Kazakhstan Electricity Grid Operating Company JSC

Interim consolidated financial statements

As at and for the six months ended 30 June 2021
with independent auditor's report

RSM

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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 (the "Group"), which comprise the interim consolidated statement of financial position as at 30 June, 2021, 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 interim consolidated financial position of the Group as at 30 June, 2021, and its interim 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the 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.

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Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment	
As at 30 June 2021, the carrying value of the assets of the National Electricity Grid ("NES") amounted to 566,474,604 thousand tenge (2020: 580,456,916 thousand tenge). The NES assets are accounted at fair value in accordance with the Group's accounting policies. At each reporting date, the Group analyzes to what extent the fair value of NES assets differs significantly from their carrying value. In order to assess the possible fluctuations in the fair values Management of the Group determines the replacement cost of assets most exposed to the risk of changes in fair value. Due to the significance of the carrying amount of the NES assets, as well as significant use of professional judgement and estimates by Management when analyzing changes in the fair value of NES assets, this issue was one of the key audit matters. Information on NES assets and analysis of changes in fair value of NES assets is presented in Note 4 to the interim consolidated financial statements.	We obtained from Management of the Group the analysis of possible changes in the fair value of NES assets. We analyzed assumptions underlying the analysis of Management. Thus, we analyzed the price index assumptions used by the Group in determining the replacement cost. We compared the changes in the tariffs for services provided by the Group, the forecasts of tariff growth in comparison with the current tariffs. We analyzed the information disclosed in Note 4 to the interim consolidated financial statements.
Compliance with covenants under credit facility agreements	
In accordance with the terms of loan agreements and bond programs, the Group is required to comply with certain covenants. Breaching of these covenants can lead to significant fines and penalties, along with funding shortages. In addition, cross-default provisions are in place under credit facility arrangements. Compliance with covenants was one of the matters of most significance in the audit, because it has major impact on the going concern assumption used in preparation of the consolidated financial statements, and on classification of loans and bonds in the consolidated statement of financial position. Compliance with covenants is disclosed in Note 4 to the interim consolidated financial statements.	We examined the terms of credit facilities on covenants, including additional clauses on cross-default conditions. We compared data used in the calculations with the financial statements. We assessed the arithmetic accuracy of calculations based on financial data. We analyzed the forecast based on approved budgets as at 30 June 2021 and if a breach is likely in the next 12 months, we have obtained and analyzed Management's analysis of the potential impact on going concern. We analyzed communication with creditors in respect of compliance with covenants as at 30 June, 2021. We also analyzed the information disclosed in the consolidated interim financial statements.

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

Management is responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free 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 have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

We also provide the charged with governance with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be though to bear on our independence, and where applicable, actions taken to eliminate threats of safeguards applied.

From the matters communicated with the charged with governance, we determine those matters that were of most significant 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 circumstance, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

RSM Qazaqstan LLP

Aisulu Narbayeva
Auditor / General Director
RSM Qazaqstan LLP

Auditor qualification certificate № 0000137
dated October 21,1994

State audit license for audit activities
on the territory of the Republic of Kazakhstan
№ 19024411 issued by the Ministry of finance
of the Republic of Kazakhstan
on 24 December 2019

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

August 6, 2021

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

In thousands of Tenge	**Notes**	**30 June 2021**	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	6	**651,611,969**	652,478,444
Intangible assets		**3,249,316**	3,327,999
Advances paid for non-current assets	6	**8,292,231**	4,126,292
Deferred tax asset	25	**356,093**	159,652
Investments in associate	7	**2,228,781**	2,017,593
Long-term receivables from related parties	26	**689,319**	742,477
Other financial assets, non-current portion	11	**32,315,249**	32,340,094
		698,742,958	695,192,551
Current assets			
Inventories	8	**3,598,907**	2,549,293
Trade accounts receivable	9	**35,027,174**	28,603,307
VAT recoverable and other prepaid taxes		**2,133,825**	477,893
Prepaid income tax		**871,609**	1,017,708
Other current assets	10	**3,322,996**	2,945,237
Other financial assets, current portion	11	**42,907,633**	58,801,720
Restricted cash	12	**535,765**	552,586
Cash and cash equivalents	13	**45,897,109**	21,867,205
		134,295,018	116,814,949
Assets held for transfer		**–**	5,126
Total assets		**833,037,976**	812,012,626

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	**Notes**	**30 June 2021**	31 December 2020
Equity and liabilities			
Equity			
Share capital	14	**126,799,554**	126,799,554
Treasury shares	14	**(930)**	(930)
Asset revaluation reserve	14	**309,781,318**	309,836,582
Retained earnings		**74,005,448**	65,921,264
		510,585,390	502,556,470
Non-current liabilities			
Borrowings, non-current portion	15	**42,893,742**	49,843,453
Bonds payable, non-current portion	16	**101,244,492**	92,717,685
Deferred tax liability	25	**88,804,722**	89,323,835
Long-term trade payable	17	**5,972,684**	7,651,017
Government grant, non-current portion		**13,899**	29,113
Lease liabilities, non-current portion	26	**–**	99,406
Other payables, non-current portion		**85,606**	102,412
		239,015,145	239,766,921
Current liabilities			
Borrowings, current portion	15	**14,206,810**	14,334,439
Bonds payable, current portion	16	**4,133,311**	4,138,458
Trade and other accounts payable, current portion	17	**55,984,706**	40,884,883
Contract liabilities		**2,526,358**	3,336,881
Government grant, current portion		**30,430**	30,430
Lease liabilities, current portion	26	**301,251**	462,359
Taxes payable other than income tax	18	**2,384,260**	2,028,506
Income tax payable		**1,105,933**	52,818
Other current liabilities	19	**2,764,382**	4,420,461
		83,437,441	69,689,235
Total liabilities		**322,452,586**	309,456,156
Total equity and liabilities		**833,037,976**	812,012,626
Book value per ordinary share (in Tenge)	14	**1,951**	1,920

The accounting policies and explanatory notes on pages 7 to 54 are an integral part of these interim consolidated financial statements.

Acting chairman of the Management Board _______________ *Botabekov A.T.*

Chief Accountant _______________ *Mukanova D.T.*

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2021

		For the three months period ended 30 June		For the six months period ended 30 June	
In thousands of Tenge	**Notes**	**2021**	2020	**2021**	2020
Revenue from contracts with customers	20	**99,281,503**	83,570,522	**185,144,233**	167,220,844
Cost of sales	21	**(78,943,243)**	(64,931,802)	**(147,721,739)**	(123,536,322)
Gross profit		**20,338,260**	18,638,720	**37,422,494**	43,684,522
General and administrative expenses	22	**(1,805,397)**	(1,717,935)	**(3,594,998)**	(3,429,404)
Selling expenses		**(84,650)**	(78,657)	**(167,787)**	(158,090)
(Charge)/reversal of impairment of property plant and equipment		**(8,070)**	3	**(99,027)**	3
Operating profit		**18,440,143**	16,842,131	**33,560,682**	40,097,031
Finance income	23	**1,946,702**	1,827,524	**3,853,022**	2,889,751
Finance costs	23	**(2,907,218)**	(2,768,068)	**(5,872,088)**	(5,503,654)
Foreign exchange (loss)/gain, net	24	**(427,837)**	3,560,986	**134,678**	(1,857,457)
Share in profit of an associate	7	**81,805**	78,708	**211,188**	144,823
Other income		**451,272**	150,622	**3,279,967**	398,543
Other expenses		**(130,284)**	(86,484)	**(255,668)**	(246,135)
Accrual of provision for expected credit losses	9, 10, 11, 12, 13	**(382,487)**	(134,569)	**(1,316,310)**	(461,250)
Profit before tax		**17,072,096**	19,470,850	**33,595,471**	35,461,652
Income tax expense	25	**(2,894,924)**	(3,603,392)	**(6,064,055)**	(6,829,839)
Profit for the reporting period		**14,177,172**	15,867,458	**27,531,416**	28,631,813
Total comprehensive income		**14,177,172**	15,867,458	**27,531,416**	28,631,813
Earnings per share					
Basic and diluted profit for the period attributable to ordinary equity holders (in Tenge)	14	**54.53**	61.03	**105.89**	110.12

The accounting policies and explanatory notes on pages 7 to 54 are an integral part of these interim consolidated financial statements.

Acting chairman of the Management Board ______ *Botabekov A.T.*

Chief Accountant ______ *Mukanova D.T.*

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2021

In thousands of Tenge	Notes	For the six months period ended 30 June 2021	2020
Operating activities			
Profit before tax		**33,595,471**	35,461,652
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation		**17,142,099**	16,781,559
Finance costs	23	**5,872,088**	5,503,654
Finance income	23	**(3,853,022)**	(2,889,751)
Foreign exchange loss/(gain), net	24	**(134,678)**	1,857,457
Accrual of provision for expected credit losses		**1,316,310**	461,250
(Reversal)/accrual of allowance for obsolete inventories	22	**(13,605)**	37,744
Loss on disposal of property, plant and equipment and intangible assets		**25,969**	144,336
Reversal of impairment of property, plant and equipment	6	**99,027**	(3)
Share in profit of an associate	7	**(211,188)**	(144,823)
Income from government grants		**(15,215)**	(15,215)
Working capital adjustments			
Change in inventories		**(1,036,009)**	(1,227,547)
Change in trade accounts receivable		**(5,500,508)**	(15,785,953)
Change in VAT recoverable and other prepaid taxes		**(1,655,932)**	425,870
Change in other current assets		**(497,151)**	(878,676)
Change in trade and other accounts payable		**19,106,671**	25,009,016
Change in contract liabilities		**(810,523)**	1,641,648
Change in taxes payable other than income tax		**355,835**	34,515
Change in other current liabilities		**(1,643,446)**	(393,896)
Change in other non-current liabilities		**(16,806)**	–
		62,125,387	66,022,837
Interest paid		**(638,415)**	(1,280,619)
Coupon interest paid		**(5,438,832)**	(3,752,500)
Lease interest paid		**(29,428)**	(8,230)
Payment of bank guarantee fees		**(492,449)**	(463,423)
Income tax paid		**(5,392,231)**	(4,524,159)
Interest received		**2,725,570**	1,911,992
Net cash flows received from operating activities		**52,859,602**	57,905,898

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Notes	For the six months period ended 30 June 2021	2020
Investing activities			
Withdrawal of bank deposits		**33,439,851**	17,688,596
Replenishment of bank deposits		**(25,455,956)**	(26,091,447)
Change in restricted cash		**–**	4,199,684
Proceeds from sale of property, plant and equipment and intangible assets		**105,424**	98,249
Purchase of property, plant, equipment		**(28,085,832)**	(15,509,681)
Purchase of intangible assets		**(23,521)**	(35,547)
Repayment of loans to employees		**–**	184
Acquisition of debt securities (Notes of National Bank)		**(41,134,674)**	(47,081,964)
Repayment of debt securities (Notes of National Bank)		**50,530,920**	30,000,000
Partial return of funds from KazInvestBank JSC and Eximbank Kazakhstan JSC	11	**46,736**	11,330
Partial refund of funds to KIB, Eximbank		**152,453**	104,297
Net cash flows used in investing activities		**(10,424,599)**	(36,616,299)
Financing activities			
Issue of bonds	16	**8,649,305**	9,032,407
Dividends paid	14	**(19,502,496)**	(12,703,475)
Repayment of borrowings		**(7,305,742)**	(3,689,150)
Principal repayment of lease liabilities		**(252,415)**	(165,691)
Net cash flows used in financing activities		**(18,411,348)**	(7,525,909)
Net change in cash and cash equivalents		**24,023,655**	13,763,690
Effect of exchange rate changes on cash and cash equivalents		**16,012**	485,116
Effect of accrual of provision on expected credit losses on cash and cash equivalents	13	**(9,763)**	5,893
Cash and cash equivalents, as at 1 January		**21,867,205**	21,179,282
Cash and cash equivalents, as at 30 June	13	**45,897,109**	35,433,981

The accounting policies and explanatory notes on pages 7 to 54 are an integral part of these interim consolidated financial statements.

Acting chairman of the Management Board ____________ *Botabekov A.T.*

Chief Accountant ____________ *Mukanova D.T.*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2021

In thousands of Tenge	Share capital	Asset revaluation reserve	Treasury shares	Retained earnings	Total
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**
As at 1 January 2021	126,799,554	309,836,582	(930)	65,921,264	502,556,470
Profit for the period	–	–	–	**27,531,416**	**27,531,416**
Total comprehensive income	–	–	–	**27,531,416**	**27,531,416**
Transfer of asset revaluation reserve *(Note 14)*	–	**(55,264)**	–	**55,264**	–
Dividends *(Note 14)*	–	–	–	**(19,502,496)**	**(19,502,496)**
As at 30 June 2021	**126,799,554**	**309,781,318**	**(930)**	**74,005,448**	**510,585,390**

The accounting policies and explanatory notes on pages 7 to 54 are an integral part of these interim consolidated financial statements.

Acting chairman of the Management Board *Botabekov A.T.*

Chief Accountant *Mukanova D.T.*

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2021

1. GENERAL INFORMATION

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

As at 30 June 2021 the Company's major shareholder was Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

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

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

As at 30 June 2021 and 31 December 2020 the Company has stakes in the following subsidiaries:

		Percentage of ownership	
Companies	**Activities**	**30 June 2021**	31 December 2020
Energoinform JSC	Maintenance of the KEGOC's IT system	**100%**	100%
Financial Settlement 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 27 December 2018 No. 204-VI LRK *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 (hereafter referred as the "Committee" or "CRNM").
- *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 sustainable balance of the reliability of the power system of the Republic of Kazakhstan. Balance sustainbility 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 approved by the Acting chairman of the Management Board and Chief Accountant of the Company on 6 August 2021.

2. BASIS OF PREPARATION

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

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

Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the following term apply:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the 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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as at 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

In 2021, the Group first applied the amendments and clarifications below, but they did not have an impact on its interim consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 4, IFRS 7, IFRS 9, IAS 39, and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group’s financial statement.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.The amendments are not applied to the Group.

Current versus non-current classification

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

The Group measures financial instruments, such as financial assets measured at fair value at each reporting date, and non-financial assets (NES assets) at fair value when fair value differs materially from their carrying value. Also, fair values of financial instruments measured at amortized cost are disclosed in *Note 27*.

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:

Exchange rate as at the end of the period (to KZT)	**30 June 2021**	31 December 2020
USD 1	**427.89**	420.91
EUR 1	**508.85**	516.79
RUR 1	**5.85**	5.62

Average exchange rate for the six months period (to KZT)	**30 June 2021**	31 December 2020
USD 1	**424.20**	412.95
EUR 1	**511.24**	471.44
RUR 1	**5.71**	5.73

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
Facilities	10-30 years
Substation 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 24 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

Impairment losses of continuing operations, including impairment on inventories, are recognised in the 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.

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

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

Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement (continued)

Financial assets (continued)

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

Derecognition

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

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

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

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

Recognition of expected credit losses

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

Impairment

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments − initial recognition and subsequent measurement (continued)

Financial assets (continued)

Impairment (continued)

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

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

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

Financial liabilities

Initial recognition and measurement

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

Financial liabilities are 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:

<u>Borrowings and bonds- issued</u>

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.

<u>Trade and other payables</u>

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial 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.

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

Trade receivables

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

Contract liabilities

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

Interest income

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

Borrowing costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease

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

The Group as a lessee

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

i) Right-of-use assets

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

- Software – 5 year

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

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

ii) Lease liabilities

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension obligations

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees' salaries, but no more than KZT 212,500 per month (2020: 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.

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.

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 at 30 June 2021, and 31 December 2020, 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 the carrying amount is not significantly differs from the fair value of NES assets as at 30 June 2021.

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.

Fair value of financial instruments

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

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

Fair value of financial instruments (continued)

Bonds DSFK

On 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 2021 DSFK bonds are non-recoverable. Accordingly, management of the Group believes that fair value of DSFK bonds is limited to their recoverable amount that is equal to the fair value of the guarantee. The Group does not hold the bonds for all contractual cash flows, so as at 30 June 2021, the bonds were classified as financial instruments at fair value through profit or loss. As at 30 June 2021, the Group revalued the fair value of the bonds at a discount rate of 12,5%, which represents the market discount rate as at 30 June 2021.

Samruk-Kazyna Bonds

On 3 December, 2020, the Group acquired coupon bonds of SWF Samruk-Kazyna JSC in the amount of 16,000,000 at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange. The bonds are valid until 3 December 2023. The bonds were classified at amortized cost and were initially recognized at fair value using discount calculated at a market rate of 10.9%.

On 7 December, 2020, the Group purchased 14,000,000 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit from Freedom Finance JSC. The bonds are valid until 3 December 2023. The bonds were classified at amortized cost and were initially recognized at fair value using discount calculated at a market rate of 10,9%.

Purchase and sale of electricity generated by renewable energy facilities

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

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

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

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

Determination of the lease component in renewable energy purchase agreements

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

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

Determination of the lease component in renewable energy purchase agreements (continued)

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

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:

	For the six months period ended	
In thousands of Tenge	**30 June 2021**	30 June 2020
Revenue from Kazakhstan customers	**176,558,874**	158,725,601
Revenue from Russian customers	**7,920,990**	8,121,097
Revenue from Uzbekistan customers	**630,554**	370,351
Revenue from Kyrgyz customers	**33,815**	3,795
Total revenue per interim consolidated statement of comprehensive income	**185,144,233**	167,220,844

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

For the six months period ended 30 June 2021 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to KZT 32,942,366 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 2020: KZT 25,159,908 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 sustainability of the power system of the Republic of Kazakhstan. Balance sustainability refers to the ability of a power system to meet consumer demand for electricity at any given time;

5. OPERATING SEGMENTS INFORMATION (continued)

Operating segments (continued)

- *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)

	For the six months period ended 30 June 2021					
In thousands of Tenge	Electricity transmission and related support services	Ensure readiness of electricity capacity to bear the power load	Sale of purchased electricity	Other	Elimination	Total
Revenue from sales to external customers	**86,822,685**	**36,962,089**	**61,062,863**	**296,596**	**–**	**185,144,233**
Revenue from sales to other segments	**169,790**	**1,994,043**	**19,554**	**3,298,382**	**(5,481,769)**	**–**
Total revenue	**86,992,475**	**38,956,132**	**61,082,417**	**3,594,978**	**(5,481,769)**	**185,144,233**
Gross profit	**35,457,696**	**502,343**	**824,023**	**1,101,991**	**(463,559)**	**37,422,494**
Amortization and depreciation	**(17,073,763)**	**(6,458)**	**–**	**(93,482)**	**31,604**	**(17,142,099)**
Accrual of expected credit losses for doubtful debts	**(319,608)**	**(191,831)**	**(850,793)**	**(28,985)**	**–**	**(1,391,217)**
Finance income	**2,870,631**	**832,622**	**100,563**	**49,206**	**–**	**3,853,022**
Finance costs	**(5,858,308)**	**(7,020)**	**–**	**(6,760)**	**–**	**(5,872,088)**
Share in profit of an associate	**211,188**	**–**	**–**	**–**	**–**	**211,188**
Income tax expense	**(5,409,098)**	**(213,446)**	**(4,329)**	**(437,182)**	**–**	**(6,064,055)**
Total net income	**24,339,574**	**854,824**	**17,338**	**1,997,595**	**322,085**	**27,531,416**
Other segment information						
Total segment assets	**761,952,364**	**35,759,643**	**30,512,573**	**6,921,765**	**(2,108,369)**	**833,037,976**
Total segment liabilities	**276,648,442**	**18,471,643**	**27,194,049**	**1,075,982**	**(937,530)**	**322,452,586**
Purchase of non-current assets	**17,645,208**	**–**	**–**	**–**	**–**	**–**
Investments in an associate	**2,228,781**	**–**	**–**	**–**	**–**	**2,228,781**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS INFORMATION (continued)

Operating segments (continued)

	For the six months period ended 30 June 2020					
In thousands of Tenge	Electricity transmission and related support services	Ensure readiness of electricity capacity to bear the power load	Sale of purchased electricity	Other	Elimination	Total
Revenue from sales to external customers	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
Amortization and depreciation	(17,021,765)	(6,543)	–	(82,093)	328,842	(16,781,559)
Accrual of expected credit losses for doubtful debts	(372,546)	31,814	(28,033)	17,714	–	(351,051)
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
Income tax expense	(5,692,844)	(1,290,153)	243,173	(90,015)	–	(6,829,839)
Total net income	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
Purchase of non-current assets	4,967,629	–	–	62,660	(125,913)	4,904,376
Investments in an associate	1,803,968	–	–	–	–	1,803,968

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

In thousands of Tenge	Land	Buildings	NES assets	Vehicles and other property, plant and equipment	Construction-in-progress	Total
Cost						
As at 1 January 2020	1,910,256	18,736,506	1,168,404,052	41,824,517	16,997,067	1,247,872,398
Additions	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
As at 1 January 2021	1,965,212	18,716,304	1,177,808,066	45,140,958	35,810,371	1,279,440,911
Additions	**–**	**249,025**	**–**	**308,361**	**15,725,743**	**16,283,129**
Transfers	**–**	**70,374**	**1,204,319**	**1,267,204**	**(2,541,897)**	**–**
Transfers to intangible assets	**–**	–	–	–	**(35,763)**	**(35,763)**
Disposals	**–**	**(22,985)**	**(175,475)**	**(244,134)**	**(150,277)**	**(592,871)**
As at 30 June 2021	**1,965,212**	**19,012,718**	**1,178,836,910**	**46,472,389**	**48,808,177**	**1,295,095,406**
Accumulated depreciation and impairment						
As at 1 January 2020	–	(4,648,512)	(568,907,101)	(22,524,101)	(221,694)	(596,301,408)
Charge for the period	–	(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)
As at 1 January 2021	–	(4,504,237)	(597,351,150)	(24,866,176)	(240,904)	(626,962,467)
Charge for the period	**–**	**(217,377)**	**(15,124,144)**	**(1,449,058)**	**–**	**(16,790,579)**
Transfers		**135**	**(135)**	**–**	**–**	**–**
Disposals	**–**	**13,549**	**113,123**	**241,964**	**–**	**368,636**
Impairment	**–**	**–**	**–**	**–**	**(99,027)**	**(99,027)**
As at 30 June 2021	**–**	**(4,707,930)**	**(612,362,306)**	**(26,073,270)**	**(339,931)**	**(643,483,437)**
Net book value						
As at 1 January 2020	1,910,256	14,087,994	599,496,951	19,300,416	16,775,373	651,570,990
As at 30 June 2020	1,956,039	14,067,814	584,875,519	19,135,624	19,280,824	639,315,820
As at 1 January 2021	1,965,212	14,212,067	580,456,916	20,274,782	35,569,467	652,478,444
As at 30 June 2021	**1,965,212**	**14,304,788**	**566,474,604**	**20,399,119**	**48,468,246**	**651,611,969**

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

In thousands of Tenge	**30 June 2021**	31 December 2020
Cost	**422,416,670**	421,253,836
Accumulated depreciation	**(130,191,368)**	(124,078,236)
Net book value	**292,225,302**	297,175,600

As at 30 June 2021 and 31 December 2020 the cost of fully amortised property, plant and equipment, which is still in use amounted to KZT 48,254,006 thousand and KZT 43,753,588 thousand, respectively.

Capitalized costs on issued bonds

During the six months period ended 30 June 2021 the Group capitalized the cost of coupon interest on issued bonds (less investment income) amounted to KZT 672,348 thousand (for the six months period ended 30 June 2020: KZT 30,286 thousand) *(Note 16)*.

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 at 30 June 2021, advances paid for non-current assets are mainly represented by advances paid to suppliers for construction work and services under the project “Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches “Aktobe MES”, “Sarbayskie MES”, “Western MES” branches (stage 1)”, “Strengthening of the external power supply scheme of Turkestan. Construction of power grid facilities” and “Strengthening the power grid of the Western zone of UES of Kazakhstan. Construction of power grid facilities”.

7. INVESTMENTS IN ASSOCIATE

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

In thousands of Tenge	**30 June 2021**	31 December 2020
Statement of financial position		
Current assets	**16,458,261**	17,139,259
Non-current assets	**13,966,756**	17,309,889
Current liabilities	**(5,284,553)**	(7,440,560)
Non-current liabilities	**(13,996,558)**	(16,920,626)
Net assets	**11,143,906**	10,087,962

In thousands of Tenge	**30 June 2021**	31 December 2020
Group’s share in net assets	**2,228,781**	2,017,593
Carrying amount of the investments	**2,228,781**	2,017,593

In thousands of Tenge	**30 June 2021**	31 June 2020
Statement of comprehensive income		
Revenue	**4,433,159**	4,617,186
Net profit	**1,055,940**	724,115
Group’s share in profit of Batys Transit	**211,188**	144,823

As at 30 June 2021 and 31 December 2020, 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. As at 30 June 2021, Batys Transit has not received written consent from the Eurasian Development Bank. Dividends receivable in the amount of KZT 203,095 thousand were included in the consolidated interim statement of financial position as at 30 June 2021.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVENTORIES

In thousands of Tenge	**30 June 2021**	31 December 2020
Raw and other materials	**1,829,143**	1,441,729
Spare parts	**1,801,865**	1,113,256
Fuel and lubricants	**104,949**	84,148
Other inventory	**212,587**	273,433
Less: allowance for obsolete inventories	**(349,637)**	(363,273)
	3,598,907	2,549,293

Movement in the allowance for obsolete inventories was as follows:

In thousands of Tenge	**2021**	2020
At 1 January	**363,273**	313,118
Charge *(Note 22)*	**39,639**	57,080
Reversal *(Note 22)*	**(53,244)**	(19,336)
Wrote off	**(31)**	–
At 30 June	**349,637**	350,862

9. TRADE ACCOUNTS RECEIVABLE

In thousands of Tenge	**30 June 2021**	31 December 2020
Trade accounts receivable	**39,193,475**	31,505,569
Less: provision for expected credit losses	**(4,166,301)**	(2,902,262)
	35,027,174	28,603,307

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

In thousands of Tenge	**2021**	2020
At 1 January	**2,902,262**	2,104,309
Charge	**1,515,833**	812,065
Reversal	**(247,143)**	(508,200)
Write-off	**(4,651)**	–
At 30 June	**4,166,301**	2,408,174

As at 30 June 2021, trade receivables included accounts receivable from the customer National Electric Grids of Uzbekistan JSC in the amount of KZT 1,498,945 thousand (31 December 2020: KZT 1,721,705 thousand).

As at 30 June 2021, the provision for expected credit losses on receivable from National Electric Grids of Uzbekistan JSC amounted to KZT 1,490,127 thousand (31 December 2020: KZT 1,466,984 thousand).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE ACCOUNTS RECEIVABLE (continued)

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

		Trade accounts receivables				
			Days past due			
In thousands of Tenge	Total	Current	30-90 days	91-180 days	181-270 days	Above 271 days
30 June 2021						
Percentage of expected credit losses	**10.63%**	**0.38%**	**7.07%**	**27.11%**	**67.04%**	**96.93%**
Estimated total gross carrying amount at default	**39,193,475**	**32,819,672**	**1,717,216**	**676,032**	**401,632**	**3,578,923**
Expected credit losses	**(4,166,301)**	**(123,334)**	**(121,338)**	**(183,257)**	**(269,245)**	**(3,469,127)**
	35,027,174	**32,696,338**	**1,595,878**	**492,775**	**132,387**	**109,796**
31 December 2020						
Percentage of expected credit losses	9.21%	0.75%	14.06%	19.89%	32.29%	99.12%
Estimated total gross carrying amount at default	31,505,569	26,405,391	1,090,797	1,233,908	667,744	2,107,729
Expected credit losses	(2,902,262)	(198,706)	(153,340)	(245,440)	(215,639)	(2,089,137)
	28,603,307	26,206,685	937,457	988,468	452,105	18,592

Trade accounts receivable were denominated in the following currencies:

In thousands of Tenge	30 June 2021	31 December 2020
Tenge	**34,082,077**	27,812,664
Russian Rouble	**936,311**	535,922
US Dollars	**8,786**	254,721
	35,027,174	28,603,307

10. OTHER CURRENT ASSETS

In thousands of Tenge	30 June 2021	31 December 2020
Advances paid for goods and services	**2,623,499**	2,216,768
Other receivables for property, plant and equipment and construction in progress	**407,149**	399,974
Deferred expenses	**211,606**	166,970
Loans issued to employees	**469**	469
Other	**773,955**	769,850
Less: provision for expected credit losses	**(693,682)**	(608,794)
	3,322,996	2,945,237

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

In thousands of Tenge	2021	2020
At 1 January	**608,794**	472,349
Charge	**140,885**	90,274
Reversal	**(18,358)**	(43,087)
Usage	**(37,639)**	–
At 30 June	**693,682**	519,536

11. OTHER FINANCIAL ASSETS

In thousands of Tenge	**30 June 2021**	31 December 2020
Financial assets at amortised cost		
Bonds of Samruk-Kazyna	**30,164,203**	30,213,089
Bank deposits	**22,059,420**	29,656,027
Notes of the National Bank of the Republic of Kazakhstan	**20,570,644**	28,823,615
Placements with Eximbank Kazakhstan	**2,448,211**	2,572,504
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1,840,386**	1,816,832
Placements with DeltaBank JSC	**1,230,000**	1,230,000
Placements with Kazinvestbank JSC	**1,213,113**	1,219,017
Interest accrued on Samruk-Kazyna bonds	**254,334**	254,334
Dividends receivable from an associate	**203,095**	203,095
Interest accrued on Ministry of Finance Eurobonds	**18,095**	17,163
Less: provision for impairment of placements with Eximbank Kazakhstan	**(2,448,211)**	(2,572,504)
Less: provision for impairment of placements with Deltabank JSC	**(1,230,000)**	(1,230,000)
Less: provision for impairment of placements with Kazinvestbank JSC	**(1,213,113)**	(1,219,017)
Less: provision for expected credit losses	**(198,024)**	(152,516)
	74,912,153	90,831,639
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	**310,729**	310,175
	310,729	310,175
Total other financial assets	**75,222,882**	91,141,814
Other current financial assets	**42,907,633**	58,801,720
Other non-current financial assets	**32,315,249**	32,340,094
Total other financial assets	**75,222,882**	91,141,814

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

In thousands of Tenge	**2021**	2020
At 1 January	**5,174,037**	5,632,274
Charge	**269,823**	442,012
Reversal	**(354,512)**	(900,249)
At 30 June	**5,089,348**	5,174,037

Bonds of Samruk-Kazyna JSC

On 3 December 2020, the Group purchased 16,000,000 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange. The bond circulation period is 3 December 2023. The bond were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

On 7 December 2020, the Group purchased 14,000,000 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit from Freedom Finance JSC. The bond circulation is 3 December 2023. The bonds were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

At initial recognition on purchased coupon bonds a premium of KZT 213,089 thousand was accrued. For the six months period ended 30 June 2021 the amount of premium amortization was KZT 48,886 thousand.

Bonds of Special Financial Company DSFK LLP

During the six months period ended 30 June 2021, Special Financial Company DSFK LLP redeemed bonds amounting to KZT 46,736 thousand.

As at 30 June 2021, the Group reassessed the fair value of bonds and increased their carrying amount to KZT 310,729 thousand, recognizing gain from revaluation of financial instruments in the amount of KZT 47,224 thousand as finance income in the interim consolidated statement of comprehensive income *(Note 23)*.

11. OTHER FINANCIAL ASSETS (continued)

Deposits

As at 30 June 2021 and 31 December 2020 the deposits include accrued interest income in the amount of KZT 38,234 thousand and KZT 65,981 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%.

During the six months of 2021 the Liquidation Committee of Eximbank Kazakhstan **JSC** made payment to the Group in the amount of 342 thousand US Dollars (equivalent to **KZT 144,600 thousand** as **of** the **date of payment**) in accordance with the approved **register of creditors' claims** dated 13 June 2019. The Group recognised **a corresponding** reversal of **the allowance for impairment losses (**6 months of **2020: 149** thousand US dollars, equivalent to **KZT 56,839** thousand as **of** the date of payment**).**

Notes of the National Bank of the Republic of Kazakhstan

During the 2020 year, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan at the Auction of the National Bank of the Republic of Kazakhstan and Kazakhstan Stock Exchange JSC. The circulation period of the notes of the National Bank of the Republic of Kazakhstan was from 15 May 2020 to 25 June 2021. During the year ended 31 December 2020, a finance income of KZT 1,399,121 thousand was recognized.

During 6 **months period ended 30 June 2021**, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan at a price lower than the nominal value at the Auction of the National Bank of the Republic of Kazakhstan and Kazakhstan Stock Exchange JSC. The circulation period of notes of the National Bank of the Republic of Kazakhstan is from 25 January 2021 till 24 December 2021. During the reporting period, a finance income of KZT 1,143,276 thousand was recognized.

Kazinvestbank JSC

On 20 March 2020 and 21 April 2020, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 43.5 thousand US Dollars (equivalent to KZT 14,033 thousand as of the date of payment using exchange rate of 322.27 KZT per USD) and in the amount of KZT 222.4 thousand, respectively.. On 19 October 2020 the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 18,9 thousand US Dollars (equivalent to KZT 6,085 thousand as of the date of payment using exchange rate of 322.27 KZT per USD) and in the amount of KZT 96,4 thousand, respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

On 30 March 2021 and 2 April 2021, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of KZT 92,1 thousand and in the amount of 18,035.69 thousand US Dollars (equivalent to KZT 7,699 thousand as of the date of payment), respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On 26 April 2019, the Group acquired Eurobonds of the Ministry of Finance of the Republic of Kazakhstan 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:

In thousands of Tenge	**Interest rate**	**30 June 2021**	31 December 2020
Tenge	5.7–10.9%	**52,035,320**	64,453,314
US Dollars	1 – 3.875%	**23,187,562**	26,688,500
		75,222,882	91,141,814

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. RESTRICTED CASH

In thousands of Tenge	**30 June 2021**	31 December 2020
Cash reserved for return on guarantee obligations	**536,482**	553,284
Less: provision for expected credit losses	**(717)**	(698)
	535,765	552,586

During reporting period, interest was not charged on restricted cash.

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

In thousands of Tenge	**2021**	2020
At 1 January	**698**	8,467
Charge	**21**	667
Reversal	**(2)**	(8,624)
At 30 June	**717**	510

13. CASH AND CASH EQUIVALENTS

In thousands of Tenge	**30 June 2021**	31 December 2020
Current accounts with banks, in Tenge	**22,480,373**	10,816,529
Short-term deposits, in Tenge	**18,744,513**	10,812,426
Current accounts with banks, in foreign currencies	**4,682,495**	244,835
Cash on hand, in Tenge	**7,543**	1,828
Cash at special accounts, in Tenge	**1,113**	752
Less: provision for expected credit losses	**(18,928)**	(9,165)
	45,897,109	21,867,205

As at 30 June 2021 the Group placed short-term deposits with banks at 7.75%-8% per annum, and current accounts with banks at 8.25% per annum.

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

In thousands of Tenge	**2021**	2020
As at 1 January	**9,165**	19,236
Charge	**13,172**	6,091
Reversal	**(3,409)**	(11,984)
As at 30 June	**18,928**	13,343

As at 30 June 2021 and 31 December 2020, cash and cash equivalents were denominated in the following currencies:

In thousands of Tenge	**30 June 2021**	31 December 2020
Tenge	**41,220,557**	21,622,663
US Dollars	**4,439,060**	20,991
Russian Rouble	**237,106**	223,177
Euro	**1**	1
Others	**385**	373
	45,897,109	21,867,205

14. EQUITY

As at 30 June 2021 and 31 December 2020 share capital of the Group comprised of 260,000,000 shares for the total amount of KZT 126,799,554 thousand that were issued and fully paid.

Treasury shares

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

Dividends

In May 2020, shareholders approved the distribution of 74% of net profit for 2019 minus the amount of net profit distributed for the first half of 2019. The amount to be paid was KZT 12,703,475 thousand to all common shareholders of the Group, which is KZT 48.86 per ordinary share.

In November 2020, shareholders approved the distribution of 70% of net profit for first half 2020 The amount to be paid amounted to KZT 20,043,293 thousand for all common shareholders of the Group, which is equal to KZT 77.09 per ordinary share.

In May 2021, shareholders approved the distribution of net profit for 2020 less the amount of net profit distributed for the first half of 2020. The dividends to be paid amounted to KZT 19,502,496 thousand for all common shareholders of the Group, which is equal to KZT 75.01 per ordinary share. The total distribution for 2020 resulted to 74% of net income for the year.

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 2021 (for the six months period ended 30 June 2020: 259,998,610 shares). For the six months period ended 30 June 2021 and 2020 basic and diluted earnings per share were KZT 105.89 and KZT 110.12, respectively.

Book value per share

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

In thousands of Tenge	**30 June 2021**	31 December 2020
Total assets	**833,037,976**	812,012,626
Less: intangible assets	**(3,249,316)**	(3,327,999)
Less: total liabilities	**(322,452,586)**	(309,456,156)
Net assets	**507,336,074**	499,228,471
Number of ordinary shares	**260,000,000**	260,000,000
Book value per ordinary share, Tenge	**1.951**	1.920

Asset revaluation reserve

Asset revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group's NES assets as at 1 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 2021 amounted to KZT 55,264 thousand (for the six months period ended 30 June 2020: KZT 82,197 thousand).

15. BORROWINGS

In thousands of Tenge	**30 June 2021**	31 December 2020
International Bank of Reconstruction and Development (IBRD)	**39,364,545**	41,647,967
European Bank of Reconstruction and Development (EBRD)	**17,736,007**	22,529,925
	57,100,552	64,177,892
Less: current portion of loans repayable within 12 months	**(14,206,810)**	(14,334,439)
	42,893,742	49,843,453

As at 30 June 2021 and 31 December 2020 the accrued and unpaid interest amounts to KZT 262,497 thousand and KZT 343,237 thousand, respectively. As at 30 June 2021 and 31 December 2020 the unamortized portion of loan origination fees amounts to KZT 263,006 thousand and KZT 285,919 thousand, respectively.

Loans were denominated in the following currencies:

In thousands of Tenge	**30 June 2021**	31 December 2020
US Dollars	**39,364,545**	41,647,967
Euro	**17,736,007**	22,529,925
	57,100,552	64,177,892

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

In 2005 for the purpose of implementation of the Phase II of the “Construction of the second North-South 500 kW Electricity Transmission line”, the Group received a credit line facility of 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 2021 and 31 December 2020 are USD 12,273 thousand (equivalent to KZT 5,251,379 thousand) and USD 16,351 thousand (equivalent to KZT 6,882,125 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 had available 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 2021 and 31 December 2020 are Euro 34,503 thousand (equivalent to KZT 17,557,154 thousand) and Euro 43,130 thousand (equivalent to KZT 22,288,891 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 2021 and 31 December 2020 are USD 30,190 thousand (equivalent to KZT 12,918,051 thousand) and USD 31,308 thousand (equivalent to KZT 13,177,966 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 2021 and 31 December 2020 are USD 49,949 thousand (equivalent to KZT 21,374,46 thousand) and USD 51,733 thousand (equivalent to KZT 21,771,592 thousand), respectively.

16. BONDS PAYABLE

In thousands of Tenge	**30 June 2021**	31 December 2020
Nominal value of issued bonds	**102,369,672**	93,500,000
Accrued coupon interest	**4,133,311**	4,138,458
Less: unamortised discount on bonds issued	**(1,062,908)**	(719,637)
Less: transaction costs	**(62,272)**	(62,678)
	105,377,803	96,856,143
Less: current portion of bonds repayable within 12 months	**(4,133,311)**	(4,138,458)
	101,244,492	92,717,685

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

(a) During the period from June to August 2016 the Group issued coupon bonds with nominal amount of KZT 47,500,000 thousand under floating interest rate equal to the inflation rate in Republic of Kazakhstan plus 2.9% with the maturity in 2031 (the minimum rate of the consumer price index is set at 5%). The coupon rate for coupon period from 26 May 2017 to 26 May 2018 is 10.6% per annum. The coupon rate for coupon period from 26 May 2018 to 26 May 2019 is 9.5% per annum. The coupon rate for the coupon period from 26 May 2019 to 26 May 2020 is 7.9% per annum. The coupon rate for the fourth coupon period from 26 May 2020 to 26 May 2021 is 9.3% per annum and from 26 May 2021 to 30 June 2021 is 9.9% per annum.

    All bonds under this program were acquired by Unifed Accumulative Pension 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%.

    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 nominal value of 9,700,000 thousand tenge and 11% annual yield. The bonds were placed at a discount of KZT 667,593 thousand.

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.

On 27 January 2021, KEGOC’s bonds were placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with nominal volume of KZT 8,869,672 thousand with an average weighted yield to maturity of 11,62% per annum. The bonds were placed with a discount in the amount of KZT 380,267 thousand. Accrued coupon interest on the date of placement amounted to KZT 159,900 thousand.

As a result of trades, 22.6% of bonds by the volume of attracted were purchased by broker-dealer organizations, 72.8% by other institutional investors, 4.6%− by other legal entities.

During the six months ended 30 June 2021, the Group capitalized coupon costs on bonds issued less investment income of KZT 672,348 thousand (for the six months ended 30 June 2020: KZT 30.286 thousand).

17. TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of Tenge	**30 June 2021**	31 December 2020
Accounts payable for electricity purchased	**31,312,963**	15,982,064
Accounts payable for inventories, works and services	**19,607,880**	15,414,429
Accounts payable for property, plant and equipment and construction works	**12,646,837**	19,118,365
Less: discount	**(1,610,290)**	(1,978,958)
	61,957,390	48,535,900
Less: current portion of trade payables repayable within 12 months	**(55,984,706)**	(40,884,883)
	5,972,684	7,651,017

As at 30 June 2021 and 31 December 2020 trade and other accounts payable are denominated in the following currencies:

In thousands of Tenge	**30 June 2021**	31 December 2020
Tenge	**59,411,762**	45,752,581
Russian Rouble	**2,504,551**	2,677,323
US Dollars	**22,250**	46,721
Euro	**18,827**	59,275
	61,957,390	48,535,900

The non-current portion of accounts payable represents payables to a related party KARABATAN UTILITY SOLUTIONS LLP, details of which are disclosed in *Note 26*.

18. TAXES PAYABLE OTHER THAN INCOME TAX

In thousands of Tenge	**30 June 2021**	31 December 2020
VAT payable	**1,918,891**	960,338
Contributions payable to pension fund	**147,686**	364,051
Personal income tax	**117,495**	316,597
Social tax	**103,808**	269,371
Social contribution payable	**77,366**	104,804
Property tax	**2,387**	–
Other	**16,627**	13,345
	2,384,260	2,028,506

19. OTHER CURRENT LIABILITIES

In thousands of Tenge	**30 June 2021**	31 December 2020
Due to employees	**2,036,972**	3,727,583
Other	**727,410**	692,878
	2,764,382	4,420,461

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

	For the three months period ended		For the six months period ended	
In thousands of Tenge	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020
Sale of purchased electricity	**39,347,641**	23,778,975	**61,045,988**	38,895,222
Electricity transmission services	**29,356,092**	26,106,584	**60,010,825**	57,766,694
Sale of services to ensure readiness of electricity capacity to bear the power load	**17,982,458**	21,120,701	**36,962,089**	42,715,174
Technical dispatch	**6,489,294**	6,770,296	**13,852,641**	14,933,183
Balancing of electricity production and consumption	**4,029,416**	4,158,135	**8,609,735**	9,232,986
Sale of electricity for compensation of the interstate balances of electricity flows	**1,470,736**	1,097,231	**2,968,880**	2,303,279
Power regulation services	**45,166**	86,142	**630,554**	370,351
Other	**560,700**	452,458	**1,063,521**	1,003,955
Total revenue from contracts with customers	**99,281,503**	83,570,522	**185,144,233**	167,220,844

The increase in revenue from the sale of purchased electricity during the six months ended June 30, 2021 is mainly due to an increase in sales volumes.

	For the three months period ended		For the six months period ended	
In thousands of Tenge	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020
Revenue recognition timeline				
The goods are transferred at a certain point in time	**40,818,377**	24,876,206	**64,014,868**	41,198,501
The services are provided over a period of time	**58,463,126**	58,694,316	**121,129,365**	126,022,343
Total revenue from contracts with customers	**99,281,503**	83,570,522	**185,144,233**	167,220,844

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

21. COST OF SALES

	For the three months period ended		For the six months period ended	
In thousands of Tenge	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020
Cost of purchased electricity	**34,889,327**	23,602,674	**60,068,805**	39,871,423
Cost of electricity capacity readiness maintenance services	**19,227,133**	20,047,052	**38,453,790**	39,169,603
Depreciation and amortization	**8,350,799**	8,370,163	**16,687,349**	16,549,475
Technical losses of electric energy	**4,067,287**	2,166,488	**8,931,311**	6,482,893
Payroll expenses and related taxes	**3,905,184**	3,853,801	**7,902,323**	7,802,553
Cost of purchased electricity for compensation of interstate balances of electricity flows	**3,321,643**	2,289,189	**7,194,926**	5,086,023
Repair and maintenance expenses	**2,305,333**	1,105,284	**3,151,136**	1,825,451
Taxes other than income tax	**1,440,234**	2,331,696	**2,854,561**	4,632,884
Security services	**323,391**	300,069	**642,254**	598,985
Inventories	**257,624**	229,958	**420,952**	378,028
Other	**855,288**	635,428	**1,414,332**	1,139,004
	78,943,243	64,931,802	**147,721,739**	123,536,322

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months period ended		For the six months period ended	
In thousands of Tenge	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020
Payroll expenses and related taxes	**921,715**	1,088,589	**2,105,976**	2,265,545
Depreciation and amortization	**212,020**	156,212	**442,007**	219,013
Taxes other than income tax	**68,530**	57,089	**88,216**	87,848
Consulting services	**57,528**	30,634	**76,417**	51,005
Utilities	**16,189**	12,735	**39,955**	33,651
Expenses for the rights to use the software	**17,635**	9,032	**33,016**	19,535
Materials	**27,198**	9,191	**31,912**	17,821
Expenses for the Board of Directors	**28,983**	21,801	**29,151**	38,421
Trainings	**13,366**	8,835	**19,340**	10,526
Business trip expenses	**7,539**	3,355	**13,856**	15,191
Insurance	**6,807**	7,002	**13,627**	16,789
(Recovery)/charge for obsolete inventories *(Note 8)*	**(14,664)**	9,570	**(13,605)**	37,744
Other	**442,551**	303,890	**715,130**	559,617
	1,805,397	1,717,935	**3,594,998**	3,429,404

23. FINANCE INCOME/(COSTS)

	For the three months period ended		For the six months period ended	
In thousands of Tenge	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020
Finance income				
Interest income from deposits, current accounts and bonds	**1,651,193**	1,638,107	**3,055,894**	2,504,041
Income from the National Bank notes	**551,024**	215,328	**1,143,276**	263,918
Income from revaluation of DSFK financial instruments *(Note 11)*	**14,040**	16,783	**47,224**	25,386
Amortization of discount on accounts receivable *(Note 26)*	**22,323**	24,828	**45,048**	50,246
Amortization of discount on other financial assets	**–**	–	**-**	113,682
	2,238,580	1,895,046	**4,291,442**	2,957,273
Less: interest capitalized into cost of qualifying asset *(Note 6)*	**(291,878)**	(67,522)	**(438,420)**	(67,522)
	1,946,702	1,827,524	**3,853,022**	2,889,751
Finance costs				
Bond coupon	**2,685,583**	2,153,953	**5,433,685**	4,135,703
Interest on borrowings	**272,517**	445,725	**564,161**	937,906
Commission on bank guarantees	**247,908**	240,355	**492,361**	475,306
Discounting of the other financial assets	**166,548**	2,763	**374,162**	5,525
Amortization of premiums on other financial assets	**17,053**	3,162	**55,421**	6,255
Amortization of loan origination fees	**11,456**	4,493	**22,913**	8,987
Interest expense on leases	**9,181**	10,845	**21,329**	22,148
Other costs on bonds issued	**7,638**	4,580	**18,824**	9,632
	3,417,884	2,865,876	**6,982,856**	5,601,462
Less: interest capitalized into cost of qualifying assets *(Note 6)*	**(510,666)**	(97,808)	**(1,110,768)**	(97,808)
	2,907,218	2,768,068	**5,872,088**	5,503,654

The discounting expense is mainly represented by the amortization of the discount on long-term payables to a related party KARABATAN UTILITY SOLUTIONS LLP (*Note 26*).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. 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 2021, the Group incurred net foreign exchange gain in the amount of KZT 134,678 thousand (for the six months period ended 30 June 2020: net foreign exchange loss in the amount of KZT 1,857,457 thousand).

25. INCOME TAX EXPENSE

	For the three months period ended		**For the six months period ended**	
In thousands of Tenge	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020
Current income tax				
Current income tax expense	**3,037,051**	4,143,795	**6,844,385**	7,385,316
Adjustments in respect of current income tax of previous year	**(64,876)**	28,168	**(64,776)**	28,168
Deferred tax				
Deferred income tax benefit	**(77,251)**	(568,571)	**(715,554)**	(583,645)
Total income tax expense reported in profit or loss	**2,894,924**	3,603,392	**6,064,055**	6,829,839

The income tax rate in the Republic of Kazakhstan is 20% in 2021 and 2020.

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

	For the three months period ended		**For the six months period ended**	
In thousands of Tenge	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020
Profit before tax	**17,072,096**	19,470,850	**33,595,471**	35,461,652
Tax at statutory income tax rate of 20%	**3,414,419**	3,894,170	**6,719,094**	7,092,330
Adjustments in respect of current income tax of previous year	**(64,876)**	28,168	**(64,776)**	28,168
Accrual/(reversal) of allowance for doubtful accounts receivable from non-residents	**(2,660)**	33,863	**418**	(19,034)
Interest income from securities	**(135,015)**	(167,743)	**(333,935)**	(236,093)
Other non-taxable income	**(316,944)**	(185,066)	**(256,746)**	(35,532)
Income tax expense reported in profit or loss	**2,894,924**	3,603,392	**6,064,055**	6,829,839

Tax effect on temporary differences leading to deferred income tax assets and liabilities at 30 June 2021 and 31 December 2020 is provided below:

	Interim consolidated statement of financial position				**Interim consolidated statement of comprehensive income For the six months period ended**	
In thousands of Tenge	**30 June 2021**	31 December 2020	30 June 2020	31 December 2019	**30 June 2021**	30 June 2020
Accounts receivable	**665,736**	384,646	472,336	208,610	**281,090**	263,726
Accrued liabilities	**330,048**	702,392	622,778	602,636	**(372,344)**	20,142
Property, plant and equipment	**(89,444,413)**	(90,251,221)	(90,453,282)	(90,753,059)	**806,808**	299,777
Deferred tax benefit	**–**	–	–	–	**715,554**	583,645
Net deferred tax liabilities	**(88,448,629)**	(89,164,183)	(89,358,168)	(89,941,813)	**–**	–

25. INCOME TAX EXPENSE (continued)

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

In thousands of Tenge	**30 June 2021**	31 December 2020
Deferred tax assets	**356,093**	159,652
Deferred tax liabilities	**(88,804,722)**	(89,323,835)
Net deferred tax liabilities	**(88,448,629)**	(89,164,183)

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

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

26. 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 2021 and 31 December 2020:

In thousands of Tenge		Trade accounts receivable from related parties	Trade accounts payable to related parties
Subsidiaries of Samruk-Kazyna Group	**30 June 2021**	**10,534,187**	**19,404,060**
	31 December 2020	5,520,116	18,658,353
Associates of Samruk-Kazyna	**30 June 2021**	**665,742**	**472,865**
	31 December 2020	397,719	586,602
Entities under joint control of Samruk-Kazyna	**30 June 2021**	**308,142**	**7,255**
	31 December 2020	404,371	12,646
Associates of the Group	**30 June 2021**	**254,244**	**5,666**
	31 December 2020	276,675	9,820

The Group had the following transactions with related parties for the six months period ended 30 June 2021 and 30 June 2020:

In thousands of Tenge		Sales to related parties	Purchases from related parties
Subsidiaries of Samruk-Kazyna Group	**2021**	**43,503,790**	**31,178,250**
	2020	29,214,733	25,885,290
Associates of Samruk-Kazyna	**2021**	**5,657,074**	**1,200,156**
	2020	4,903,369	1,548,309
Entities under joint control of Samruk-Kazyna	**2021**	**2,136,546**	**–**
	2020	2,120,334	22,368
Associates of the Group	**2021**	**353,781**	**36,374**
	2020	361,107	34,619

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)

26. TRANSACTIONS WITH RELATED PARTIES (continued)

As at 30 June 2021 the Group's borrowings of KZT 40,497,996 thousand were guaranteed by the Government of the Republic of Kazakhstan (31 December 2020: KZT 42,800,248 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 2020: 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 2021 the debt was not paid off. In connection with the suspension of construction of Balkhash TES JSC, the management of the Group made a decision to accrue a provision for receivables of 100%.

As at 30 June 2021 total amount of ECL from related parties amounted to KZT 288,349 thousand.

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 31 June 2021 the discount on accounts receivable from Kazpost JSC amounted to KZT 293,157 thousand. As at 30 June 2021 the receivables net of discount comprised KZT 869,445 thousand, of which KZT 689,319 thousand was accounted for within long-term receivables from related parties. During the six months period ended 30 June 2021, the Group recognized income from amortization of a discount on long-term receivables from Kazpost JSC in the amount of KZT 45,048 thousand (during the six months period ended 30 June 2020: KZT 50,246 thousand).

In 2017, the Group entered into a long-term contract with a related party, Samruk-Kazyna Business Contract LLP, to obtain rights to use the software. As at 30 June 2021, lease liability of the Group comprised KZT 301,251 thousand (as at 31 December 2020: KZT 561,765 thousand).

In November-December 2020, the Group acquired a property complex from related party - Karabatan Utility Solutions LLP in amount of KZT 11,794,689 thousand. In accordance with the sale and purchase agreement, the Group will pay by equal annual instalments until 25 March 2025. Accordingly, the Group discounted future cash flows at a discount rate of 10.25%, which is the best estimate of the market rate by the Group's Management. As at 30 June 2021 discount on accounts payable of Karabatan Utility Solutions LLP amounted to KZT 1,610,290 thousand. As at 30 June 2021 the amount of payable net of the discount was KZT 7,825,461 thousand, of which KZT 5,972,684 thousand were included within long-term payables from related parties. For the six months period ended 30 June 2021 the Group recognized the expense from amortization of discount on long-term trade payables in the amount of KZT 368,668 thousand.

In January 2021, the Group sold plots to related party Samruk-Kazyna Construction JSC for KZT 2,182,037 thousand. In accordance with the transfer of property agreement, Samruk-Kazyna Construction JSC undertakes to transfer for ownership to the Group residential, non-residential (commercial) premises and parking places at market value for an amount equivalent to land cost in the following terms: - until 30 January, 2022 in the amount of KZT 1,091,019 thousand; - until 31 December, 2022 in the amount of KZT 1,091,018 thousand. In case the transfer of residential, non-residential (commercial) premises and parking places is become impossible, Samruk-Kazyna Construction JSC undertakes to make monetary payment of the cost of the land.

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 255,195 thousand for the six months period ended 30 June 2021 (for the six months period ended 30 June 2020: KZT 86,221 thousand). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

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

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

In thousands of Tenge	Increase/(decrease) in basis points*	Effect on profit before tax
For the six months period ended 30 June 2021		
LIBOR	**1/(0.25)**	**(395,439)/98,860**
EURIBOR	**0.2/(0.2)**	**(35,114)/35,114**
Inflation rate in the Republic of Kazakhstan	**1%/0%**	**(474,002)/–**
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)/–

* *1 basis point = 0.01%.*

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

Foreign currency risk

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

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

In thousands of Tenge	Increase/(decrease) in exchange rate in absolute terms (Tenge)	Increase/(decrease) in exchange rate	Effect on profit before tax
At 30 June 2021			
US Dollar	**59.90/(47.07)**	**14%/(11%)**	**(1,645,194)/1,292,653**
Euro	**71.24/(55.97)**	**14%/(11%)**	**(2,485,677)/1,953,032**
At 31 December 2020			
US Dollar	58.93/(46.3)	14%(11%)	(2,062,267)/1,620,352
Euro	72.35/(56.85)	14%(11%)	(3,162,488)/2,484,812

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 investing activities, including deposits with banks and investments in debt securities *(Notes 11, 12 and 13)*.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade accounts receivable

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type and other). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk by the components of the consolidated statement of financial position as at 30 June 2021 and 31 December 2020 is represented by their carrying amount.

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

		Rating		30 June	31 December
In thousands of Tenge	**Location**	**2021**	2020	**2021**	2020
Halyk Bank Kazakhstan JSC	Kazakhstan	**BB/stable**	BB/stable	**26,440,880**	19,333,594
ForteBank JSC	Kazakhstan	**B/stable**	B/stable	**23,941,204**	9,871,765
ATF Bank JSC	Kazakhstan	**B-/positive**	B-/stable	**7,685,743**	12,326,032
Bank Center Credit JSC	Kazakhstan	**B/stable**	B/stable	**5,743,437**	6,149,103
Kaspi Bank JSC	Kazakhstan	**BB-/positive**	BB-/stable	**4,475,460**	4,240,228
AO "Jysan Bank"	Казахстан	**Ba3/stable**	B/negative	**2**	-
				68,286,726	51,920,722

Liquidity risk

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

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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

In thousands of Tenge	On demand	Due more than 1 month but not later than 3 months	Due more than 3 months but not later than 1 year	Due more than 1 year but not later than 5 years	Due more than 5 years	Total
At 30 June 2021						
Borrowings	**–**	**5,884,366**	**9,738,587**	**21,989,828**	**23,932,962**	**61,545,743**
Bonds payable	**–**	**6,863,227**	**8,189,748**	**43,678,656**	**171,073,578**	**229,805,209**
Trade and other accounts payable	**–**	**56,490,867**	**–**	**7,076,813**	**–**	**63,567,680**
Lease liability	**–**	**–**	**301,251**	**–**	**–**	**301,251**
	–	**69,238,460**	**18,229,586**	**72,745,297**	**195,006,540**	**355,219,883**
At 31 December 2020						
Borrowings		5,980,856	9,890,804	28,374,905	24,940,645	69,187,210
Bonds payable		2,414,750	7,244,250	38,636,000	155,224,542	203,519,542
Trade and other accounts payable		40,884,883	–	7,651,017	–	48,535,900
Lease liability		–	493,644	99,907	–	593,551
		49,280,489	17,628,698	74,761,829	180,165,187	321,836,203

Capital management

The primary objective of the Group's capital management is to ensure that the Group will be able to continue going concern while maximizing return for shareholders by optimizing the debt to equity ratio. 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 2021	31 December 2020
Debt/capital	**0.20**	0.20

In thousands of Tenge	**30 June 2021**	31 December 2020
Long-term borrowings and long-term bonds payable	**144,138,234**	142,561,138
Short-term borrowings and short-term bonds payable	**18,340,121**	18,472,897
Debt	**162,478,355**	161,034,035
Total liabilities	**322,452,586**	309,456,156
Equity	**510,585,390**	502,556,470
Total equity and liabilities	**833,037,976**	812,012,626

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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy

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

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

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

Assets measured at fair value

In thousands of Tenge	**30 June 2021**	**Level 1**	**Level 2**	**Level 3**
NES assets *(Note 6)*	**566,474,604**	**–**	**–**	**566,474,604**
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	**310,729**	**–**	**–**	**310,729**

In thousands of Tenge	31 December 2020	Level 1	Level 2	Level 3
NES assets *(Note 6)*	580,456,916	–	–	580,456,916
Bonds of "Special Financial Company DSFK LLP" *(Note 11)*	310,175	–	–	310,175

Assets for which fair values are disclosed

Below is the fair and carrying amount of financial assets and liabilities carried at amortized cost:

In thousands of Tenge	**30 June 2021**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Other financial assets *(Note 11)*	**74,912,153**	**–**	**74,912,153**	**–**

In thousands of Tenge	31 December 2020	Level 1	Level 2	Level 3
Financial assets				
Other financial assets *(Note 11)*	90,831,639	–	90,831,639	–

Liabilities for which fair values are disclosed

In thousands of Tenge	**30 June 2021**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities				
Bonds payable *(Note 16)*	**105,377,803**	**–**	**105,377,803**	**–**
Borrowings *(Note 15)*	**57,100,552**	**–**	**57,100,552**	**–**

In thousands of Tenge	31 December 2020	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable *(Note 16)*	96,856,143	–	96,856,143	–
Borrowings *(Note 15)*	64,177,892	–	64,177,892	–

For the six months period ended 30 June 2021 and 31 December 2020, there were no transitions between Level 1, 2, and 3 of the fair value of financial instruments.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments

As at 30 June 2021 and 31 December 2020 the management assessed that the fair value of financial instruments of the Group, such as trade accounts receivable and payable, other financial assets, cash and cash equivalents, cash restricted in use, approximates their carrying amounts largely due to the short-term maturities of these instruments. Borrowings are stated at amortized costs which approximate their fair values. Actively traded and quoted financial assets and bonds have been valued based on quoted prices at the reporting date.

Changes in liabilities arising from financing activities

In thousands of Tenge	1 January 2021	**Cash flows**	**Foreign exchange movement**	**New leases**	**Other**	**30 June 2021**
Borrowings	64,177,892	**(7,944,157)**	**279,743**	**–**	**587,074**	**57,100,552**
Bonds payable	96,856,143	**8,489,405**	**–**	**–**	**32,255**	**105,377,803**
Lease obligations	561,765	**(281,843)**	**–**	**–**	**21,329**	**301,251**
Total liabilities from financing activities	161,595,800	**263,405**	**279,743**	**–**	**640,658**	**162,779,606**

In thousands of Tenge	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

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.

28. COMMITMENTS AND CONTINGENCIES

Operating environment

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

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

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

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

28. 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 2021.

Compliance with loan covenants

The **G**roup concluded loan facility agreements with **EBRD** and **IBRD (**the **"C**reditors**")** of which are effective for the principal amounts of 92,412 million US Dollars and **34,503** million **E**uro *(Note 15)***. A**ccording to the loan facility agreements concluded between the **G**roup and the **C**reditors**,** the **G**roup has to comply with the fllowing covenants:

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

The Group also issued bonds and has to comply with the following covenants:

- Debt to EBITDA of not more than 3:1;
- Total debt to total capital of not more than 0.6:1

Management believes that the Group complied with all existing loan covenants with EBRD and IBRD as of 30 June 2021 and 31 December 2020. The Group excludes from EBITDA the foreign exchange gain and loss, as management believes that foreign exchange gain and 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 2021 the Group excluded from EBITDA the foreign exchange loss of 134,678 thousand tenge (during the six months period ended 30 June 2020: the foreign exchange loss of 1,857,457 thousand tenge). In addition, the Group's management believes that it has complied with all covenants stipulated by the terms of the bond issue.

Insurance

As at 30 June 2021 and 31 December 2020, the Group insured production assets with a replacement value of KZT 257,314,802 thousand. The insurance payment is limited to the replacement value of property, plant and equipment. The Group does not insure its other property. Since absence of any insurance does not imply a reduction of the cost of assets or origination of liabilities, no provision has been made in these interim consolidated financial statements for unexpected expenses associated with damage or loss of such assets.

Contractual commitments

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

The five-year (2021-2025) investment budget of JSC "KEGOC" for a total amount of 274.760.648 thousand tenge was approved by the joint order of the sectoral state authority dated 07.04.2021 №122 and the department of the competent authority dated 11.03.2021 №21-OD in accordance with the antimonopoly legislation of the Republic of Kazakhstan and is subject to 100% execution.

As at 30 June, 2021, the amount of capital commitments under open agreements entered by the Group within the framework of the plan amounted to 124,570,976 thousand tenge (as at 31 December 2020: 82,980,915 thousand tenge).

28. COMMITMENTS AND CONTINGENCIES (continued)

Contractual commitments (continued)

In 2020-2021, due to the unstable epidemiological situation and the introduction of sanitary measures almost everywhere, it was objectively difficult to organize and ensure the timely implementation of construction and installation work in full, within the capital investment plan.

Due to the fact that a significant part of open contracts is equipment purchased outside the Republic of Kazakhstan, the pace of production and logistics was negatively affected by the reduction of shifts and the limitation of the number of personnel at manufacturing plants, which leads to a delay in the supply of the main power equipment and, accordingly, the timing fulfillment of contractual obligations of a capital nature. In addition, the probability of fluctuations in the value of contractual obligations remains, the main reason for these fluctuations is the impact of changes in exchange rates caused by the transition to a free floating exchange rate of the tenge as part of the introduction of inflation targeting.

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

Taking into account the expiration of the tariffs for the services of KEGOC on December 31, 2020 and in accordance with the requirements of paragraph 3 of Article 15 of the Law of the Republic of Kazakhstan On Natural Monopolies, the Group provides regulated services from January 1, 2021 until the approval of new tariffs at the following tariffs (without VAT):

- Transmission of electric energy in the amount of KZT 2.448 per kWh;
- Technical dispatching of the grid output and consumption of electric energy in the amount of KZT 0.264 per kWh;
- Organization of balancing the production and consumption of electric energy in the amount of KZT 0.086 per kWh.

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

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

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.

Tariffs on sale of electricity, produced by the renewable energy sources for 2021 by Areas:

Area 1 – from 1 January to 30 June – 31.36 Tenge per kWh

Area 2 – from 1 January to 30 June – 25.86 Tenge per kWh

By Decree of the President of the Republic of Kazakhstan dated 7 December 2020, the Law of the Republic of Kazakhstan "On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on Support for Renewable Energy Sources and Electricity Industry" (hereinafter - the Law) was signed, which provides for the introduction of a "pass-through" surcharge mechanism for RES support from 1 July 2021.

Under this mechanism, the costs of RES support will be allocated to notional consumers in the form of a surcharge above their electricity ceiling tariff.

28. COMMITMENTS AND CONTINGENCIES (continued)

Contractual commitments (continued)

Tariff on sale of electricity from renewable energy sources (continued)

The Ministry of Energy of the Republic of Kazakhstan introduced amendments to bylaws, including the Rules for determining the RES support tariff approved by Order No. 118 of the Minister of Energy of the Republic of Kazakhstan dated 20 February 2015 (hereinafter, the Rules), regulating changes to the procedure for determining the RES support tariff and establishing the RES support surcharge. Calculation of the RES support tariff from 1 July 2021 will be based on the pass-through surcharge and the actual volume of RES electricity generation in the billing month.

The management believes that during 2021 the calculation and application of tariffs on sale and purchase of electricity, produced by the renewable energy facilities, as well as the indexation and auction tariffs was determined 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 provision of ensure readiness of electricity capacity to bear the power load is calculated in accordance with the "Rules for calculating and posting the price of the ensure readiness of electricity capacity to bear the power load on the Internet resource as a single purchaser", approved by the Order of the Minister of Energy of the Repub lic of Kazakhstan dated 3 December 2015 No. 685. The calculation of the price of the ensure readiness of electricity capacity to bear the power load for the coming calendar year is carried out by "RFC on RES" LLP based on:

1) The weighted average price of the service to ensure readiness of electricity capacity, estimated according to the results of centralized trading of electricity capacity;
2) The weighted average price of the service to ensure readiness of electricity capacity of all contracts for the purchase of the services for maintaining readiness of electricity capacity, concluded by a single purchaser with the winners of tenders for the construction of generating units that are newly put into operation, with existing energy-producing organizations that have concluded an investment agreement for modernization, expansion, reconstruction and (or) updating with an authorized body, as well as with existing energy-producing organizations, comprising heat and power plants;
3) Forecast applications for the consumption of energy supplying, energy-transmitting organizations and consumers, which are subjects of the wholesale market;
4) Forecast demand for electricity capacity for the coming and subsequent calendar years.
5) A positive financial result, confirmed by an audit report, on the activities of a single buyer in the electricity capacity market for the year preceding the year in which the price is calculated.

Annually, prior to 1 December RFC LLP places on its Internet resource a price for a service to ensure readiness of electricity capacity to bear the power load for the coming calendar year along with supporting calculations. The price of the service to ensure readiness of electricity capacity to bear the power load for 2021 is 692,376 thousand Tenge / MW * month (excluding VAT) (for 2020: 799,869 thousand Tenge / MW * month (excluding VAT).

In accordance with paragraph 8 of Article 15-3 of the Law of the Republic of Kazakhstan "On Electricity" dated July 9, 2004 No. 588, the calculation of the price for the service to ensure the readiness of electrical capacity to bear the load for the coming calendar year is carried out by a single purchaser, taking into account the return of a positive financial result, confirmed by an audit report on the activities of a single purchaser in the electric power market for the year preceding the year in which the price is calculated.

Thus, when calculating the price for 2021, the return of profit from the activity of the capacity market for 2019 was taken into account, when calculating the price for 2022, the return of profit from the activity of the capacity market at the end of 2020 will be taken into account.

Litigation with CRNM

KEGOC JSC in accordance with the Tariff Formation Rules approved by the order of the Minister of the national economy of the Republic of Kazakhstan dated 19 November 2019 No. 90, 1 July 2020 sent to Committee for the Regulation of Natural Monopolies (hereanafter "CRNM" or the "Committee") an application for approval of the maximum levels of tariffs and tariff estimates for regulated services of JSC KEGOC for a five-year period (2021-2025), as well as on 24 June 2020, sent an application for approval of KEGOC's investment program for 2021- 2025 years.

28. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation with CRNM

Based on the results of the consideration of the submitted materials, on 23 November 2020, the Committee decided to refuse approval limit levels of tariffs and tariff estimates for regulated services, as well as an investment program for the upcoming five-year period.

Due to disagreement with the CRNM decision (order No. 66-OD and No. 67-OD dated November 23, 2020), KEGOC sent a claim to the court. By a court decision dated 08.02. No. 7119-21-00-2 / 238, claims of KEGOC were not satisfied. Disagreeing with this court decision, KEGOC on March 10, 2021. filed an appeal. By the decision of the appellate board of the Nur-Sultan city court dated May 6, 2021, the decision of the first instance court was left unchanged, the appeal of KEGOC was dismissed.

In turn, considering the expiration of the tariffs for the services of KEGOC on 31 December, 2020 and the CRNM's refusal to approve new tariffs for 2021 - 2025, KEGOC will provide regulated services presumably from January 2021 at tariffs determined in accordance with the requirements of paragraph 3 of Article 15 of the Law of the Republic of Kazakhstan "On Natural Monopolies" (hereinafter - the Law) dated 27 December, 2018 No. 204-VI LRK, according to which funds aimed at implementing the approved investment program (depreciation deductions and profits), with the exception of funds allocated to repay the principal debt on loans raised for the implementation of the approved investment program.

The use of the above-mentioned approach for determining the tariff complies with the current legislation of the Republic of Kazakhstan and, according to the management of KEGOC, will not have any negative effect on the activities of KEGOC, including does not entail any additional obligations for KEGOC, does not entail fines from regulatory authority, does not restrict KEGOC's activities.

This situation will not affect KEGOC’s ability to continue as a going concern.

In 2021, KEGOC's management submitted a reapplication for approval of tariff limits and tariff estimates for KEGOC's regulated services for a five-year period from the date of approval and expects to complete the approval by the end of August 2021.

29. SUBSEQUENT EVENTS

On 4 august 2021, the Group repaid a partial loan from IBRD in the amount of 1,278 thousand USD (equivalent to 541,819 thousand Tenge).