.146	**28.093.965**	25.520.558
Services for technical dispatching	**24.922.577**	23.665.809	**53.512.369**	51.636.699
Services for the organization of balancing the production and consumption of electricity	**48.690.921**	46.742.323	**104.098.429**	101.065.768
Income from the sale of electricity to compensate for the interstate balance of electricity flows	**272.044**	279.692	**845.234**	470.565
Power regulation services (MW)	**65**	116	**215**	335
Income from the sale of purchased electricity	**2.817**	629	**2.817**	629

	For the three months ended		For the six months ended	
In thousands of tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Revenue recognition timeline				
The goods are transferred at a certain point in time	**2.463.852**	2.198.053	**5.591.456**	4.071.038
The services are provided over a period of time	**51.282.627**	45.759.419	**108.758.672**	98.706.913
Total revenue from contracts with customers	**53.746.479**	47.957.472	**114.350.128**	102.777.951

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

21. COST OF SALES

	For the three months ended		For the six months ended	
In thousands of Tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Depreciation and amortization	**12.497.896**	15.995.735	**24.967.478**	31.975.003
Expenses for the purchase of electricity in order to compensate for the interstate balance	**5.895.839**	4.858.920	**14.733.831**	10.458.413
Payroll expenses and other deductions related to payroll	**6.450.500**	5.292.279	**13.291.215**	10.422.598
Technological consumption of electrical energy	**4.932.632**	3.855.755	**12.826.055**	11.914.878
taxes	**1.943.008**	2.428.337	**3.863.175**	4.793.996
Operating and repair costs	**2.215.162**	2.087.257	**3.435.738**	3.606.153
For the purchase of services to ensure the readiness of power to bear the load	**1.035.010**	1.175.357	**2.070.021**	2.350.714
Security costs	**386.681**	369.435	**761.736**	732.791
Stocks	**455.816**	307.025	**666.572**	480.386
Cost of purchased electricity	**22.170**	4.704	**22.170**	4.704
Other	**1.556.092**	1.091.155	**2.665.404**	1.782.777
	37.390.806	37.465.959	**79.303.395**	78.522.413

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended		For the six months ended	
In thousands of tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Payroll expenses and other deductions related to payroll	**930.778**	898.361	**2.264.626**	1.978.425
Depreciation and amortization	**245.874**	231.371	**491.542**	458.374
Support costs	**200.947**	128.207	**421.988**	260.705
Third-party company services	**172.104**	130.553	**327.369**	239.579
Taxes other than income tax	**77.733**	53.688	**153.957**	98.790
Consulting services	**36.899**	57.318	**104.727**	129.766
insurance costs	**28.971**	6.523	**55.768**	13.108
Travel expenses	**21.023**	14.420	**43.244**	20.286
Materials	**20.310**	30.294	**33.143**	36.259
Communal expenses	**14.144**	14.684	**32.819**	41.011
Expenses for the maintenance of the Board of Directors	**23.323**	3.995	**25.262**	32.115
Trainings and education	**13.972**	7.753	**17.016**	7.277
Change in provision for inventory inventory *(Note 8)*	**7.304**	(10.775)	**(3.482)**	59.344
Other	**420.443**	301.272	**707.540**	397.538
	2.213.825	1.867.664	**4.675.519**	3.772.577

23. FINANCE INCOME/(COSTS)

	For the three months ended		For the six months ended	
In thousands of tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Finance income				
Interest income on deposits, current accounts and quoted bonds	**1.900.817**	1.437.439	**3.690.458**	2.525.429
Income from notes of the National Bank of the Republic of Kazakhstan *(Note 11)*	**383.778**	110.704	**528.017**	353.519
Income from reverse REPO operation	**333.174**	–	**333.174**	–
Amortization of discount on long-term receivables *(Note 26)*	**16.507**	19.559	**33.619**	39.616
Amortization of discount on other financial assets	**72**	–	**72**	–
Income from revaluation of DSFK financial instruments *(Note 11)*	–	7.558	–	30.180
Other	–	–	**18.998**	–
	2.634.348	1.575.260	**4.604.338**	2.948.744
Less: interest capitalized in the cost of qualifying property, plant and equipment *(Note 6)*	**(670.342)**	(162.610)	**(852.022)**	(435.064)
	1.964.006	1.412.650	**3.752.316**	2.513.680
Finance costs				
Bond coupon	**5.618.022**	3.406.055	**10.178.988**	6.587.805
Expense from revaluation of DSFC financial instruments *(Note 11)*	**353.623**	–	**353.623**	–
Interest on borrowings	**173.166**	224.672	**345.067**	442.241
Discounting costs	**121.692**	160.159	**286.143**	362.287
Commission on bank guarantees	**31.799**	184.042	**62.489**	371.259
Amortization of premium on other financial assets	**20.935**	18.896	**58.536**	54.747
Amortization of commission for arranging a loan	**303**	13.411	**6.795**	26.823
Other costs on bonds issued	**12.981**	1.180	**31.762**	2.674
	6.332.521	4.008.415	**11.323.403**	7.847.836
Less: interest capitalized into cost of qualifying asset *(Note 6)*	**(2.654.669)**	(991.275)	**(4.431.406)**	(1.982.234)
	3.677.852	3.017.140	**6.891.997**	5.865.602

Discounting expenses are mainly represented by the amortization of the discount on long-term accounts payable to related party Karabatan utility solutions LLP *(Note 26)*.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. FOREIGN EXCHANGE LOSS, NET

Due to the change in the Tenge exchange rate for the period ended June 30, 2023, the Group recognized a net foreign exchange gain of 489.104 thousand tenge (for the period ended June 30, 2022: a net foreign exchange loss of 748.669 thousand tenge).

25. CORPORATE INCOME TAX EXPENSE

	For the three months ended		For the six months ended	
In thousands of tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Current income tax				
Current income tax expense	**3.180.147**	3.017.891	**7.845.477**	7.009.490
Adjustments in respect of current income tax of previous year	**124.061**	(13.348)	**124.061**	(20.738)
Deferred tax				
Deferred income tax benefit	**(1.021.274)**	(1.855.902)	**(2.449.685)**	(3.967.133)
Total income tax expense reported in interim consolidated statement of comprehensive income	**2.282.934**	1.148.641	**5.519.853**	3.021.619

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

A reconciliation of the 20% income tax rate and actual income tax recorded in the interim consolidated statement of comprehensive income is provided below:

	For the three months ended		For the six months ended	
In thousands of tenge	**30 June 2023**	30 June 2022	**30 June 2023**	30 June 2022
Profit before tax from continuing operations	**11.827.857**	6.636.564	**28.537.211**	17.034.019
Tax calculated according to the official rate of 20%	**2.365.571**	1.327.313	**5.707.442**	3.406.804
Adjustments for the previous year's current corporate income tax	**124.061**	(13.348)	**124.061**	(20.738)
Interest income from securities	**(167.307)**	(167.143)	**(334.495)**	(334.336)
Other non-deductible expenses / (non-taxable income)	**(39.391)**	1.819	**22.845**	(30.111)
Corporate income tax expense recognized in profit or loss	**2.282.934**	1.148.641	**5.519.853**	3.021.619

Tax effect on temporary differences leading to deferred income tax assets and liabilities at 30 June 2023 and 31 December 2022 is provided below:

	Interim consolidated statement of financial position				Interim consolidated statement of comprehensive income	
					For the six months ended	
In thousands of tenge	**30 June 2023**	31 December 2022	30 June 2022	31 December 2021	**30 June 2023**	30 June 2022
Accounts receivable	**314.130**	241.886	223.705	196.234	**72.244**	27.471
Accrued liabilities	**576.269**	805.685	569.193	610.002	**(229.416)**	(40.809)
Property, plant and equipment	**(122.411.998)**	(125.018.855)	(148.295.923)	(152.276.394)	**2.606.857**	3.980.471
Deferred tax benefit	**–**	–	–	–	**2.449.685**	3.967.133
Net deferred tax liabilities	**(121.521.599)**	(123.971.284)	(147.503.025)	(151.470.158)	**–**	–

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. CORPORATE INCOME TAX EXPENSE (continued)

For the six-month period ended June 30, 2023 and 2022, the change in net deferred liabilities is as follows:

In thousands of tenge	**30 June 2023**	31 December 2022
As at 1 January	**(123.971.284)**	(151.470.158)
Deferred corporate income tax benefit recognized in profit or loss	**2.449.685**	3.967.133
As at 30 June	**(121.521.599)**	(147.503.025)

The Group offsets tax assets and tax liabilities only to the extent that it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to corporate income tax, which are levied on the same tax authority.

As at 30 June 2023, corporate income tax prepayments amounted to 116.157 thousand tenge (31 December 2022: 128.400 thousand tenge) and corporate income tax debt amounted to 806.840 thousand tenge (31 December 2022: 267.335 thousand tenge).

26. TRANSACTIONS WITH RELATED PARTIES

Related parties include key management personnel of the Group, entities in which the key management personnel of the Group directly or indirectly hold a significant interest, as well as other entities controlled by JSC "NWF "Samruk-Kazyna" or where JSC "NWF "Samruk-Kazyna" ' there is a significant impact. Transactions with related parties were carried out on terms agreed between the parties, which do not necessarily correspond to market rates, with the exception of certain regulated services, which are provided on the basis of tariffs offered to related and third parties.

Related party transactions for the period ended June 30, 2023 and 2022 are as follows:

In thousands of tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Joint ventures Samruk-Kazyna	Associates of the Group
	2023	**23.502.823**	**3.224.956**	**1.367.317**	**300.920**
Service implementation	2022	17.185.415	3.660.169	1.221.686	183.429
	2023	**13.040.926**	**955.821**	–	**30.206**
Purchases of services and goods	2022	11.431.681	915.130	–	21.553
Amortization of discount on long-term receivables	**2023**	**33.619**	**–**	**–**	**–**
	2022	39.616	–	–	–
Amortization of discount on long-term accounts payable	**2023**	**222.786**	**–**	**–**	**–**
	2022	299.558	–	–	–

Receivables and payables as at 30 June 2023 and 31 December 2022 from transactions with related parties are follows:

In thousands of tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Joint ventures Samruk-Kazyna	Associates of the Group
Short-term trade receivables for the sale of services	**2023**	**2.698.986**	**424.011**	**98.571**	**71.520**
	2022	4.196.537	706.405	137.722	58.744
Accounts receivable for sale of fixed assets	**2023**	**769.616**	**–**	**–**	**–**
	2022	694.735	–	–	–
Accounts payable for the property complex	**2023**	**4.243.350**	**–**	**–**	**–**
	2022	6.379.501	–	–	–
Short-term trade and other payables for purchased services	**2023**	**1.940.013**	**175.515**	**42.685**	**4.910**
	2022	1.446.569	208.615	582	8.821

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Revenue and cost of sales, trade accounts receivable and payable

The sale of services to related parties is mainly represented by electricity transmission, services for technical dispatching and organization of balancing the production and consumption of electricity, services for maintaining the readiness of electric power. Acquisitions of services from related parties mainly include telecommunications services, energy services, purchase of electricity, purchase of power capacity maintenance services, postal services and software technical support.

Other accounts receivable

On September 30, 2015, the Group sold buildings and structures with a complex of equipment and adjacent land plots located in Astana to a related party, Kazpost JSC, for 2.161.476 thousand tenge. In accordance with the sale agreement, Kazpost JSC will pay the debt in equal monthly installments until June 2027. Accordingly, the Group has discounted future cash flows at a market discount rate of 10.37%. As at June 30, 2023, the unamortized discount on receivables from Kazpost JSC amounted to 139.500 thousand tenge. As at 30 June 2023, net debt amounted to 630.116 thousand tenge, where 449.981 thousand tenge was included in long-term receivables from related parties (as at 31 December 2022, net debt amounted to 694.735 thousand tenge, the amount of long-term receivables from related parties in 514.613 thousand tenge). For the six months ended 30 June 2023 the Group recognized income from discount amortization in the amount of 33.619 thousand tenge (for the six months ended 30 June 2022: 39.616 thousand tenge) *(Note 23)*.

As at 30 June 2023, the Group had receivables for the sale of property, plant and equipment of Balkhashskaya TES JSC, a related party, in the amount of 220.494 thousand tenge (31 December 2022: 220.494 thousand tenge). In accordance with the sale agreement, Balkhash TPP JSC had to pay the debt by the end of 2018, however, as at June 30, 2023, the debt had not been repaid. Due to the suspension of the construction of the Balkhash TPP, the management of the Group decided to accrue a provision for expected credit losses in the amount of 100% in 2018.

The total ECL for trade receivables from related parties as at 30 June 2023 was 306.511 thousand tenge (31 December 2022: 312.336 thousand tenge).

Accounts payables for property complex and amortization of discount

In November-December 2020, the Group acquired a property complex from a related party – Karabatan Utility Solutions LLP for 11.794.689 thousand tenge. In accordance with the sale and purchase agreement, the Group is required to pay the debt in equal annual installments until March 25, 2025. Accordingly, the Group has discounted future cash flows at a market rate of 10.25%. As at June 30, 2023, the unamortized discount on accounts payable of Karabatan Utility Solutions LLP amounted to 474.526 thousand tenge (31 December 2022: 697.311 thousand tenge).

As at 30 June 2023, net debt amounted to 4.243.350 thousand tenge, of which 2.163.124 thousand tenge were included in long-term payables from related parties. For the six months ended 30 June 2023, the Group recognized an expense from amortization of the discount on long-term accounts payable in the amount of 222.786 thousand tenge.

Other

The amount of the guarantee of the Government of the Republic of Kazakhstan under the IBRD loan as at June 30, 2023 amounted to 11.829.758 thousand tenge (as at December 31, 2022: 12.590.206 thousand tenge).

The remuneration of key management personnel and all other related expenses (taxes, deductions, sick leave, vacation pay, material assistance, etc.) included in payroll expenses in the accompanying interim consolidated statement of comprehensive income amounted to 327.590 thousand tenge for the period ending June 30, 2023 (for the six months ended June 30, 2022: 105.133 thousand tenge).

The remuneration of key management personnel mainly consists of salaries and performance-based remuneration.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings, bonds payable, trade and other payables. The main purpose of these financial liabilities is to finance the Group's investment projects and operations. The Group has trade and other receivables, cash and cash equivalents, short-term deposits that arrive directly from its operations, as wells as investments in debt securities.

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term borrowings with floating interest rates *(Notes 15 and 16)*.

The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which the borrowings are denominated. With all other variables held constant, loans with floating interest rate loans have following impact on the Group's profit before tax:

In thousands of tenge	Increase/ (decrease) in basis points* / in percentage	Effect on profit before tax
For the six months ended 30 June 2023		
LIBOR	**245/(245)**	**(289.829)/289.829**
EURIBOR	**136/(136)**	**−/−**
Inflation rate in the Republic of Kazakhstan	**1%/0%**	**(795.504)/−**
For the six months ended 30 June 2022		
LIBOR	125/(25)	(462.041)/92.408
EURIBOR	20/(20)	(16.923)/16.923
Inflation rate in the Republic of Kazakhstan	1%/0%	(474.185)/−

* *1 basis point = 0.01%.*

Assumptions about changes in basis points in the interest rate sensitivity analysis are based on currently observable market conditions, which are significantly more volatile than in previous years.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities. Also, the Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar, Euro and Russian Rouble exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

In thousands of tenge	Increase/(decrease) in the exchange rate in absolute terms (Tenge)	Increase/(decrease) in exchange rate	Effect on profit before tax
As at 30 June 2023			
US dollar	**95,03/(95,03)**	**21%/(21%)**	**(511.106)/511.106**
Euro	**88,28/(88,28)**	**17,99%/(17,99%)**	**−/−**
Russian rouble	**1,13/(1,13)**	**22,05%/(22,05%)**	**(498.838)/498.838**
As at 31 December 2022			
US dollar	97,16/(97,16)	21%/(21%)	(630.606)/630.606
Euro	88,67/(88,67)	17,99%/(17,99%)	(777.656)/777.656
Russian rouble	1,42/(1,42)	22,05%/(22,05%)	(1.394.677)/1.394.677

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk that the Group will incur financial losses because counterparties fail to meet their obligations under a financial instrument or customer agreement. The Group is exposed to credit risk from its operations, primarily trade receivables *(Note 9)*, and investing activities, including deposits with banks and investments in debt securities *(Notes 11, 12 and 13)*.

Trade accounts receivables

Customer credit risk is managed by each business unit in accordance with the Group's policies, procedures and controls for managing customer credit risk. Whether an impairment should be recognized is reviewed at each reporting date using an allowance matrix to measure expected credit losses. Allowance rates are calculated based on the number of days past due for groups of different customer segments with similar loss incurrence characteristics (i.e., by product type, etc.). The estimates reflect probability-weighted results, the time value of money and reasonable and supportable information about past events, current conditions and projected future economic conditions that is available at the reporting date.

Financial instruments and cash deposits

Credit risk arising from balances in accounts with banks and financial institutions is managed by the Group Treasury in accordance with the Group's policy. Surplus funds are invested only in the accounts of approved counterparties and within the credit limits set for each counterparty. Credit limits set for counterparties are reviewed annually by the Group's Board of Directors and may be changed within a year after approval by the Group's Finance Committee. Limits are set in order to minimize the concentration of risks and thus mitigate financial losses arising from a potential counterparty default.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position as at 30 June 2023 and 31 December 2022 is represented by their carrying amounts.

The following table shows the balance of cash and cash equivalents, bank deposits placed with banks at the reporting date, using Standard & Poor's and Moody's credit ratings, less provisions:

In thousands of tenge	**Location**	**Rating 2023**	Rating 2022	**30 June 2023**	31 December 2022
Halyk Bank Kazakhstan JSC	Kazakhstan	**BB+/stable**	BB+/stable	**11.295.475**	14.981.871
Jysan Bank JSC	Kazakhstan	**B1/positive**	B+/stable	**5.753.873**	12.227.652
ForteBank JSC	Kazakhstan	**BB-/stable**	BB-/negative	**1.030.172**	6.161.681
Bank Center Credit JSC	Kazakhstan	**B+/stable**	B+/stable	**814.325**	2.612.282
Eurasian Bank JSC	Kazakhstan	**B1/stable**	B/positive	–	12
JSC "Kazpost"	Kazakhstan	**–**	–	–	9
CB Moskommertsbank (JSC)	Russia	**–**	–	**19**	6
JSC "Kazakhstan Sustainability Fund"	Kazakhstan	**BBB-/stable**	–	**2.911.226**	–
Ministry of Finance of the Republic of Kazakhstan	Kazakhstan	**BBB-/stable**	–	**5.127.002**	–
ASIAN DEVELOPMENT BANK	Philippines	**–**	–	**2.707.265**	–
JSC EURASIAN DEVELOPMENT BANK	Kazakhstan	**BBB-/negative**	–	**1.293.603**	–
				30.932.960	35.983.513

Liquidity risk

The Group's management has established the necessary liquidity risk management system in accordance with the requirements of liquidity management and short-term, medium-term and long-term financing. The Group manages liquidity risk by maintaining adequate reserves, bank borrowings and available credit lines, by constantly monitoring forecast and actual cash flows and by comparing the maturities of financial assets and liabilities.

The Group assessed the concentration of risk in relation to debt refinancing and concluded that it would be low. The Group has access to a variety of sufficient sources of funding.

The following tables reflect the contractual terms of the Group for its financial liabilities based on contractual undiscounted cash flows.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

In thousands of tenge	On demand	Due more than 1 month but not later than 3 months	Due more than 3 months but not later than 1 year	Due more than 1 year but not later than 5 years	Due more than 5 years	Total
As at 30 June 2023						
Borrowings	**–**	**679.534**	**1.171.024**	**6.096.516**	**7.839.777**	**15.786.851**
Bonds payable	**–**	**5.791.176**	**17.340.036**	**92.474.610**	**282.150.579**	**397.756.401**
Trade and other accounts payable	**–**	**12.463.464**	**2.358.938**	**2.358.938**	**–**	**17.181.340**
	–	**18.934.174**	**20.869.998**	**100.930.064**	**289.990.356**	**430.724.592**
As at 31 December 2022						
Borrowings	–	4.936.035	1.070.082	5.852.617	8.347.857	20.206.591
Bonds payable	–	4.532.400	13.597.200	72.518.399	240.497.448	331.145.447
Trade and other accounts payable	–	19.480.214	2.358.938	4.717.875	–	26.557.027
	–	**28.948.649**	**17.026.220**	**83.088.891**	**248.845.305**	**377.909.065**

Capital management

The main objective of the Group's capital management is to ensure that the Group will be able to continue to operate as a going concern while maximizing returns for shareholders by optimizing the debt-to-equity ratio. The Group manages its capital taking into account changes in economic conditions. In order to manage or change its capital, the Group may change the payment of dividends to shareholders, return capital to shareholders, or issue new shares. The Group manages capital using a debt-to-equity ratio, which is debt divided by total liability plus equity. The task of the Group is to keep the coefficient at a level no higher than 0.5. Debt includes all loans and bonds. Capital equals the sum of all liabilities and total share capital.

	30 June 2023	31 December 2022
Debt/capital	**0,17**	0,16

In thousands of tenge	**30 June 2023**	31 December 2022
Long-term borrowings and long-term bonds payable	**160.048.192**	144.761.999
Short-term borrowings and short-term bonds payable	**9.300.697**	11.589.702
Debt	**169.348.889**	156.351.701
Total liabilities	**318.403.545**	333.047.025
Equity	**663.429.192**	653.565.164
Total equity and liabilities	**981.832.737**	986.612.189

The capital structure of the Group includes share capital, as disclosed in *Note 14*, reserves and retained earnings.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Assets measured at fair value

In thousands of tenge	**30 June 2023**	**Level 1**	**Level 2**	**Level 3**
Revalued property, plant and equipment				
NES assets (*Note 6*)	**719.314.087**	**–**	**–**	**719.314.087**
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	**67**	**–**	**–**	**67**

In thousands of tenge	31 December 2022	Level 1	Level 2	Level 3
Revalued property, plant and equipment				
NES assets (*Note 6*)	733.464.524	–	–	733.464.524
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	377.731	–	–	377.731

Assets for which fair values are disclosed

In thousands of tenge	**30 June 2023**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Other financial assets *(Note 11)*	**51.212.946**	**–**	**51.212.946**	**–**

In thousands of tenge	31 December 2022	Level 1	Level 2	Level 3
Financial assets				
Other financial assets *(Note 11)*	58.787.505	–	58.787.505	–

Liabilities for which fair values are disclosed

In thousands of tenge	**30 June 2023**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities				
Bonds payable (*Note 16*)	**157.541.489**	**–**	**157.541.489**	**–**
Borrowings (*Note 15*)	**11.807.400**	**–**	**11.807.400**	**–**

In thousands of tenge	31 December 2022	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable (*Note 16*)	139.453.044	–	139.453.044	–
Borrowings (*Note 15*)	16.898.657	–	16.898.657	–

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy (continued)

For the years ended 30 June 2023 and 31 December 2022, there were no transitions between Level 1, 2, and 3 of the fair value of financial instruments.

Fair values of financial instruments

As at 30 June 2023 and 31 December 2022, management determined that the fair value of the Group's financial instruments, such as trade receivables and payables, other financial assets, cash and cash equivalents, restricted cash, approximated their carrying amounts mainly due to the short maturities of these instruments. Loans and bonds issued by the Group are carried at amortized cost, which approximates their fair value.

Change in liabilities arising from financing activities

In thousands of tenge	**1 January 2023**	**Cash Flows**	**Accrued interest**	**Paid interest**	**Foreign exchange movement**	**Other**	**30 June 2023**
Borrowings	**16.898.657**	**(4.835.136)**	**345.067**	**(414.283)**	**(193.700)**	**6.795**	**11.807.400**
Bonds payable	**139.453.044**	**16.867.599**	**10.178.988**	**(9.002.500)**	**–**	**44.358**	**157.541.489**
Total	**156.351.701**	**12.032.463**	**10.524.055**	**(9.416.783)**	**(193.700)**	**51.153**	**169.348.889**

In thousands of tenge	1 January 2022	Cash Flows	Accrued interest	Paid interest	Foreign exchange movement	Other	30 June 2022
Borrowings	49.493.952	(7.490.906)	442.241	(456.105)	3.385.582	26.824	45.401.588
Bonds payable	121.705.499	–	6.587.805	(6.627.500)	–	62.730	121.728.534
Lease liability	111.895	(111.895)	–	–	–	–	–
Total	171.311.346	(7.602.801)	7.030.046	(7.083.605)	3.385.582	89.554	167.130.122

The “Other” column shows the amortization of discounts and premiums on financial liabilities. The Group classifies interest paid as cash flows from operating activities.

28. COMMITMENTS AND CONTINGENCIES

Terms of business

Kazakhstan continues economic reforms and the development of legal, tax and administrative infrastructure that would meet the requirements of a market economy. The stability of the Kazakh economy in the future will largely depend on the progress of these reforms, as well as on the effectiveness of the measures taken by the government in the field of economy, financial and monetary policy.

Taxation

Kazakhstani tax laws and regulations are subject to constant change and varying interpretations. There are frequent cases of divergence of opinion between local, regional and republican tax authorities, including opinion on the recognition of revenue, expenses and other items of financial statements. The currently applied system of fines and penalties for detected offenses based on the laws in force in Kazakhstan is very severe. As a result, the amount of additional tax assessments, penalties and interest may exceed the amount charged to expenses to date not accrued as at June 30, 2023.

Management believes that as at 30 June 2023 the interpretation of applicable law is appropriate and the Group's tax position will be sustained.

28. COMMITMENTS AND CONTINGENCIES (continued)

Terms of loan agreements

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

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

- debt to EBITDA ratio of no more than 3:1 (as at June 30, 2023 – 1,61);
- the ratio of Debt to Equity is not more than 0,6:1 (as at June 30, 2023 - 0,26);
- self-financing ratio of at least 20% (as at June 30, 2023 - 155%);
- debt service ratio of at least 1,2 (as at June 30, 2023 - 11,8);
- liquidity of at least 1:1 (30 June 2023 – 3,2);
- the ratio of net debt to EBITDA is not more than 4:1 (as at June 30, 2023 - 0.8).

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

Insurance

As at 30 June 2023, the Group insured production assets for the amount of 542.550.435 thousand tenge. The specified amount does not include the result of the revaluation of NES assets carried out as at December 1, 2022, since the procedure for concluding an insurance contract was carried out before December 1, 2022. In the event of an insured event, the insurance payment is made within the sum insured. The Group did not insure the remaining production assets. Since the absence of insurance does not imply a decrease in the value of assets or the creation of liabilities, no provision has been made in these consolidated financial statements for contingencies arising from the deterioration or loss of such assets.

Contractual obligations

In order to ensure the reliability of the national electric grid through the reconstruction of 220-500 kV transmission lines that have already reached and will reach their standard service life in the coming years and to improve the reliability of electricity supply to consumers in the Western zone of the UES of Kazakhstan, as well as to maintain production assets in working condition, the Group has developed capital investment plan.

The five-year (2021-2025) investment program of KEGOC for a total amount of 274.760.648 thousand tenge was approved by joint order No.122 of the sectoral state body dated April 7, 2021 and the department of the authorized body No. 21-OD dated March 11, 2021 in accordance with legislation on natural monopolies of the Republic of Kazakhstan and is subject to 100% execution. However, KEGOC may make changes to it and adjust the cost and timing of individual events.

As at 30 June 2023, capital commitments under contracts entered into by the Group under the investment plan amounted to 36.939.196 thousand tenge (31 December 2022: 57.388.081 thousand tenge).

Activity regulation

Tariffs for the transmission of electrical energy and technical dispatching of supply to the network and consumption of electrical energy and organization of balancing the production and consumption of electrical energy

In accordance with order No. 79-OD of the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter - KREM) dated August 16, 2021, the following tariffs were approved:

1) for the transmission of electrical energy:
   • from October 1, 2021 to September 30, 2022 – 2,797 tenge/kWh (excluding VAT);
   • from October 1, 2022 to June 30, 2023 – 2,848 tenge/kWh (excluding VAT).
2) for technical dispatching of supply to the network and consumption of electrical energy:
   • from October 1, 2021 to September 30, 2022 – 0,306 tenge/kWh (excluding VAT);
   • from October 1, 2022 to June 30, 2023 – 0,314 tenge/kWh (excluding VAT).
3) on the organization of balancing the production and consumption of electrical energy:
   • from October 1, 2021 to September 30, 2022 – 0,098 tenge/kWh (excluding VAT);
   • from October 1, 2022 to June 30, 2023 – 0,102 tenge/kWh (excluding VAT).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. COMMITMENTS AND CONTINGENCIES (continued)

Activity regulation (continued)

By Order No. 67-OD dated April 22, 2022 of the CREAM of the Republic of Kazakhstan with entry into force from June 1, 2022 to May 31, 2023, temporary compensatory tariffs for regulated services of KEGOC were approved.

KEGOC does not agree with the said order due to the fact that, in accordance with the Law of the Republic of Kazakhstan on natural monopolies, the savings accumulated by the cost items of the tariff estimate in 2017 and 2018 were directed to the implementation of the Investment Program. Thus, KEGOC did not inflict losses on consumers and did not receive unjustified income. In this connection, this Order No. 67-OD dated April 22, 2022 is being challenged by KEGOC in court.

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

If the Group had applied the temporary compensatory tariffs, the Group's profit for the six months ended 30 June 2023 would have decreased by 3.245.513 thousand tenge.

Order No. 79-OD dated August 16, 2021 on approving tariffs, tariff estimates for regulated services of KEGOC for 2021-2026, and Order No. 92-OD dated July 3, 2023, are in force for the duration of the trial.

Order No. 92-OD dated July 3, 2023 approved changes in tariffs and tariff estimates for regulated services for the transmission of electric energy through the national electric grid, for the use of the national electric grid, for technical dispatching of supply to the grid and consumption of electric energy, for organizing production balancing - electricity consumption of KEGOC JSC with commissioning from July 1, 2023:

1) for the transmission of electrical energy through the national electrical network in the amount of:
   from July 1, 2023 to September 30, 2023 – 2,935 tenge/kWh (excluding VAT);
   from October 1, 2023 to September 30, 2024 – 3,381 tenge / kWh (without VAT);
   from October 1, 2024 to September 30, 2025 – 3,492 tenge / kWh (without VAT);
   from October 1, 2025 to September 30, 2026 - 3,564 tenge / kWh (without VAT).
2) for the use of the national electrical network in the amount of:
   from July 1, 2023 to September 30, 2023 - 1,651 tenge/kWh (excluding VAT);
   from October 1, 2023 to September 30, 2024 – 1,943 tenge/kWh (excluding VAT);
   from October 1, 2024 to September 30, 2025 – 2,002 tenge/kWh (without VAT);
   from October 1, 2025 to September 30, 2026 – 2,056 tenge / kWh (without VAT).
3) on technical dispatching of supply to the network and consumption of electric energy in the amount o:
   from July 1, 2023 to September 30, 2023 – 0,320 tenge / kWh (excluding VAT);
   from October 1, 2023 to September 30, 2024 – 0,339 tenge / kWh (excluding VAT);
   from October 1, 2024 to September 30, 2025 – 0,351 tenge / kWh (excluding VAT);
   from October 1, 2025 to September 30, 2026 – 0,356 tenge / kWh (excluding VAT).
4) on the organization of balancing the production and consumption of electrical energy in the amount of:
   from July 1, 2023 to September 30, 2023 – 0,057 tenge / kWh (excluding VAT);
   from October 1, 2023 to September 30, 2024 – 0,060 tenge / kWh (excluding VAT);
   from October 1, 2024 to September 30, 2025 – 0,064 tenge / kWh (excluding VAT);
   from October 1, 2025 to September 30, 2026 – 0,066 tenge / kWh (excluding VAT.

29. SUBSEQUENT EVENTS

As disclosed in Note 1, from July 1, 2023, changes regarding the target model of the wholesale electricity market will come into force by introducing the institution of the Single Electricity Purchaser and switching the balancing electricity market from simulation to real time. The Group is reviewing the impact of the amendments on its financial statements.