

Kazakhstan Electricity Grid Operating Company JSC

Interim consolidated financial statements

*As at and for the six months ended 30 June 2020
with independent auditor's report*

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Independent auditor's report

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Independent auditor's report

To the Shareholders, Audit Committee 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 subsidiaries (hereinafter the "Group"), which comprise the interim consolidated statement of financial position as at 30 June 2020, and the interim consolidated statement of comprehensive income for the three and six months then ended, 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 consolidated financial position of the Group as at 30 June 2020 and its consolidated financial performance for the three and six months then ended and its consolidated cash flows for the 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' (IESBA) Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 matters	How our audit addressed the key audit matter
<p>Revenue from services to ensure readiness of electricity capacity to bear the power load</p> <p>This matter was one of the key audit matters due to the application of the additional k8 coefficient to calculate the volume of sold capacity from November 2019. The matter received special attention due to the large volumes of operations associated with it - in particular, service delivery to more than 240 customers based on uniform weighted average tariff.</p> <p>Estimation of the revenue received by the Group depends on management's assessment of the volume of capacity sold.</p> <p>The Group's disclosure in respect of capacity market and the application of the additional coefficient and penalties are included in Notes 3 and 29 to the interim consolidated financial statements.</p>	<p>We examined the available information on the calculation of the actual volume of services for electricity capacity readiness services, including additional explanations received from the management of the Group regarding the application of the additional k8 coefficient to calculate the volume of capacity sold during the first half of 2020. We evaluated the accounting policy applied for revenue recognition. We conducted reconciliation of the electricity capacity volume used for revenue calculation during the reporting period with the acts of the actual maximum volume of electricity capacity agreed with customers. We analyzed tariff calculation for the services to ensure readiness of electricity capacity to bear the power load. We also reviewed the calculation and application of the additional k8 coefficient during the first half of 2020. We analyzed Group's disclosure in respect of the revenue from this service.</p>
<p>Development of accounting information systems</p> <p>During the first half of 2020, the Group is in the development process of the accounting information system, in particular, automation of consolidation and disclosures to financial statements.</p> <p>The issue of development of the accounting information system was one of the key audit matters, since the accounting information system is fundamental to the processing and generation of financial information for financial statement purposes.</p> <p>As a result of development of the accounting information system the Group implemented new processes, controls and changes in the delegation of duties.</p>	<p>We discussed with the management of the Group the changes made to the system, as well as the relevant processes, paying particular attention to those changes that have a significant impact on the receipt and processing of financial information. We carried out procedures to evaluate the design and operational effectiveness of the general controls established by the Group's management in the system, including the access and manage change.</p> <p>We have engaged our IT specialists to complete the above procedures.</p>

Responsibilities of management and the Audit Committee 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 from 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 has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the 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 the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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 partner in charge of the audit resulting in this independent auditor's report is Adil Syzdykov.

Ernst & Young LLP



Adil Syzdykov
Auditor

Auditor Qualification Certificate
No. MΦ - 0000172 dated 23 December
2013

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

7 August 2020



Rustamzhan Sattarov
General Director
Ernst & Young LLP

State Audit License for audit activities on the
territory of the Republic of Kazakhstan:
series MΦЮ-2, No. 0000003 issued by the
Ministry of Finance of the Republic of
Kazakhstan on 15 July 2005

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

<i>In thousands of Tenge</i>	Notes	30 June 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment			
Intangible assets	6	639,315,820	651,570,990
Advances paid for non-current assets		1,636,746	1,411,900
Deferred tax asset	6	6,849,831	1,485,220
Investments in associate	26	50,603	53,436
Long-term receivables from related parties	7	1,803,968	1,862,241
Other financial assets, non-current portion	27	792,385	840,324
	11	2,052,413	1,951,795
		652,501,766	659,175,906
Current assets			
Inventories			
Trade accounts receivable	8	3,323,960	2,134,157
VAT recoverable and other prepaid taxes	9	37,421,891	21,901,834
Prepaid income tax		273,058	698,928
Other current assets		355,675	922,475
Other financial assets, current portion	10	1,580,201	739,483
Restricted cash	11	72,217,649	45,260,710
Cash and cash equivalents	12	434,899	4,274,085
	13	35,433,981	21,179,282
		151,041,314	97,110,954
Assets held for transfer		-	700,861
Total assets		803,543,080	756,987,721

The accounting policies and explanatory notes on pages 7 to 48 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of Tenge</i>	Notes	30 June 2020	31 December 2019
Equity and liabilities			
Equity			
Share capital	14	126,799,554	126,799,554
Treasury shares	14	(930)	(930)
Asset revaluation reserve	14	310,287,046	310,369,243
Retained earnings		60,680,635	44,670,157
		497,766,305	481,838,024
Non-current liabilities			
Borrowings, non-current portion	15	53,385,311	56,925,610
Bonds payable, non-current portion	16	92,688,850	83,671,184
Deferred tax liability	26	89,408,771	89,995,249
Government grant, non-current portion		44,328	59,543
Finance lease obligations, non-current portion	27	160,168	156,661
		235,687,428	230,808,247
Current liabilities			
Borrowings, current portion	15	9,132,991	6,083,377
Bonds payable, current portion	16	4,016,958	3,645,344
Trade and other accounts payable, current portion	17	42,819,699	23,389,482
Construction obligation	18	-	683,430
Contract liabilities		3,809,533	2,167,885
Government grant, current portion		30,430	30,430
Finance lease obligations, current portion	27	260,554	262,882
Taxes payable other than income tax	19	3,379,884	3,371,344
Income tax payable		2,877,727	723,620
Dividends payable		-	56
Other current liabilities	20	3,761,571	3,983,600
		70,089,347	44,341,450
Total liabilities		305,776,775	275,149,697
Total equity and liabilities		803,543,080	756,987,721
Book value per ordinary share (in Tenge)	14	1,908	1,848

Chairman of the Management Board



B. T.

Chief Accountant

Mukanova D. T.

The accounting policies and explanatory notes on pages 7 to 48 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2020

<i>In thousands of Tenge</i>	Notes	For the three months period ended 30 June		For the six months period ended 30 June	
		2020	2019	2020	2019
Revenue from contracts with customers	21	83,570,522	61,402,362	167,220,844	124,508,611
Cost of sales	22	(64,931,802)	(46,818,880)	(123,536,322)	(92,232,203)
Gross profit		18,638,720	14,583,482	43,684,522	32,276,408
General and administrative expenses	23	(1,717,935)	(1,851,802)	(3,429,404)	(3,526,798)
Selling expenses		(78,657)	(84,339)	(158,090)	(160,695)
Reversal of impairment of property plant and equipment	3	3	50,740	3	10,993
Operating profit		16,842,131	12,698,081	40,097,031	28,599,908
Finance income	24	1,827,524	1,080,145	2,889,751	1,961,063
Finance costs	24	(2,768,068)	(2,092,111)	(5,503,654)	(3,971,305)
Foreign exchange (loss)/gain, net	25	3,560,986	(379,759)	(1,857,457)	486,015
Share in profit of an associate	7	78,708	206,967	144,823	518,228
Other income		150,622	170,604	398,543	317,955
Other expenses		(86,484)	(36,141)	(246,135)	(67,493)
Accrual of provision for expected credit losses	9, 10, 11, 12, 13	(134,569)	(238,889)	(461,250)	(212,009)
Profit before tax		19,470,850	11,408,897	35,461,652	27,632,362
Income tax expense	26	(3,603,392)	(2,239,866)	(6,829,839)	(5,058,022)
Profit for the reporting period		15,867,458	9,169,031	28,631,813	22,574,340
Total comprehensive income		15,867,458	9,169,031	28,631,813	22,574,340
Earnings per share					
Basic and diluted profit for the period attributable to ordinary equity holders (in Tenge)	14	61.03	35.26	110.12	86.82

Chairman of the Management Board



Kazhiyev B.T.

Chief Accountant

Mukanova D.T.

The accounting policies and explanatory notes on pages 7 to 48 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**For the six months period ended 30 June 2020**

<i>In thousands of Tenge</i>	Notes	For the six months period ended 30 June	
		2020	2019
Operating activities			
Profit before tax		35,461,652	27,632,362
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation		16,781,559	16,859,294
Finance costs	24	5,503,654	3,971,305
Finance income	24	(2,889,751)	(1,961,063)
Foreign exchange loss/(gain), net	25	1,857,457	(486,015)
Accrual of provision for expected credit losses		461,250	212,009
Accrual of allowance for obsolete inventories	23	37,744	91,490
Loss on disposal of property, plant and equipment and intangible assets		144,336	6,830
Reversal of impairment of property, plant and equipment	6	(3)	(10,995)
Share in profit of an associate	7	(144,823)	(518,228)
Income from government grants		(15,215)	(15,215)
Working capital adjustments			
Change in inventories		(1,227,547)	(1,053,544)
Change in trade accounts receivable		(15,785,953)	(12,321,003)
Change in VAT recoverable and other prepaid taxes		425,870	226,630
Change in other current assets		(878,676)	(4,310,332)
Change in trade and other accounts payable		25,009,016	15,980,063
Change in lease liabilities		-	106,930
Change in contract liabilities		1,641,648	(87,480)
Change in taxes payable other than income tax		34,515	(711,477)
Change in other current liabilities		(393,896)	(513,141)
		66,022,837	43,098,420
Interest paid		(1,744,042)	(1,734,785)
Coupon interest paid		(3,752,500)	(4,512,500)
Lease interest paid		(8,230)	-
Income tax paid		(4,524,159)	(2,635,877)
Interest received		1,911,992	1,632,620
Net cash flows received from operating activities		57,905,898	35,847,878

The accounting policies and explanatory notes on pages 7 to 48 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of Tenge</i>	Notes	For the six months period ended 30 June	
		2020	2019
Investing activities			
Withdrawal of bank deposits		17,688,596	22,317,869
Replenishment of bank deposits		(26,091,447)	(21,973,016)
Change in restricted cash		4,199,684	(59,429)
Proceeds from sale of property, plant and equipment and intangible assets		98,249	98,249
Purchase of property, plant, equipment		(15,509,681)	(7,641,351)
Purchase of intangible assets		(35,547)	(197,167)
Return of project funds used to purchase fixed assets	6	-	1,540
Repayment of loans to employees		184	-
Acquisition of debt securities (Republic of Kazakhstan National bank notes)	11	(47,081,964)	(3,541,606)
Repayment of debt securities (Republic of Kazakhstan National bank notes)		30,000,000	-
Partial return of funds from Kazinvestbank JSC and Eximbank Kazakhstan JSC	11	11,330	8,946
Partial refund of funds to KIB, Eximbank		104,297	-
Net cash flows used in investing activities		(36,616,299)	(10,985,965)
Financing activities			
Issue of bonds		9,032,407	-
Dividends paid		(12,703,475)	(14,177,882)
Repayment of borrowings		(3,689,150)	(5,177,897)
Principal repayment of lease obligations		(165,691)	-
Net cash flows used in financing activities		(7,525,909)	(19,355,779)
Net change in cash and cash equivalents		13,763,690	5,506,134
Effect of exchange rate changes on cash and cash equivalents		485,116	(61,032)
Effect of accrual of provision on expected credit losses on cash and cash equivalents	13	5,893	(4,319)
Cash and cash equivalents, as at 1 January		21,179,282	19,060,700
Cash and cash equivalents, as at 30 June	13	35,433,981	24,501,483

Chairman of the Management Board



Калимуллин В.Т.

Chief Accountant



Милканова Д.Т.

The accounting policies and explanatory notes on pages 7 to 48 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2020

<i>In thousands of Tenge</i>	Share capital	Asset revaluation reserve	Treasury shares	Other reserves	Retained earnings	Total
As at 1 January 2019	126,799,554	310,840,187	(930)	(37,081)	35,092,074	472,693,804
Profit for the period	-	-	-	-	22,574,340	22,574,340
Total comprehensive income	-	-	-	-	22,574,340	22,574,340
Transfer of asset revaluation reserve (Note 14)	-	(264,017)	-	-	264,017	-
Dividends (Note 14)	-	-	-	-	(14,177,724)	(14,177,724)
As at 30 June 2019	126,799,554	310,576,170	(930)	(37,081)	43,752,707	481,090,420
As at 1 January 2020	126,799,554	310,369,243	(930)	-	44,670,157	481,838,024
Profit for the period	-	-	-	-	28,631,813	28,631,813
Total comprehensive income	-	-	-	-	28,631,813	28,631,813
Transfer of asset revaluation reserve (Note 14)	-	(82,197)	-	-	82,197	-
Dividends (Note 14)	-	-	-	-	(12,703,532)	(12,703,532)
As at 30 June 2020	126,799,554	310,287,046	(930)	-	60,680,635	497,766,305

Chairman of the Management Board



Kozhiev B.T.

Chief Accountant



Mukanova D.T.

The accounting policies and explanatory notes on pages 7 to 48 are an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**For the six months period ended 30 June 2020****1. GENERAL INFORMATION**

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

As at 30 June 2020 the Company’s major shareholder was Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna”) (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

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

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

As of 30 June 2020, and 31 December 2019 the Company has stakes in the following subsidiaries:

Companies	Activities	Percentage of ownership	
		30 June 2020	31 December 2019
Energoinform JSC	Maintenance of the KEGOC’s IT system	100%	100%
Accounting and Finance Center for the support of renewable energy resources LLP (hereafter “RFC” LLP)	Centralised sales and purchase of electricity produced by energy producers using renewable energy sources and delivery into the electricity grid of the Republic of Kazakhstan; purchase of services to ensure readiness of electricity capacity to bear the power load and centralised provision of services to ensure the readiness of electricity capacity to bear the power load on capacity market	100%	100%

The Company and its subsidiaries are hereafter referred as the “Group”.

For management purposes, the Group’s activities are organized into business units based on their services, and has three reportable operating segments, as follows (*Note 5*):

- *Electricity transmission services and related support.* Electricity transmission is regulated by the Law of the Republic of Kazakhstan dated 9 July 1998 No. 272-I *On Natural Monopolies and Regulated Markets* (the “Law”) as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group’s electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan (the “Committee”);
- *Ensure readiness of electricity capacity to bear the power load.* From 1 January 2020, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the reliability of the power system of the Republic of Kazakhstan. Balance reliability refers to the ability of a power system to meet consumer demand for electricity at any given time;
- *Sale of purchased electricity.* The sale of purchased electricity segment includes the renewable energy sector (hereinafter – “RES”) created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV *On Supporting the Use of Renewable Energy Sources*.

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

These interim consolidated financial statements were signed by the Chairman of the Management Board and Chief Accountant of the Company on 7 August 2020.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION

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

These interim consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment, which are stated at revalued amounts and available for sale financial assets that have been 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.

Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent’s share of components previously recognised in OCI to profit or loss or retained earnings, in accordance with IFRS requirements, as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim consolidated financial statements of the Group.

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

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim consolidated financial statements of the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

Current versus non-current classification

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Current versus non-current classification (continued)**

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

The Group measures financial instruments, such as financial assets measured at fair value at each reporting date, and non-financial assets (NES assets) at fair value when fair value differs materially from their carrying value. Also, fair values of financial instruments measured at amortized cost are disclosed in *Note 28*.

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Fair value measurement (continued)**

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

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

The finance management and external values discusses the major assumptions used in the valuations.

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

Foreign currency transactions

The Group's interim consolidated financial statements are presented in Tenge ("KZT"), which is also the parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

Monetary assets and liabilities denominated in foreign currencies are 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.

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

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

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

<i>Exchange rate as at the end of the period (to KZT)</i>	30 June 2020	31 December 2019
USD 1	403.93	382.59
EUR 1	452.52	429
RUR 1	5.7	6.16
<i>Average exchange rate for the six months period (to KZT)</i>	30 June 2020	31 December 2019
USD 1	418.11	382.87
EUR 1	459.91	428.63
RUR 1	5.78	5.92

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, plant and equipment**

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

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

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

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

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

Buildings	60 years
NES assets	
Power transmission lines	50 years
Constructions	10-30 years
Machinery and equipment	12-30 years
Vehicles and other property, plant and equipment	
Other machinery and equipment	7-25 years
Vehicles	11 years
Computers and other data processing equipment	4-10 years
Furniture	7 years
Other property, plant and equipment	3-15 years

Land is not depreciated.

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

If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amounts of the carrying amount of property, plant and equipment and on depreciation expenses recognized in the 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 amortisation and accumulated impairment losses. Internally generated intangible assets of the Group, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit and loss in the period in which expenditure is incurred.

Intangible assets of the Group consist primarily of licenses and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 3 to 20 years.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of non-financial assets**

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

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

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

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

Investments in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The interim consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognized its share of any changes, when applicable, in the interim consolidated statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the interim consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Investments in associate (continued)**

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

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

Financial instruments – initial recognition and subsequent measurement***Financial assets******Initial recognition and measurement***

The Group's financial assets include cash and cash equivalents, short-term and long-term deposits, restricted cash, other financial assets, trade and other accounts receivable, quoted and unquoted financial instruments.

Financial assets at initial recognition are classified as financial assets measured at amortized cost; financial assets measured at fair value through profit or loss; financial assets measured at fair value through other comprehensive income.

A financial asset is measured at amortized cost if two criteria are met:

- 1) The purpose of the business model is to hold a financial asset to receive all contractual cash flows; and
- 2) Contractual cash flows are represented only by interest payments and principal debt. The fee is a payment for the time value of money and the credit risk associated with the principal debt to maturity in a certain period of time.

If at least one of the above criteria is not met, the financial asset is measured at fair value.

The Group's financial assets not carried at amortized cost are stated at fair value.

A financial asset is measured at fair value through other comprehensive income if two criteria are met:

- 1) The purpose of the business model is to hold a financial asset both for obtaining all contractual cash flows and for selling a financial asset; and
- 2) Contractual cash flows are represented only by interest payments and principal debt. The fee is a payment for the time value of money and the credit risk associated with the principal debt to maturity in a certain period of time.

The Group accounts for financial assets at fair value through profit or loss, except when they are carried at amortized cost or at fair value through other comprehensive income.

Subsequent measurement

Subsequently, financial assets are measured at amortized or fair value through other comprehensive income, or through profit or loss, based on the business model of the Group for the Management of Financial Assets. The business model is determined by the management of the Group.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments – initial recognition and subsequent measurement (continued)***Financial assets (continued)**Derecognition (continued)*

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

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

Recognition of expected credit loss

The Group recognizes the estimated provision for expected credit losses on financial assets measured at amortized cost and fair value through other comprehensive income in an amount equal to expected credit losses for the entire period, if the credit loss has increased significantly since initial recognition. The Group does not reduce the carrying amount of a financial asset at fair value through other comprehensive income but recognizes estimated provision in other comprehensive income.

In determining whether there has been a significant increase in the credit risk of a financial asset since its initial recognition, the Group focuses on changes in the risk of a default occurring over the life of the loan instrument, and not on changes in the amount of expected credit losses.

If the terms and conditions of the cash flows of a financial asset stipulated by the agreement have been revised or modified and the recognition of the financial asset has not been terminated, the Group assesses whether the credit risk of the financial instrument has changed significantly by comparing the following:

- 1) Risk assessment of default as of the reporting date (based on modified contractual terms);
- 2) Risk assessment of default upon initial recognition (based on the initial unmodified contractual terms).

If there is no significant increase in credit risk, the Group recognizes an allowance for losses on a financial asset in the amount equal to 12-month expected credit losses, with the exception of:

- 1) Acquired or created credit-impaired financial assets;
- 2) Trade receivables or contractual assets arising from transactions that are within the scope of IFRS 15 *Revenue from Contracts with Customers*; and
- 3) Lease receivables.

For financial assets referred to in paragraphs (1) to (3), the Group estimates the provision for losses in the amount of expected credit losses for the entire term.

If in the previous reporting period the Group estimated the estimated provision for losses on a financial instrument in an amount equal to expected credit losses for the entire term, but as of the current reporting date determines that there is no significant increase in credit risk, then at the current reporting date the Group should evaluate the estimated a provision equal to 12-month expected credit losses.

The Group recognizes, as profit or loss from impairment, the amount necessary to adjust the estimated provision for losses to the amount of expected credit losses as at the reporting date.

For acquired or created credit-impaired financial assets, the Group recognizes favorable changes in expected credit losses for the whole term as a recovery of impairment losses, even if the expected credit losses for the whole period are less than the expected credit losses that were included in the estimated cash flows at initial recognition.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments – initial recognition and subsequent measurement (continued)***Financial assets (continued)**Measurement of expected credit loss*

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

- 1) An unbiased and probability-weighted amount determined by assessing the range of possible results;
- 2) The time value of money;
- 3) Reasonable and confirmed information about past events, current conditions and projected future economic conditions available at the reporting date.

The maximum period considered in assessing expected credit losses is the maximum period under the contract (including extension options) during which the Group is exposed to credit risk.

For financial instruments that include both a loan and an unused component of the loan obligation, the Group's contractual ability to request repayment of the loan and annul the unused component of the loan obligation does not limit the Group's exposure to credit loss risk by the contractual deadline for notifying. For such financial instruments, the Group estimates credit losses for the entire period of exposure to credit risk, and expected credit losses will not be reduced as a result of the Group's activities in managing credit risks, even if such a period exceeds the maximum period under the contract.

To achieve the goal of recognizing expected credit losses over the entire term arising from a significant increase in credit risk since initial recognition, it may be necessary to assess a significant increase in credit risk on a group basis, for example, by analysing information indicating a significant increase in credit risk for a group or subgroup of financial instruments. This ensures that the Group achieves the goal of recognizing expected credit losses for the entire period in the event of a significant increase in credit risk, even if confirmation of such a significant increase in credit risk at the level of an individual instrument is not yet available.

*Financial liabilities**Initial recognition and measurement*

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Trade and other payables

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments – initial recognition and subsequent measurement (continued)***Financial liabilities (continued)**Derecognition*

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

Offsetting of financial instruments

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

Inventory

Inventories are accounted for on a FIFO basis.

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

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

Cash and cash equivalents

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

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

Restricted cash

In accordance with loan agreements on projects financing signed with International Bank for Reconstruction and Development (the “IBRD”) and European Bank for Reconstruction and Development (the “EBRD”), the Group opened bank escrow accounts, necessary for debt service. Cash, held on these bank accounts, can be used exclusively for the purposes of planned payments on interest and principal loan amounts. 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 recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the interim consolidated statement of comprehensive income, net of any reimbursement.

Revenue recognition

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Revenue recognition (continued)**

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

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

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

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

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

Revenues from providing a contractual power supply with energy systems of neighbouring countries are recognised in accordance with terms of contracts conducted on the basis of Agreement between the Government of Republic of Kazakhstan and Russian Federation *On Measures Securing Parallel Operation of Unified Power Systems of the Republic of Kazakhstan and Russian Federation*.

Also, from 1 January 2019, with the launch of the capacity market in the Republic of Kazakhstan, the Group provides services to ensure the readiness of electricity capacity to bear the power load. Revenues from the provision of services to ensure the readiness of electricity capacity to bear the power load are recognized monthly based on the volume of services rendered. The volume of the service for ensuring the readiness of electric power to bear the power load for each specific buyer is the maximum, for the respective month, electric power consumption, indicated in the act on the actual maximum volume of electric power consumption for a month.

Interest income

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

Borrowing costs

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

Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Lease (continued)***The Group as a lessee*

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the interim consolidated statement of comprehensive income on a straight-line basis over the lease term.

Pension obligations

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees' salaries, but no more than KZT 212,500 per month (2019: KZT 212,500) to accumulative pension funds. Pension fund payments are withheld from employees' salaries and included with payroll expenses in the interim consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

Current income tax

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

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

Deferred tax

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

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

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Deferred tax (continued)**

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

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

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

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

Dividends

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

Contingent liabilities and contingent assets

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

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

Revaluation of property, plant and equipment

The Group performed revaluation of NES assets as at 1 October 2018. The Group engaged Deloitte TSF LLP, an accredited independent appraiser, to assess the fair value of the NES assets.

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

After 2017, the Committee approved an increase in tariffs for electricity transmission services, technical dispatching and balancing the production and consumption of electricity. Higher tariffs resulted in the revaluation surplus on certain assets credited to other comprehensive income in the amount of KZT 113,259,316 thousand, and respective deferred tax liability in the amount of KZT 22,651,864 thousand and revaluation gain amounting to KZT 3,342,507 thousand was credited to profit and loss to the extent of revaluation deficit recognized in these assets in prior periods.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Revaluation of property, plant and equipment (continued)**

Fair value of NES assets was determined by using the cost approach. The cost approach has been used due to highly specialized nature of the assets and because there is no history of such assets ever being sold. Within cost approach, the method of determining the replacement cost or the cost of reproduction was used to calculate the total cost of replacement of fixed assets less all types of accumulated depreciation, as well as the method of calculation by analogues, the method of specific indicators and the method of indexation of past costs.

The appraised current replacement cost has been further compared to the recoverable amount identified based on the discounted cash flow model. The cash flows are derived from the budget for the next five (5) years.

As a result of the assessment, the amount of KZT 527,147,904 thousand was recognised as a fair value of NES assets as of 1 October 2018.

In assessment of the fair value in 2018 the following main assumptions have been applied:

Discount rate (WACC)	11.82%
Long term growth rate	3.6%
Remaining useful life of the primary asset	40 years

An increase in the discount rate by 0.5% or a reduction in long term growth rate by 0.5% would result in a decrease in the fair value of Group's property, plant and equipment for approximately KZT 40,116,819 thousand or KZT 26,219,011 thousand, respectively.

At each reporting date, the Group assesses whether there is any difference between the carrying amount of NES assets from that which was determined using fair values at the reporting date. As of 30 June 2020, and 31 December 2019, the management of the Group revised its estimates in relation to the fair value of its NES assets. As a result, the management of the Group has concluded that there has been no significant change in the fair value of NES assets as at 30 June 2020 and 31 December 2019 from the date of the last revaluation in 2018. As a result, the fair value of NES assets corresponds to their carrying amount.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and benefit already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

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

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

Fair 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 28 December 2017, in accordance with the Decree of the Government of the Republic of Kazakhstan dated 7 November 2017, the Group acquired bonds of Special Financial Company DSFK LLP (“DSFK bonds”) using the funds placed with RBK Bank JSC (“RBK Bank”). The nominal value of deposits placed with RBK Bank before the transaction was KZT 1,498,249 thousand. DSFK bonds carry coupon interest of 0.01% per annum (paid annually) and mature in 15 years. The bonds are secured by a financial guarantee of Kazakhmys Corporation LLP of KZT 411,883 thousand. The guarantee is exercisable upon request of the Group not earlier than the fifth anniversary after the inception of the bonds.

Management of the Group believes that at 30 June 2020 DSFK bonds are non-recoverable. Accordingly, management of the Group believes that fair value of DSFK bonds is limited to their recoverable amount that is equal to the fair value of the guarantee. The Group does not hold the bonds for all contractual cash flows, so as at 30 June 2020, the bonds were classified as financial instruments at fair value through profit or loss. As at 30 June 2020, the Group revalued the fair value of the bonds at a discount rate of 11.7%, which represents the market discount rate as at 30 June 2020.

Samruk-Kazyna Bonds

On March 30, 2020, the Group purchased 25,927,008 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange. The bonds are valid until 19 April 2021. The bonds were classified at amortized cost and were initially recognized at fair value using discount calculated at a market rate of 12.5%.

Purchase and sale of electricity generated by renewable energy facilities

In order to create conditions for the development of the renewable energy sector (hereinafter – “RES”), the Government of the Republic of Kazakhstan adopted a mechanism of state support based on the introduction of a centralized purchase by a single buyer – “RFC” LLP of electricity produced by renewable energy facilities. The activities of the “RFC” LLP are regulated by the Law of the Republic of Kazakhstan *On Supporting the Use of Renewable Energy Sources*.

After analysing the contracts for the purchase and sale of electricity generated by renewable energy facilities, the Group’s management made significant judgment that the Group momentarily obtains control over the electricity generated by renewable energy facilities and transfers it to customers. The management of the Group believes that buyers consider the Group as the party that bears the main responsibility for the implementation of the contract for the sale of electricity produced by renewable energy facilities, since the Group is obliged to supply the agreed amount of electricity, while all expenses for balancing production and consumption of electricity and technological losses are incurred by the Group.

Moreover, contracts for the purchase of electricity generated by renewable energy facilities are concluded by the Group for a period of 15 years, that is, the Group has the long-term obligation to purchase electricity for the electricity generated by renewable energy facilities wherein contracts with customers are signed for a period of one year.

Therefore, the Group Management determined that the Group is a principal in the sale of electricity generated by renewable energy facilities, and the Group recognizes revenue in the gross amount to which the entity expects to be entitled.

Determination of the lease component in renewable energy purchase agreements

A subsidiary of the Group, RFC has entered into long-term contracts for the purchase of electricity produced at power plants using renewable energy sources (hereinafter referred to as “RES power stations”). According to these agreements, the RFC has the right to receive almost all economic benefits from the use of a renewable energy plant during the period of use, defined as the 15-year period of validity of purchase agreements. The RFC purchases the entire amount of electricity produced at these renewable energy plants. Renewable energy purchase agreements provide for fixed tariffs in Tenge for each kWh of electricity generated at renewable energy plants.

Therefore, the Group’s management determined that renewable energy purchase agreements contain a lease component in accordance with IFRS 16. However, the Group’s management cannot reliably estimate the amount of electricity due to high fluctuations in the volumes of production that will be generated at each specific power plant, as the nature of the renewable energy business depends to a large extent on external factors such as weather conditions. Accordingly, the management of the Group was not able to reliably assess lease obligations (and, accordingly, right to use asset).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Estimated allowance for expected credit losses on receivables**

The Group uses the estimated reserves matrix to calculate the ECL for receivables. Valuation reserve rates are set depending on the number of days of delay in payment for groups of different customer segments with similar loss characteristics (i.e., by geographic region, product type, type and rating of customers, collateral by letters of credit and other forms of credit risk insurance).

Initially, observable data on the occurrence of defaults in past periods underlies in the basis of the estimated reserves matrix. The Group will update the matrix to adjust past experience with credit losses, considering forward-looking information. At each reporting date, the observed default level data in previous periods are updated and changes in forecast estimates are analyzed.

The assessment of relationship between historical observed default levels, forecasted economic conditions, and ECL is a significant estimate. The value of the ECL is sensitive to changes in circumstances and projected economic conditions. Past experience of occurrence of credit losses and the forecast of economic conditions may also not be indicative of actual default of the buyer in the future.

5. OPERATING SEGMENTS INFORMATION**Geographic information**

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

<i>In thousands of Tenge</i>	For the six months period ended	
	30 June 2020	30 June 2019
Revenue from Kazakhstan customers	158,725,601	116,029,334
Revenue from Russian customers	8,121,097	8,017,479
Revenue from Uzbekistan customers	370,351	440,282
Revenue from Kyrgys customers	3,795	21,516
Total revenue per interim consolidated statement of comprehensive income	167,220,844	124,508,611

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

For the six months period ended 30 June 2020 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to KZT 25,159,908 thousand, arising from electricity transmission and the provision of related support, ensuring the readiness of electric power to bear the load, as well as the sale of purchased electricity (for the six months period ended 30 June 2019: KZT 15,363,798 thousand).

Operating segments

For management purposes, the Group's activities are organized into business units based on their services, and has three reportable operating segments, as follows:

- *Electricity transmission services and related support.* Electricity transmission is regulated by the Law as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee;
- *Ensure readiness of electricity capacity to bear the power load.* From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the reliability of the power system of the Republic of Kazakhstan. Balance reliability refers to the ability of a power system to meet consumer demand for electricity at any given time;
- *Sale of purchased electricity.* The sale of purchased electricity segment includes the renewable energy sector (hereinafter – "RES") created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV *On Supporting the Use of Renewable Energy Sources*.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. OPERATING SEGMENTS INFORMATION (continued)****Operating segments (continued)**

<i>In thousands of Tenge</i>	For the six months period ended 30 June 2020					Total
	Electricity transmission and related support services	Ensure readiness of electricity capacity to bear the power load	Sale of purchased electricity	Other	Elimination	
Revenue from sales to external customers	85,308,967	42,715,174	38,891,427	305,276	-	167,220,844
Revenue from sales to other segments	114,405	2,236,434	1,093	1,981,822	(4,333,754)	-
Total revenue	85,423,372	44,951,608	38,892,520	2,287,098	(4,333,754)	167,220,844
Gross profit	38,559,484	5,782,004	(1,089,816)	566,792	(133,942)	43,684,522
General and administrative expenses	(3,440,804)	(126,165)	(57,799)	(235,308)	430,672	(3,429,404)
Selling expenses	(171,296)	-	-	-	13,206	(158,090)
Finance income	2,144,998	597,074	114,579	33,100	-	2,889,751
Finance costs	(5,501,561)	(2,093)	-	-	-	(5,503,654)
Share in profit of an associate	144,823	-	-	-	-	144,823
Foreign exchange gain/(loss), net	(1,856,280)	-	-	(1,177)	-	(1,857,457)
Income tax expense	(5,692,844)	(1,290,153)	243,173	(90,015)	-	(6,829,839)
Profit/(loss) for the six month period from continuing operations	23,946,437	5,165,991	(973,707)	290,167	202,925	28,631,813
Total net income/(loss)	23,946,437	5,165,991	(973,707)	290,167	202,925	28,631,813
Other segment information						
Total segment assets	747,824,377	36,957,041	16,798,655	4,796,342	(2,833,335)	803,543,080
Total segment liabilities	267,200,230	26,849,796	12,204,453	850,250	(1,327,954)	305,776,775
Accrual of expected credit losses for doubtful debts	(372,546)	31,814	(28,033)	17,714	-	(351,051)
Investments in an associate	1,803,968	-	-	-	-	1,803,968

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. OPERATING SEGMENTS INFORMATION (continued)****Operating segments (continued)**

<i>In thousands of Tenge</i>	For the six months period ended 30 June 2019					Total
	Electricity transmission and related support services	Ensure readiness of electricity capacity to bear the power load	Sale of purchased electricity	Other	Elimination	
Revenue from sales to external customers	74,358,441	33,151,476	16,840,997	157,697	-	124,508,611
Revenue from sales to other segments	49,054	1,683,083	1,610	1,855,071	(3,588,818)	-
Total revenue	74,407,495	34,834,559	16,842,607	2,012,768	(3,588,818)	124,508,611
Gross profit	26,179,991	4,873,569	1,001,312	494,174	(272,638)	32,276,408
General and administrative expenses	(3,427,411)	(90,248)	(45,837)	(229,532)	266,230	(3,526,798)
Selling expenses	(174,214)	-	-	-	13,519	(160,695)
Finance income	2,077,337	107,137	70,566	36,405	(330,382)	1,961,063
Finance costs	(3,971,305)	-	-	-	-	(3,971,305)
Share in profit of an associate	518,228	-	-	-	-	518,228
Foreign exchange gain/(loss), net	485,975	-	-	40	-	486,015
Income tax expense	(3,832,475)	(989,821)	(203,366)	(32,360)	-	(5,058,022)
Profit/(loss) for the reporting period	17,982,180	3,965,191	814,679	210,641	(398,351)	22,574,340
Total comprehensive income/(loss)	17,982,180	3,965,191	814,679	210,641	(398,351)	22,574,340
Other segment information						
Total segment assets	743,798,182	17,998,782	8,181,265	3,938,104	(3,014,080)	770,902,253
Total segment liabilities	269,549,717	14,213,627	6,460,740	686,145	(1,098,396)	289,811,833
Accrual of expected credit losses for doubtful debts	49,171	(9,224)	2,647	(94,814)	-	(52,220)
Investments in an associate	1,626,095	-	-	-	-	1,626,095

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS**

<i>In thousands of Tenge</i>	Land	Buildings	NES assets	Vehicles and other property, plant and equipment	Construction-in-progress	Total
Cost						
As at 1 January 2019	1,771,135	17,424,530	1,116,427,405	33,624,896	62,403,893	1,231,651,859
Additions	46,516	76,411	210,248	376,735	5,871,029	6,580,939
Transfers	88,693	75,006	531,433	2,178,245	(2,873,377)	-
Disposals	-	-	(210,679)	(183,396)	-	(394,075)
As at 30 June 2019	1,906,344	17,575,947	1,116,958,407	35,996,480	65,401,545	1,237,838,723
As at 1 January 2020	1,910,256	18,736,506	1,168,404,052	41,824,517	16,997,067	1,247,872,398
Additions	6,484	-	219	1,029,627	3,683,383	4,719,713
Transfers	39,299	18,171	805,169	165,479	(1,028,118)	-
Transfers to intangible assets	-	-	-	-	(149,814)	(149,814)
Disposals	-	(378,553)	(766,997)	(146,943)	(3)	(1,292,496)
As at 30 June 2020	1,956,039	18,376,124	1,168,442,443	42,872,680	19,502,515	1,251,149,801
Accumulated depreciation and impairment						
As at 1 January 2019	-	(4,003,282)	(538,815,274)	(20,646,878)	(250,058)	(563,715,492)
Charge for the period	-	(226,220)	(15,188,547)	(1,173,078)	-	(16,587,845)
Transfer	-	(92)	(71,646)	71,738	-	-
Disposals	-	-	206,128	181,117	-	387,245
Reversal of impairment	-	-	-	-	10,995	10,995
As at 30 June 2019	-	(4,229,594)	(553,869,339)	(21,567,101)	(239,063)	(579,905,097)
As at 1 January 2020	-	(4,648,512)	(568,907,101)	(22,524,101)	(221,694)	(596,301,408)
Charge for the period	-	(33,692)	(15,280,421)	(1,357,814)	-	(16,671,927)
Disposals	-	373,894	620,598	144,859	-	1,139,351
Reversal of impairment	-	-	-	-	3	3
As at 30 June 2020	-	(4,308,310)	(583,566,924)	(23,737,056)	(221,691)	(611,833,981)
Net book value						
As at 1 January 2019	1,771,135	13,421,248	577,612,131	12,978,018	62,153,835	667,936,367
As at 30 June 2019	1,906,344	13,346,353	563,089,068	14,429,379	65,162,482	657,933,626
As at 1 January 2020	1,910,256	14,087,994	599,496,951	19,300,416	16,775,373	651,570,990
As at 30 June 2020	1,956,039	14,067,814	584,875,519	19,135,624	19,280,824	639,315,820

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

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Cost	410,630,158	409,926,673
Accumulated depreciation	(118,477,047)	(112,519,473)
Net book value	292,153,111	297,407,200

As at 30 June 2020 and 31 December 2019 the cost of fully amortised property, plant and equipment, which is still in use amounted to KZT 40,720,204 thousand and KZT 35,090,534 thousand, respectively.

Capitalized costs on issued bonds

During the six months period ended 30 June 2020 the Group capitalized the cost of coupon interest on issued bonds (less investment income) amounted to KZT 30,286 thousand (for the six months period ended 30 June 2019: KZT 1,815,126 thousand) (Note 16).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS (continued)****Construction in progress**

Construction in progress is mainly represented by equipment and construction works as part of the implementation of the project “Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches” “Aktobe MES”, “Sarbaiskie MES”, “Western MES” (stage 1”).

Advances paid for non-current assets

As of 30 June 2020 and 31 December 2019, advances paid for non-current assets are mainly represented by advances paid to suppliers for construction work and services under the project “Reconstruction of 220-500 kW of KEGOC JSC branches “Aktobe MES”, “Sarbaiskie MES”, “Western MES” branches (stage 1)”).

7. INVESTMENTS IN ASSOCIATE

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

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Statement of financial position		
Current assets	10,791,956	11,609,091
Non-current assets	19,294,632	20,448,279
Current liabilities	(4,462,077)	(4,311,941)
Non-current liabilities	(16,504,669)	(18,334,225)
Net assets	9,119,842	9,411,204

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Group’s share in net assets	1,803,968	1,862,241
Carrying amount of the investments	1,803,968	1,862,241

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Statement of comprehensive income		
Revenue	4,617,186	5,275,647
Net profit	724,115	2,591,140
Group’s share in profit of Batys Transit	144,823	518,228

As of 30 June 2020 and 31 December 2019, the associate had no contingent liabilities or capital commitments.

The Extraordinary General Meeting of Shareholders (GMS) of Batys Transit, held on 6 April 2020, taking into account the amendments and additions to the extraordinary GMS dated 2 July 2020, decided to assign a part of the profit from non-core activities for 2019 to pay dividends on ordinary shares in the amount of KZT 1,015,477 thousand, at the rate of KZT 33,849.23 per ordinary share. The start date of payment is the day following the date of receipt of written consent to pay dividends on ordinary shares of Batys Transit from the Eurasian Development Bank in accordance with the loan agreement concluded between Batys Transit and the Bank, but no later than 21 August 2020. Dividends receivable in the amount of KZT 203,096 thousand were included in the consolidated interim statement of financial position as of 30 June 2020.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**8. INVENTORIES**

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Raw and other materials	1,849,379	1,319,421
Spare parts	1,503,210	848,899
Fuel and lubricants	91,769	90,399
Other inventory	230,464	188,556
Less: allowance for obsolete inventories	(350,862)	(313,118)
	3,323,960	2,134,157

Movement in the allowance for obsolete inventories was as follows:

<i>In thousands of Tenge</i>	2020	2019
At 1 January	313,118	246,046
Charge (Note 23)	57,080	95,620
Reversal (Note 23)	(19,336)	(4,130)
At 30 June	350,862	337,536

9. TRADE ACCOUNTS RECEIVABLE

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Trade accounts receivable	39,830,065	24,006,143
Less: provision for expected credit losses	(2,408,174)	(2,104,309)
	37,421,891	21,901,834

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

<i>In thousands of Tenge</i>	2020	2019
At 1 January	2,104,309	2,024,770
Charge	812,065	394,063
Reversal	(508,200)	(377,557)
At 30 June	2,408,174	2,041,276

As at 30 June 2020, trade receivables included accounts receivable from the customer JSC National Electric Grids of Uzbekistan in the amount of KZT 1,432,699 thousand (31 December 2019: KZT 1,472,045 thousand).

As at 30 June 2020, the provision for expected credit losses on receivable from JSC National Electric Grids of Uzbekistan amounted to KZT 1,406,779 thousand (31 December 2019: KZT 1,332,370 thousand).

The ageing analysis of trade receivables is as follows:

<i>In thousands of Tenge</i>	Total	Current	Trade receivables			
			Days past due			
			30-90 days	91-180 days	181-270 days	Above 271 days
30 June 2020						
Percentage of expected credit losses	6.05%	0.26%	3.30%	9.87%	21.41%	99.60%
Estimated total gross carrying amount in case of default	39,830,065	31,204,185	4,163,037	2,339,323	198,042	1,925,478
Expected credit losses	(2,408,174)	(79,979)	(137,297)	(230,803)	(42,400)	(1,917,695)
	37,421,891	31,124,206	4,025,740	2,108,520	155,642	7,783
31 December 2019						
Percentage of expected credit losses	8.77%	0.19%	2.49%	9.82%	27.21%	99.96%
Estimated total gross carrying amount in case of default	24,006,143	20,372,759	859,963	504,020	376,674	1,892,727
Expected credit losses	(2,104,309)	(39,061)	(21,395)	(49,478)	(102,492)	(1,891,883)
	21,901,834	20,333,698	838,568	454,542	274,182	844

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. TRADE ACCOUNTS RECEIVABLE (continued)**

Trade accounts receivable were denominated in the following currencies:

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Tenge	36,660,392	20,907,577
Russian Rouble	735,579	931,182
US Dollars	25,920	63,075
	37,421,891	21,901,834

10. OTHER CURRENT ASSETS

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Advances paid for goods and services	939,336	314,710
Other receivables for property, plant and equipment and construction in progress	399,974	399,974
Deferred expenses	184,776	92,629
Loans issued to employees	1,044	1,521
Other	574,607	402,998
Less: provision for expected credit losses	(519,536)	(472,349)
	1,580,201	739,483

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

<i>In thousands of Tenge</i>	2020	2019
At 1 January	472,349	427,059
Charge	90,274	54,700
Reversal	(43,087)	(18,987)
At 30 June	519,536	462,772

11. OTHER FINANCIAL ASSETS

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Financial assets at amortised cost		
Bank deposits	28,347,970	19,194,586
Bonds of Samruk-Kazyna	25,927,008	25,886,318
Notes of the National Bank of the Republic of Kazakhstan	17,319,847	-
Placements with Eximbank Kazakhstan	2,785,904	2,865,652
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	1,749,746	1,663,184
Placements with DeltaBank JSC	1,230,000	1,230,000
Placements with Kazinvestbank JSC	1,225,199	1,239,455
Interest accrued on Samruk-Kazyna bonds	918,248	463,667
Dividends receivable from an associate	203,096	-
Interest accrued on Ministry of Finance Eurobonds	16,625	13,304
Less: provision for impairment of placements with Eximbank Kazakhstan	(2,785,904)	(2,865,652)
Less: provision for impairment of placements with Deltabank JSC	(1,230,000)	(1,230,000)
Less: provision for impairment of placements with Kazinvestbank JSC	(1,225,199)	(1,239,455)
Less: provision for expected credit losses	(515,219)	(297,167)
	73,967,321	46,923,892
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	302,741	288,613
	302,741	288,613
Total other financial assets	74,270,062	47,212,505
Other current financial assets	72,217,649	45,260,710
Other non-current financial assets	2,052,413	1,951,795
Total other financial assets	74,270,062	47,212,505

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**11. OTHER FINANCIAL ASSETS (continued)**

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

<i>In thousands of Tenge</i>	2020	2019
At 1 January	5,632,274	5,600,216
Charge	363,329	243,303
Reversal	(239,281)	(78,751)
At 30 June	5,756,322	5,764,768

Bonds of Samruk-Kazyna JSC

During May-June 2019, the Group acquired coupon bonds of Samruk-Kazyna JSC with nominal value of KZT 26,000,000 thousand at cost lower than par value for KZT 25,159,831 thousand at Kazakhstan Stock Exchange JSC. The bonds mature on 13 March 2020. During the March 2020, the bonds were fully repaid. During the six months period ended 30 June 2020, amortization of the discount in amount of KZT 113,682 thousand was recognized as financial income in the interim consolidated statement of comprehensive income.

The Group classified the bonds as carried at amortised cost. During the six months ended 30 June 2020, the discount amount was fully amortized and the bonds were fully repaid on 13 March 2020.

On 30 March 2020, the Group purchased coupon bonds of SWF Samruk-Kazyna JSC in the amount of 25,927,008 at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange, with an interest rate of 12.5% per annum. The bond circulation period is 19 April 2021.

Bonds of Special Financial Company DSFK LLP

For the six months period ended 30 June 2020, Special Financial Company DSFK LLP redeemed bonds amounting to KZT 11,330 thousand.

As at 30 June 2020, the Group reassessed the fair value of bonds and increased their carrying amount to KZT 302,741 thousand, recognizing gain from revaluation of financial instruments in the amount of KZT 25,386 thousand as finance income in the interim consolidated statement of comprehensive income.

Deposits

As at 30 June 2020 and 31 December 2019 the deposits include accrued interest income in the amount of KZT 20,663 thousand and KZT 16,284 thousand, respectively.

Placements with Eximbank Kazakhstan JSC (hereafter – “Eximbank”)

On 27 August 2018, by a resolution of the Board of the National Bank of the Republic of Kazakhstan, it was decided to deprive Eximbank of the license in terms of accepting deposits, opening bank accounts of individuals. Accordingly, the Group reclassified cash and cash equivalents held with Eximbank to other financial assets and accrued an expected credit loss provision in the amount of 100%, which is KZT 2,930,115 thousand.

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

On 7 February 2020, the Liquidation Commission of Eximbank Kazakhstan JSC made a payment in the amount of 149 thousand US Dollars (equivalent to KZT 56,839 thousand as of the date of payment) in accordance with the approved register of creditors' claims dated 13 June 2019. The Group recognized a corresponding reversal of the allowance for impairment losses.

Notes of the National Bank of the Republic of Kazakhstan

On 12 April 2019, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 70,000 thousand units at a price lower than the nominal value for a total amount of KZT 6,800,514 thousand from Kazakhstan Stock Exchange JSC. Circulation period of notes of the National Bank of the Republic of Kazakhstan was till 23 August 2019. In June 2019, the Group sold notes in the total amount of KZT 4,917,705 thousand, recognizing a loss on sale in the amount of KZT 6,230 thousand.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**11. OTHER FINANCIAL ASSETS (continued)****Notes of the National Bank of the Republic of Kazakhstan (continued)**

On 12 February 2020, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 40,000 thousand units at a price lower than the nominal value for the total amount of KZT 3,903,876 thousand at the Auction of the National Bank of the Republic of Kazakhstan. The circulation period of the notes of the National Bank of the Republic of Kazakhstan was until 15 May 2020. On 15 May 2020, the Group recognized finance income in the amount of KZT 96,124 thousand.

On 11 May 2020, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 37,712 thousand units at a price lower than the nominal value for the total amount of KZT 3,676,348 thousand at the Auction of the National Bank of the Republic of Kazakhstan. The circulation period of the notes of the National Bank of the Republic of Kazakhstan is until 7 August 2020. During the reporting period, a finance income of KZT 53,887 thousand was recognized.

On 22 May 2020, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 9,935 thousand units at a price lower than the nominal value for the total amount of KZT 944,095 thousand at the Auction of the National Bank of the Republic of Kazakhstan. The circulation period of the notes of the National Bank of the Republic of Kazakhstan is until 20 November 2020. During the reporting period, a finance income in the amount of KZT 10,594 thousand was recognized.

On 26 May 2020, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 86,491 thousand units at a price lower than the nominal value for the total amount of KZT 8,231,611 thousand at the Kazakhstan Stock Exchange JSC. The circulation period of the notes of the National Bank of the Republic of Kazakhstan was until 20 November 2020. During the reporting period, a finance income of KZT 82,107 thousand was recognized.

On 12 June 2020, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan in the amount of 44,072 thousand units at a price lower than the nominal value for the total amount of KZT 4,300,000 thousand at the Auction of the National Bank of the Republic of Kazakhstan. The circulation period of the notes of the National Bank of the Republic of Kazakhstan is until 11 September 2020. During the reporting period, finance income was recognized in the amount of KZT 21,205 thousand.

Kazinvestbank JSC

On 20 March 2020 and 21 April 2020, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 43.5 thousand US Dollars (equivalent to KZT 19,531 thousand as of the date of payment) and in the amount of KZT 222,4 thousand, respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On 26 April 2019, the Group acquired Eurobonds of the Ministry of Finance of the Republic of Kazakhstan in the amount of 4,200,000 at a rate of 3.875% per annum and maturity until October 2024 at a price higher than the nominal amount of 4,368 thousand USD (equivalent of KZT 1,749,746 thousand).

Other financial assets were represented in the following currencies:

<i>In thousands of Tenge</i>	Interest rate	30 June 2020	31 December 2019
Tenge	9%-10.5%	49,232,678	26,899,100
US Dollars	1%-1.5%	25,037,384	20,313,405
		74,270,062	47,212,505

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**12. RESTRICTED CASH**

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Cash reserved for return on guarantee obligations	435,409	292,786
Cash on reserve accounts	-	2,932,192
Cash on debt service accounts	-	1,057,574
Less: provision for expected credit losses	(510)	(8,467)
	434,899	4,274,085

During 2020 and 2019, interest was not charged on restricted cash.

As of 30 June 2020, there is no balance of restricted cash, including funds planned to be redeemed. This is due to the closure of the reserve account, due to the fulfilment of obligations under the terms of the guarantee agreement with the Government of the Republic of Kazakhstan, the guarantor for the Group's loans.

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

In accordance with the terms of the guarantee agreements with the Government of the Republic of Kazakhstan, the guarantor of the Group's loans (*Note 15*), the Group is obliged to hold cash on a special reserve account opened in a Kazakhstan bank. The Group is obliged to reserve cash for at least 110% of the upcoming semi-annual payment of principal, interest and commission fees of the IBRD loans. As of 30 June 2020, the loans entered into with the above requirement have been fully repaid.

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

<i>In thousands of Tenge</i>	2020	2019
At 1 January	8,467	46,480
Charge	667	15,752
Reversal	(8,624)	(24,833)
At 30 June	510	37,399

13. CASH AND CASH EQUIVALENTS

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Short-term deposits, in Tenge	23,023,537	17,795,817
Current accounts with banks, in Tenge	12,081,626	3,136,231
Current accounts with banks, in foreign currencies	338,753	263,712
Cash on hand	2,632	2,672
Cash at special accounts	776	86
Less: provision for expected credit losses	(13,343)	(19,236)
	35,433,981	21,179,282

As at 30 June 2020 the Group placed short-term deposits with banks at 7%-8.25% per annum (2019: 7%-9% per annum), and current accounts with banks at 8.25% per annum (2019: 3.69% per annum).

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

<i>In thousands of Tenge</i>	2020	2019
As at 1 January	19,236	9,096
Charge	6,091	4,532
Reversal	(11,984)	(213)
As at 30 June	13,343	13,415

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**13. CASH AND CASH EQUIVALENTS (continued)**

As at 30 June 2020 and 31 December 2019, cash and cash equivalents were denominated in the following currencies:

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Tenge	35,096,164	20,915,735
US Dollars	169,178	258,492
Russian Rouble	168,317	4,278
Euro	1	450
Others	321	327
	35,433,981	21,179,282

14. EQUITY

As at 30 June 2020 and 31 December 2019 share capital of the Group comprised of 260,000,000 shares for the total amount of KZT 126,799,554 thousand that were issued and fully paid.

Treasury shares

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

Dividends

In May 2019, shareholders approved the distribution of 87.7% of net profit for 2018 minus the amount of net profit distributed for the first half of 2018. The amount to be paid was KZT 14,177,724 thousand to all common shareholders of the Group, which is KZT 54.53 per ordinary share.

In May 2020, shareholders approved the distribution of 74% of net profit for 2019 minus the amount of net profit distributed for first half of 2019. The amount to be paid amounted to KZT 12,703,532 thousand for all common shareholders of the Group, which is equal to KZT 48.86 per ordinary share.

Earnings per share

Basic and diluted earnings per share are calculated by dividing net profit for the period by the weighted average number of common shares outstanding during the period. The Group had weighted average number of common shares in circulation in the amount of 259,998,610 shares during the six months period ended 30 June 2020 (for the six months period ended 30 June 2019: 259,998,610 shares). For the six months period ended 30 June 2020 and 2019 basic and diluted earnings per share were KZT 110.12 and KZT 86.82, respectively.

Book value per share

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

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Total assets	803,543,080	756,987,721
Less: intangible assets	(1,636,746)	(1,411,900)
Less: total liabilities	(305,776,775)	(275,149,697)
Net assets	496,129,559	480,426,124
Number of ordinary shares	260,000,000	260,000,000
Book value per ordinary share, Tenge	1,908	1,848

Asset revaluation reserve

Asset revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group's NES assets as at 1 October 2018 (previous revaluation was held as at 1 June 2014) (*Note 6*). Transfer of asset revaluation surplus into retained earnings, upon disposal of PPE and transfer of NES assets into other classes of PPE, for the six months period ended 30 June 2020 amounted to KZT 82,197 thousand (for the six months period ended 30 June 2019: KZT 264,017 thousand).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. BORROWINGS**

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
International Bank of Reconstruction and Development (IBRD)	42,796,071	44,314,813
European Bank of Reconstruction and Development (EBRD)	19,722,231	18,694,174
	62,518,302	63,008,987
Less: current portion of loans repayable within 12 months	(9,132,991)	(6,083,377)
	53,385,311	56,925,610

As at 30 June 2020 and 31 December 2019 the accrued and unpaid interest amounts to KZT 331,404 thousand and KZT 760,458 thousand, respectively. As at 30 June 2020 and 31 December 2019 the unamortized portion of loan origination fees amounts to KZT 294,906 thousand and KZT 303,894 thousand, respectively.

Loans were denominated in the following currencies:

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
US Dollars	42,796,071	44,314,813
Euro	19,722,231	18,694,174
	62,518,302	63,008,987

“Construction of the second North-South 500 kW Electricity Transmission line”

In 2005 for the purpose of implementation of the Phase II of the “Construction of the second North-South 500 kW Electricity Transmission line”, the Group received a credit line facility of USD 100,000 thousand provided by IBRD for a period of 17 (seventeen) years of which first 5 (five) years are a grace period. This credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR Dollar rate plus general spread is paid semi-annually. In 2011 the non-disbursed part of this IBRD credit line in the amount of USD 1,918 thousand was cancelled due to the fact that actual costs incurred within this project were less than expected. The outstanding balances as at 30 June 2020 and 31 December 2019 are USD 20,429 thousand (equivalent to KZT 8,251,660 thousand) and USD 24,506 thousand (equivalent to KZT 9,375,865 thousand), respectively.

“Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2”

In 2008, for the realization of the “Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2” the Group opened the following credit lines:

Two credit-line facilities of Euro 127,500 thousand and Euro 75,000 thousand from EBRD for 15 (fifteen) years, of which the first 4 (four) years are a grace period. An interest at the interbank six months EURIBOR rate plus a 3.85% margin is payable semi-annually. The outstanding balances as at 30 June 2020 and 31 December 2019 are Euro 43,130 thousand (equivalent to KZT 19,516,958 thousand) and Euro 43,130 thousand (equivalent to KZT 18,502,553 thousand), respectively.

“Moinak Electricity Transmission Project”

In 2009, for the realization of the “Moinak Electricity Transmission Project” a credit line facility from IBRD of USD 48,000 thousand was opened for 25 (twenty five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by the guarantee of the Government of the Republic of Kazakhstan. An interest rate is USD LIBOR rate plus fixed spread 0.85% is payable semi-annually. In May 2013 unused portion of the credit line from the IBRD in the amount of USD 3,274 thousand was cancelled due to the fact that the amount of actual expenses incurred in the course of the project was less than expected. The outstanding balances as at 30 June 2020 and 31 December 2019 are USD 32,426 thousand (equivalent to KZT 13,098,006 thousand) and USD 33,545 thousand (equivalent to KZT 12,833,821 thousand), respectively.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. BORROWINGS (continued)****“Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW”**

In 2010 for the realization of the project “Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW” the Group received a credit line facility of USD 78,000 thousand from IBRD for 25 (twenty five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR Dollar rate plus fixed spread 1.15% is repayable semi-annually. In July 2014 undeveloped part of the credit line from the IBRD in the amount USD 6,644 thousand has been cancelled due to the fact that the amount of actual costs was less than expected costs. The outstanding balances as at 30 June 2020 and 31 December 2019 are USD 53,517 thousand (equivalent to KZT 21,615,180 thousand) and USD 57,085 thousand (equivalent to KZT 21,840,184 thousand), respectively.

16. BONDS PAYABLE

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Nominal value of issued bonds	93,500,000	83,800,000
Accrued coupon interest	4,016,958	3,645,344
Less: discount on bonds issued	(745,871)	(86,190)
Less: transaction costs	(65,279)	(42,626)
	96,705,808	87,316,528
Less: current portion of bonds repayable within 12 months	(4,016,958)	(3,645,344)
	92,688,850	83,671,184

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

- (a) During the period from June to August 2016 the Group issued coupon bonds with nominal amount of KZT 47,500,000 thousand under floating interest rate equal to the inflation rate in Republic of Kazakhstan plus 2.9% with the maturity in 2031. The coupon rate for the first coupon period from 26 May 2017 to 26 May 2019 is 10.6% per annum. The coupon rate for the third coupon period from 26 May 2019 to 26 May 2020 is 9.5% per annum.

All bonds under this program were acquired by United Pension Saving Fund.

Bonds were issued with discount in the amount of KZT 111,945 thousand.

- (b) In August 2017, the Group placed the second tranche of coupon bonds amounting to KZT 36,300,000 thousand with a fixed rate of 11.5%.

The received cash has been temporarily placed on short-term bank deposits.

All bonds under this program were acquired by United Pension Saving Fund and other entities.

In order to implement the investment project “Reconstruction of 220-500 kW overhead lines of branches of KEGOC JSC” on 28 May 2020, KEGOC’s bonds were placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a total volume of 9,700,000 thousand at par value in the amount of KZT 9,032,407 thousand with a yield of 11% per annum.

The funds received were temporarily placed on short-term bank deposits.

As a result of trades, 89.6% of bonds by the volume of attracted were purchased by STB (second-tier banks), 9.9% – by other institutional investors, 0.5% – by other legal entities.

During the six months ended 30 June 2020, the Group capitalized coupon costs on bonds issued less investment income of KZT 30,286 thousand.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. TRADE AND OTHER ACCOUNTS PAYABLE**

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Accounts payable for electricity purchased	21,895,316	10,277,750
Accounts payable for inventories, works and services	20,461,218	7,844,832
Accounts payable for property, plant and equipment and construction works	463,165	5,266,900
	42,819,699	23,389,482

As at 30 June 2020 and 31 December 2019 trade and other accounts payable are denominated in the following currencies:

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Tenge	41,662,612	22,386,569
Russian Rouble	1,136,083	938,700
US Dollars	21,004	41,320
Euro	-	22,893
	42,819,699	23,389,482

18. CONSTRUCTION OBLIGATION

On 28 November 2013 in accordance with the decision of the Board of Samruk-Kazyna, the Group was committed to build a kindergarten in Nur-Sultan city and transfer it upon completion to the Akimat of Nur-Sultan. In 2014, the Group has estimated construction costs and signed a contract with the construction company. Accordingly, the Group recognized construction obligation for the total amount of KZT 683,430 thousand and the corresponding distribution to shareholders. On 23 January 2020, the Group completed the transfer of the kindergarten to the Akimat of Nur-Sultan.

19. TAXES PAYABLE OTHER THAN INCOME TAX

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
VAT payable	2,901,668	2,391,947
Contributions payable to pension fund	140,195	345,742
Personal income tax	109,686	284,573
Social tax	92,888	244,406
Social contribution payable	65,352	82,635
Property tax	47,951	1,599
Other	22,144	20,442
	3,379,884	3,371,344

20. OTHER CURRENT LIABILITIES

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Due to employees	3,236,919	3,662,535
Other	524,652	321,065
	3,761,571	3,983,600

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**21. REVENUE FROM CONTRACTS WITH CUSTOMERS**

	For the three months period ended		For the six months period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
<i>In thousands of Tenge</i>				
Electricity transmission services	26,106,584	23,717,329	57,766,694	50,737,260
Sale of services to ensure readiness of electricity capacity to bear the power load	21,120,701	16,360,277	42,715,174	33,151,476
Sale of purchased electricity	23,778,975	10,006,139	38,895,222	16,862,513
Technical dispatch	6,770,296	5,200,881	14,933,183	11,204,815
Balancing of electricity production and consumption	4,158,135	3,786,988	9,232,986	8,116,582
Sale of electricity for compensation of the interstate balances of electricity flows	1,097,231	1,836,372	2,303,279	3,212,328
Power regulation services	86,142	91,836	370,351	440,282
Other	452,458	402,540	1,003,955	783,355
Total revenue from contracts with customers	83,570,522	61,402,362	167,220,844	124,508,611

	For the three months period ended		For the six months period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
<i>In thousands of Tenge</i>				

Revenue recognition timeline

The goods are transferred at a certain point in time	24,876,206	11,842,511	41,198,501	20,074,841
The services are provided over a period of time	58,694,316	49,559,851	126,022,343	104,433,770
Total revenue from contracts with customers	83,570,522	61,402,362	167,220,844	124,508,611

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

22. COST OF SALES

	For the three months period ended		For the six months period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
<i>In thousands of Tenge</i>				
Cost of purchased electricity	23,602,674	9,168,391	39,871,423	15,813,758
Cost of electricity capacity readiness maintenance services	20,047,052	14,811,670	39,169,603	29,960,990
Depreciation and amortization	8,370,163	8,203,559	16,549,475	16,455,272
Payroll expenses and related taxes	3,853,801	3,740,929	7,802,553	7,420,483
Technical losses of electric energy	2,166,488	2,645,162	6,482,893	7,541,960
Cost of purchased electricity for compensation of interstate balances of electricity flows	2,289,189	3,625,086	5,086,023	6,888,994
Taxes other than income tax	2,331,696	2,262,422	4,632,884	4,462,717
Repair and maintenance expenses	1,105,284	1,318,460	1,825,451	1,861,944
Security services	300,069	298,814	598,985	567,160
Inventories	229,958	67,491	378,028	82,438
Other	635,428	676,896	1,139,004	1,176,487
	64,931,802	46,818,880	123,536,322	92,232,203

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**23. GENERAL AND ADMINISTRATIVE EXPENSES**

	For the three months period ended		For the six months period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
<i>In thousands of Tenge</i>				
Payroll expenses and related taxes	1,088,589	1,112,411	2,265,545	2,152,252
Depreciation and amortization	156,212	201,094	219,013	391,940
Taxes other than income tax	57,089	48,326	87,848	75,477
Rent expenses	57,392	77,041	56,698	77,041
Consulting services	30,634	16,779	51,005	33,413
Expenses for the Board of Directors	21,801	28,251	38,421	73,461
Charge for obsolete inventories (Note 8)	9,570	35,516	37,744	91,490
Utilities	12,735	13,789	33,651	39,340
Expenses for the rights to use the software	9,032	1,720	19,535	73,405
Materials	9,191	21,522	17,821	30,268
Insurance	7,002	18,062	16,789	23,865
Business trip expenses	3,355	42,396	15,191	69,064
Trainings	8,835	15,517	10,526	26,647
Other	246,498	219,378	559,617	369,135
	1,717,935	1,851,802	3,429,404	3,526,798

24. FINANCE INCOME/(COSTS)

	For the three months period ended		For the six months period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
<i>In thousands of Tenge</i>				
Finance income				
Interest income from deposits, current accounts and bonds	1,638,107	958,071	2,504,041	1,797,408
Income from the National Bank notes	215,328	–	263,918	–
Amortization of discount on other financial assets	–	275,358	113,682	402,430
Amortization of discount on accounts receivable	24,828	27,091	50,246	54,417
Income from revaluation of DSFK financial instruments	16,783	–	25,386	–
Others	–	(36,641)	–	489
	1,895,046	1,223,879	2,957,273	2,254,744
Less: interest capitalized into cost of qualifying asset (Note 6)	(67,522)	(143,734)	(67,522)	(293,681)
	1,827,524	1,080,145	2,889,751	1,961,063
Finance costs				
Bond coupon	2,157,115	2,102,057	4,141,958	4,273,807
Interest on borrowings	445,725	641,493	937,906	1,286,296
Commission on bank guarantees	240,355	370,769	475,306	472,225
Interest expense on leases	10,845	9,633	22,148	19,010
Other costs on bonds issued	4,580	11,485	9,632	13,557
Amortization of loan origination fees	4,493	4,493	8,987	8,987
Discounting of the other financial assets	2,763	6,230	5,525	6,230
	2,865,876	3,146,160	5,601,462	6,080,112
Less: interest capitalized into cost of qualifying assets (Note 6)	(97,808)	(1,054,049)	(97,808)	(2,108,807)
	2,768,068	2,092,111	5,503,654	3,971,305

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**25. FOREIGN EXCHANGE GAIN/(LOSS), NET**

On 20 August 2015 the National Bank of Republic of Kazakhstan and the Government of the Republic of Kazakhstan decided to shift to freely floating currency exchange rate as a part of implementation of inflation targeting program. As a result of change of exchange rate of Tenge for the six months period ended 30 June 2020, the Group incurred net foreign exchange loss in the amount of KZT 1,857,457 thousand (for the six months period ended 30 June 2019: net foreign exchange gain in the amount of KZT 486,015 thousand).

26. INCOME TAX EXPENSE

	For the three months period ended		For the six months period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
<i>In thousands of Tenge</i>				
Current income tax				
Current income tax expense	4,143,795	2,584,115	7,385,316	6,185,553
Adjustments in respect of current income tax of previous year	28,168	-	28,168	(394,644)
Deferred tax				
Deferred income tax benefit	(568,572)	(344,249)	(583,645)	(732,887)
Total income tax expense reported in profit or loss	3,603,391	2,239,866	6,829,839	5,058,022

The income tax rate in the Republic of Kazakhstan is 20% in 2020 and 2019.

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 period ended		For the six months period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
<i>In thousands of Tenge</i>				
Profit before tax	19,470,850	11,408,897	35,461,652	27,632,362
Tax at statutory income tax rate of 20%	3,894,170	2,281,779	7,092,330	5,526,472
Adjustments in respect of current income tax of previous year	28,168	-	28,168	(394,644)
Accrual/(reversal) of allowance for doubtful accounts receivable from non-residents	33,863	5,863	(19,034)	(32,347)
Interest income from securities	(167,743)	(85,649)	(236,093)	(167,437)
Other (non-taxable)/non-deductible expenses	(185,066)	37,873	(35,532)	125,978
Income tax expense reported in profit or loss	3,603,392	2,239,866	6,829,839	5,058,022

Tax effect on temporary differences leading to deferred income tax assets and liabilities at 30 June 2020 and 31 December 2019 is provided below:

	Interim consolidated statement of financial position				Interim consolidated statement of comprehensive income For the six months period ended	
	30 June 2020	31 December 2019	30 June 2019	31 December 2017	30 June 2020	30 June 2019
<i>In thousands of Tenge</i>						
Accounts receivable	472,336	208,610	195,973	145,837	263,726	50,136
Accrued liabilities	622,778	602,636	499,120	664,812	20,142	(165,692)
Property, plant and equipment	(90,453,282)	(90,753,059)	(90,128,648)	(90,977,091)	299,777	848,443
Deferred tax benefit					583,645	732,887
Net deferred tax liabilities	(89,358,168)	(89,941,813)	(89,433,555)	(90,166,442)		

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**26. INCOME TAX EXPENSE (continued)**

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

<i>In thousands of Tenge</i>	30 June 2020	31 December 2019
Deferred tax assets	50,603	53,436
Deferred tax liabilities	(89,408,771)	(89,995,249)
Net deferred tax liabilities	(89,358,168)	(89,941,813)

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The payment of dividends by the Group to its shareholders for both 2020 and 2019 does not have any income tax consequences.

27. TRANSACTIONS WITH RELATED PARTIES

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

The following table provides the balances of trade accounts payable to / receivable from related parties as at 30 June 2020 and 31 December 2019:

<i>In thousands of Tenge</i>		Trade accounts receivable from related parties	Trade accounts payable to related parties
Subsidiaries of Samruk-Kazyna Group	30 June 2020	6,313,719	11,086,282
	31 December 2019	4,562,033	5,212,732
Associates of Samruk-Kazyna	30 June 2020	433,080	800,857
	31 December 2019	122,745	469,270
Entities under joint control of Samruk-Kazyna	30 June 2020	225,411	78,809
	31 December 2019	225,098	47,233
Associates of the Group	30 June 2020	50,699	9,029
	31 December 2019	51,357	874

The Group had the following transactions with related parties for the six months period ended 30 June 2020 and 30 June 2019:

<i>In thousands of Tenge</i>		Sales to related parties	Purchases from related parties
Subsidiaries of Samruk-Kazyna Group	2020	29,214,733	25,885,290
	2019	17,703,234	17,403,050
Associates of Samruk-Kazyna	2020	4,903,369	1,548,309
	2019	3,451,097	1,210,500
Entities under joint control of Samruk-Kazyna	2020	2,120,334	22,368
	2019	3,465,600	3,067,276
Associates of the Group	2020	361,107	34,619
	2019	280,108	2,189

The Group's sales to related parties mainly represent electricity transmission, technical dispatch and services on organizing and balancing of electricity production and consumption services. The Group's purchases from related parties mainly represent communication services, energy services and purchase of electricity.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**27. TRANSACTIONS WITH RELATED PARTIES (continued)**

As at 30 June 2020 the Group's borrowings of KZT 43,030,299 thousand were guaranteed by the Government of the Republic of Kazakhstan (31 December 2019: KZT 44,558,028 thousand).

As at 30 June 2020 the Group had accounts receivable for the sale of property, plant and equipment of Balkhash TES JSC, a related party, in the amount of KZT 220,494 thousand (as at 31 December 2019: KZT 220,494 thousand). In accordance with sales agreement Balkhash TES JSC must repay the outstanding balance before the end of 2018. However, as at 30 June 2020 the debt was not paid off. In connection with the suspension of construction of Balkhash TES JSC, the management of the Group made a decision to accrue a provision for receivables of 100%.

On 30 September 2015 the Group has sold buildings and constructions with equipment and land located in Astana city to its related party Kazpost JSC for KZT 2,161,476 thousand. In accordance with sales agreement Kazpost JSC will repay the outstanding balance by equal monthly payments until June 2027. Accordingly, the Group discounted the future cash flows using discount rate of 10.37%, which is the Group Management's best estimate of market rate. As at 30 June 2020 the discount on accounts receivable from Kazpost JSC amounted to KZT 386,574 thousand. As at 30 June 2020 the receivables net of discount comprised KZT 972,535 thousand, of which KZT 792,385 thousand was accounted for within long-term receivables from related parties. During the six months period ended 30 June 2020, the Group recognized income from amortization of a discount on long-term receivables from Kazpost JSC in the amount of KZT 50,246 thousand (during the six months period ended 30 June 2019: KZT 54,417 thousand).

In 2017, the Group entered into a long-term contract with a related party, Samruk-Kazyna Business Contract LLP, for leasing out the rights to use the software. As at 30 June 2020, lease liability of the Group comprised KZT 420,722 thousand (as at 31 December 2019: KZT 419,543 thousand).

Compensation to key management personnel and all related expenses (taxes, contributions, sick leaves, vacation pay, material assistance and others) included in salary expenses in the interim consolidated statement of comprehensive income amounted to KZT 86,221 thousand for the six months period ended 30 June 2020 (for the six months period ended 30 June 2019: KZT 274,363 thousand). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which the borrowings are denominated. The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates with all other variables held constant.

<i>In thousands of Tenge</i>	Increase/(decrease) in basis points*	Effect on profit before tax
For the six months period ended 30 June 2020		
LIBOR	0.35/(0.35)	(149,786)/149,786
EURIBOR	0.15/(0.15)	(29,583)/29,583
Inflation rate in the Republic of Kazakhstan	1%/0%	(474,301)/-
For the six months period ended 30 June 2019		
LIBOR	0.5/(0.15)	(245,339)/73,602
EURIBOR	0.2/(0.01)	(37,357)/1,868
Inflation rate in the Republic of Kazakhstan	1%/0%	(477,782)/-

* 1 basis point = 0.01%.

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Foreign currency risk**

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

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

<i>In thousands of Tenge</i>	Increase/(decrease) in exchange rate	Effect on profit before tax
At 30 June 2020		
US Dollar	12%/ (9%)	(2,110,151)/1,582,613
Euro	12%/ (9%)	(2,366,668)/1,775,001
At 31 December 2019		
US Dollar	12%/ (9%)	(2,368,740)/1,776,555
Euro	12%/ (9%)	(2,245,994)/1,684,496

* In absolute terms increase/(decrease) in exchange rate of Tenge in relation to US Dollar comprised 48.47/(36.35) Tenge;

** In absolute terms increase/(decrease) in exchange rate of Tenge in relation to Euro comprised 54.30/(40.73) Tenge.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables (Note 9) and from its financing activities, including deposits with banks (Notes 11, 12 and 13). The Group's exposure and the creditworthiness of its counterparties are controlled constantly. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to the credit risk is represented by the carrying value of each financial asset (Notes 9, 11, 12 and 13).

Book value of financial assets recognized in the interim consolidated financial statements of the Group less impairment allowance reflects the maximal extent of the Group's credit risk.

An impairment analysis is performed by Group management at each reporting date on an individual basis for all customers based on number of days the receivables are overdue. The calculation is based on actual incurred historical data. The maximum exposure to the credit risk is represented by the carrying value of each class of financial assets disclosed in Note 9. The Group does not hold collateral as security.

During 2016-2018 some banks were deprived of a license to conduct banking and other operations by the National Bank (Note 11).

The Group is exposed to credit risk from its operating activities and investing activities. With regard to investing activities, the Group mainly places deposits with Kazakhstani banks.

The following table shows the balance of cash and cash equivalents and bank deposits placed in banks at the reporting date using the credit rating agency "Standard & Poor's" and "Fitch" less accrued provisions:

<i>In thousands of Tenge</i>	Location	Rating		30 June 2020	31 December 2019
		2020	2019		
Halyk Bank Kazakhstan JSC	Kazakhstan	BB/Stable	BB/Stable	23,240,188	15,190,343
ATF Bank JSC	Kazakhstan	B-/Stable	B-/Stable	12,049,179	11,477,329
ForteBank JSC	Kazakhstan	B/Stable	B+/Stable	20,469,284	12,486,567
Kaspi Bank JSC	Kazakhstan	BB-/Stable	BB-/Stable	4,704,840	-
Bank Center Credit JSC	Kazakhstan	B/Stable	B/Stable	3,235,508	5,193,789
				63,698,999	44,348,028

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Liquidity risk**

The management of the Group has built an appropriate liquidity risk management framework in accordance with the short, medium and long-term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, bank loans and credit lines, by monitoring projected and actual cash flows and comparing maturity dates of financial assets and liabilities.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 (twelve) months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

<i>In thousands of Tenge</i>	On demand	Due more than 1 month but not later than 3 months	Due more than 3 months but not later than 1 year	Due more than 1 year but not later than 5 years	Due more than 5 years	Total
At 30 June 2020						
Borrowings	-	1,600,238	9,571,031	33,340,617	26,691,542	71,203,428
Bonds payable	-	6,431,708	7,244,250	38,636,000	160,952,100	213,264,058
Trade and other accounts payable	-	42,819,699	-	-	-	42,819,699
		50,851,645	16,815,281	71,976,617	187,643,642	327,287,185
At 31 December 2019						
Borrowings	-	1,618,831	5,662,720	38,119,263	27,519,216	72,920,030
Bonds payable	-	1,981,750	5,945,250	31,708,000	139,689,340	179,324,340
Trade and other accounts payable	-	23,389,482	-	-	-	23,389,482
	-	26,990,063	11,607,970	69,827,263	167,208,556	275,633,852

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise the shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a debt to capital ratio, which is debt divided by total capital. The Group's objective is to keep the ratio not higher than 0.5. Debt is considered to be equal to all borrowings and bonds payable. Capital is considered to be equal to the total liabilities and entire equity.

	30 June 2020	31 December 2019
Debt/capital	0.20	0.20
<i>In thousands of Tenge</i>		
	30 June 2020	31 December 2019
Long-term borrowings and long-term bonds payable	146,074,161	140,596,794
Short-term borrowings and short-term bonds payable	13,149,949	9,728,721
Debt	159,224,110	150,325,515
Total liabilities	305,776,775	275,149,697
Equity	497,766,305	481,838,024
Total equity and liabilities	803,543,080	756,987,721

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Fair value hierarchy**

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

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

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

Assets measured at fair value

<i>In thousands of Tenge</i>	30 June 2020	Level 1	Level 2	Level 3
Non-financial assets				
NES assets (Note 6)	584,875,519	-	-	584,875,519

<i>In thousands of Tenge</i>	31 December 2019	Level 1	Level 2	Level 3
Non-financial assets				
NES assets (Note 6)	599,496,951	-	-	599,496,951

Assets for which fair values are disclosed

<i>In thousands of Tenge</i>	31 December 2019	Level 1	Level 2	Level 3
Financial assets				
Other financial assets (Note 11)	74,066,966	-	74,066,966	-

<i>In thousands of Tenge</i>	31 December 2018	Level 1	Level 2	Level 3
Financial assets				
Other financial assets (Note 11)	47,212,505	-	47,212,505	-

Liabilities for which fair values are disclosed

<i>In thousands of Tenge</i>	30 June 2020	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable (Note 16)	96,705,808	-	96,705,808	-
Borrowings (Note 15)	62,518,302	-	62,518,302	-

<i>In thousands of Tenge</i>	31 December 2019	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable (Note 16)	87,316,528	-	87,316,528	-
Borrowings (Note 15)	63,008,987	-	63,008,987	-

For the six months period ended 30 June 2020 and 31 December 2019, there were no transitions between Level 1, 2, and 3 of the fair value of financial instruments.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Fair values of financial instruments**

As at 30 June 2020 and 31 December 2019 the management assessed that the fair value of financial instruments of the Group, such as trade accounts receivable and payable, other financial assets, cash and cash equivalents, cash restricted in use, approximates their carrying amounts largely due to the short-term maturities of these instruments. Borrowings and bonds payable are stated at amortized costs which approximate their fair values.

29. COMMITMENTS AND CONTINGENCIES**Changes in liabilities arising from financing activities**

<i>In thousands of Tenge</i>	1 January 2020	Cash flows	Foreign exchange movement	New leases	Other	30 June 2020
Borrowings	63,008,987	(3,689,150)	3,532,191	–	(333,032)	62,518,996
Bonds payable	87,316,528	9,032,407	–	–	356,873	96,705,808
Lease obligations	419,543	(165,691)	–	152,952	13,918	420,722
Total liabilities from financing activities	150,745,058	5,177,566	3,532,191	152,952	37,759	159,645,526

<i>In thousands of Tenge</i>	1 January 2019	Cash flows	Foreign exchange movement	New leases	Other	30 June 2019
Borrowings	74,301,860	(5,177,897)	(799,582)	–	2,121	68,326,502
Bonds payable	87,757,226	–	–	–	(235,284)	87,521,942
Lease obligations	193,498	(57,222)	–	156,126	27,036	319,438
Total liabilities from financing activities	162,252,584	(11,040,781)	(799,582)	156,126	5,599,535	156,167,882

The Other column shows the amounts received as a result of the reclassification of part of the long-term loans, including lease liabilities, to the short-term over time category. The Group classifies the interest paid as cash flows from operating activities.

Operating environment

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

The Kazakhstan economy has been negatively impacted by a drop in oil prices. Interest rates in Tenge remain high. Combination of these factors resulted in a reduced access to capital, a higher cost of capital, increased uncertainty regarding further economic growth, which could negatively affect the Group's financial position, results of operations and business prospects. Management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

In connection with the recent rapid development of the coronavirus (COVID-19) pandemic, many countries, including the Republic of Kazakhstan, introduced quarantine measures, which had a significant impact on the level and scale of business activity of market participants.

Since March 2020, there has been significant volatility in the stock, foreign exchange and commodity markets, including the depreciation of the Tenge against the US Dollar and the Euro. The extent and duration of these events remains uncertain. However, management does not expect a significant impact on the profit, cash flows and financial condition of the Group.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES (continued)**Taxation**

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including an opinion on the IFRS approach regarding revenue, expenses and other accounts of financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50%-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for 5 calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 30 June 2020.

Compliance with loan covenants

From 1999 till 2011 the Group concluded loan facility agreements with EBRD and IBRD (the "Creditors") of which are effective for the amounts of 214 million US Dollars and 228 million Euro (*Note 15*). According to the Loan facility Agreements concluded between the Group and the Creditors, the Group has to comply with the following covenants:

- Current ratio of not less than 1:1;
- Total debt to total capital of not more than 50%;
- Earnings before interest, income tax, depreciation and amortization ("EBITDA") to interest expense of not less than 3:1;
- Net debt to EBITDA of not more than 4:1.

Management believes that the Group complied with all existing loan covenants with EBRD and IBRD as at 30 June 2020 and 31 December 2019. The Group excludes from EBITDA the foreign exchange loss, as management believes that foreign exchange loss meets definition of non-cash impairment and as such shall be excluded from the calculation of EBITDA as provided in the loan agreement. As of 30 June 2020, the Group excluded from EBITDA the foreign exchange expenses of KZT 1,857,457 thousand (during the six months period ended 30 June 2019: the foreign exchange gain of KZT 486,015 thousand).

Insurance

As at 30 June 2020, the Group insured production assets with a replacement value of KZT 250,897,681 thousand. The insurance payment is limited to the replacement value of property, plant and equipment. The Group does not insure its other property. Since absence of any insurance does not imply a reduction of the cost of assets or origination of liabilities, no provision has been made in these interim consolidated financial statements for unexpected expenses associated with damage or loss of such assets.

Contractual commitments

To ensure the stable and reliable performance of the national electricity grid, the Group developed a capital investment plan. As at 30 June 2020, the Group's outstanding contractual commitments within the frameworks of this plan amount to KZT 54,554,056 thousand (31 December 2019: KZT 52,925,016 thousand).

Due to the fact that a significant part of the plan on capital investments and, open contracts in particular, consist of equipment and spare parts purchased outside of the Republic of Kazakhstan, there is a likelihood of fluctuations in the value of contractual obligations. The main cause of these variations is the effect of changes in exchange rates caused by the transition to the regime of free-floating exchange rate in the framework of the implementation of target-based inflation.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. COMMITMENTS AND CONTINGENCIES (continued)****Contractual commitments (continued)**

Tariffs for the transmission of electrical energy, technical dispatching of grid output and consumption of electrical energy and organization of balancing the production and consumption of electric energy

Tariffs for consumers for 2020, approved by the Committee for the following regulated services of the Group:

- Transmission of electric energy in the amount of KZT 2.797 per kWh;
- Technical dispatching of the grid output and consumption of electric energy in the amount of KZT 0.306 per kWh;
- Organization of balancing the production and consumption of electric energy in the amount of KZT 0.098 per kWh.

Temporary offsetting tariffs for consumers for 2019 approved by the Committee for the following regulated services of the Group:

- For the transmission of electrical energy in the amount of 2.496 Tenge per kWh;
- On technical dispatching of supply to the grid and consumption of electric energy in the amount of 0.237 Tenge per kWh;
- On the organization of balancing the production and consumption of electrical energy in the amount of 0.088 Tenge per kWh.

Tariff on sale of electricity from renewable energy sources

The tariff on sale of electricity, produced by the renewable energy sources, to conditional consumers is calculated in accordance with the *Rules for Determining the Tariff for the Support of Renewable Energy Sources*, approved by the Order of the Ministry of Energy of the Republic of Kazakhstan dated 20 February 2015 No. 118 and the *Rules for Pricing in Socially Significant Markets*, approved by Order of the Minister of National Economy of the Republic of Kazakhstan dated 1 February 2017 No. 36. The tariff on sale of electricity include the costs of the accounting and finance center for the purchase of electricity, produced by the renewable energy facilities, the costs of services for the organization of balancing the production and consumption of electricity, the costs of forming a reserve fund and the costs associated with the activities of the RFC on renewable energy sources.

The management believes that during six months, ended 30 June 2020, the calculation and application of tariffs on sale and purchase of electricity, produced by the renewable energy facilities, was carried out properly and in accordance with applicable norms and legislative acts.

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

The tariff for the service to ensure the readiness of electric power to bear the load is calculated in accordance with the *Rules for Calculating and Posting on the Internet Resource by a Single Purchaser of the Price for the Service to Ensure the Readiness of Electric Power to Bear the Load*, approved by the Order of the Minister of Energy of the Republic of Kazakhstan dated 3 December 2015 No. 685. The calculation of the price for the service to ensure the readiness of electric power to bear the load for the coming calendar year is carried out by RFC LLP on the basis of:

- 1) The weighted average price for the service of maintaining the readiness of electric capacity, formed as a result of centralized trading in electric capacity;
- 2) The weighted average price for the service for maintaining the readiness of electric capacity of all contracts for the purchase of the service for maintaining the readiness of electric capacity, concluded by a single purchaser with the winners of tenders for the construction of generating plants, re-commissioned, with operating energy producing organizations that have entered into an investment agreement for modernization, expansion, reconstruction and (or) renewal with the authorized body, as well as with the existing energy producing organizations, which include combined heat and power plants;
- 3) Forecast applications for the consumption of energy supplying, energy transmission organizations and consumers who are subjects of the wholesale market;
- 4) Predicted demand for electric power for the forthcoming and subsequent calendar years.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES (continued)**Contractual commitments (continued)**

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

RFCs for RES LLP annually, before 1 December, publishes on its Internet resource the price for the service to ensure the readiness of electric power to bear the load for the coming calendar year, together with confirming calculations. The price for the service to ensure the readiness of electric power to bear the load for 2020 is 799,869 Tenge / MW * month (excluding VAT) (2019: 613,413 Tenge / MW * month (excluding VAT)).

Impact of changes in legislation on profit

By order of the Minister of Energy of the Republic of Kazakhstan dated 8 November 2019 No. 361, amendments and additions were made to the order dated 27 February 2015 No. 152 *On Approval of the Rules for the Organization and Functioning of the Electric Power Market* (hereinafter – “the Rules”). One of the additions to the Rules was amending the calculation of the actual volume of services for maintaining the readiness of electric power for energy producing organizations by including an additional coefficient k8. The use of this coefficient in calculating the actual volume of services for maintaining the readiness of electrical capacity in December 2019 significantly influenced the revenue and cost indicators for December 2019 for this type of activity.

Possible further changes in the Rules for the effect of the k8 coefficient may lead to significant changes in the revenue and cost indicators.