Kazakhstan Electricity Grid Operating Company JSC

Unaudited interim condensed
consolidated financial statements

As on and for nine months
ended on 30 September 2021

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The interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KZT thousand	**Note**	**30 September 2021**	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	6	**650,682,925**	652,478,444
Intangible assets		**3,073,508**	3,327,999
Advances paid for non-current assets	6	**7,705,723**	4,126,292
Deferred tax assets	25	**223,321**	159,652
Investments in associates	7	**2,152,782**	2,017,593
Long-term receivables from related parties	26	**662,108**	742,477
Other financial assets, non-current portion	11	**32,295,236**	32,340,094
		696,795,603	695,192,551
Current assets			
Inventory	8	**3,114,411**	2,549,293
Trade accounts receivable	9	**36,901,860**	28,603,307
VAT recoverable and other taxes prepaid		**2,969,751**	477,893
Prepaid income tax		**659,384**	1,017,708
Other current assets	10	**2,402,271**	2,945,237
Other financial assets, current portion	11	**59,812,828**	58,801,720
Restricted cash	12	**627,765**	552,586
Cash and cash equivalents	13	**26,669,109**	21,867,205
		133,157,379	116,814,949
Assets held for transfer		**-**	5,126
Total assets		**829,952,982**	812,012,626

The notes on pages 7 to 52 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of tenge	Note	30 September 2021 (unaudited)	31 December 2020 (audited)
Equity and liabilities			
Equity			
Charter capital	14	**126,799,554**	126,799,554
Treasury shares	14	**(930)**	(930)
Asset revaluation reserve	14	**309,389,720**	309,836,582
Retained earnings		**83,510,939**	65,921,264
		519,699,283	502,556,470
Non-current liabilities			
Borrowings, non-current portion	15	**36,973,585**	49,843,453
Bonds, non-current portion	16	**101,262,634**	92,717,685
Deferred tax liabilities	25	**88,558,931**	89,323,835
Non-current accounts payable	17	**5,972,684**	7,651,017
Government grant, non-current portion		**8,582**	29,113
Lease liability, non-current portion	26	**-**	99,406
Other non-current liabilities		**85,606**	102,412
		232,862,022	239,766,921
Current liabilities			
Borrowings, current portion	15	**12,791,900**	14,334,439
Bonds, current portion	16	**2,688,727**	4,138,458
Trade and other accounts payable short term portion	17	**54,238,846**	40,884,883
Contract obligations		**1,880,254**	3,336,881
Government grant, current portion		**28,139**	30,430
Lease liability, current portion	26	**207,785**	462,359
Taxes payable other than income tax	18	**2,211,220**	2,028,506
Income tax payable		**289,633**	52,818
Other current liabilities	19	**3,055,173**	4,420,461
		77,391,677	69,689,235
Total liabilities		**310,253,699**	309,456,156
Total equity and liabilities		**829,952,982**	812,012,626
Book value of one ordinary share (in tenge)	14	**1,987**	1,920

Acting Chairman of the Management Board of the Company ______________________

Aibek Botabekov

Chief accountant ______________________

Dinara Mukanova

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nine months ended 30 September 2021

In KZT thousands	Note	For the three months period ended on 30 September 2021 (unaudited)	30 June 2020 (Unaudited, restated)	For the nine months period ended on 30 September 2021 (unaudited)	30 June 2020 (Unaudited, restated)
Revenue from contracts with customers	20	**97,284,489**	88,769,450	**282,428,722**	255,990,294
Cost of services	21	**(84,239,324)**	(72,361,371)	**(231,961,063)**	(195,897,693)
Gross profit		**13,045,165**	16,408,079	**50,467,659**	60,092,601
G&A	22	**(1,931,164)**	(1,745,845)	**(5,526,162)**	(5,175,249)
Selling expenses		**(86,052)**	(84,200)	**(253,839)**	(242,290)
(Impairment) / reversal of impairment of property, plant and equipment		**(1,416)**	2,428	**(100,443)**	2,431
Operating profit		**11,026,533**	14,580,462	**44,587,215**	54,677,493
Finance income	23	**1,860,751**	2,013,199	**5,713,773**	4,902,950
Finance costs	23	**(2,920,770)**	(2,867,293)	**(8,792,858)**	(8,370,947)
Foreign exchange (loss)/gain, net	24	**459,605**	(3,332,412)	**594,283**	(5,189,869)
Share in profit of an associate	7	**(75,999)**	155,332	**135,189**	300,155
Other income		**492,608**	333,250	**3,772,575**	731,793
Other expenses		**(154,391)**	(98,839)	**(410,059)**	(344,974)
Accrual of provision for expected credit losses	9, 10, 11, 12, 13	**543,850**	57,139	**(772,460)**	(404,111)
Profit before tax		**11,232,187**	10,840,838	**44,827,658**	46,302,490
Income tax expenses	25	**(2,118,294)**	(1,864,173)	**(8,182,349)**	(8,694,012)
Profit for the reporting period		**9,113,893**	8,976,665	**36,645,309**	37,608,478
Total comprehensive income for the reporting period		**9,113,893**	8,976,665	**36,645,309**	37,608,478
Earnings per share					
Basic and diluted earnings for the reporting period attributable to holders of ordinary shares of the parent company (in tenge)	14	**35.05**	34.53	**140.94**	144.65

Acting Chairman of the Management Board of the Company ______________________
Aibek Botabekov

Chief accountant ______________________
Dinara Mukanova

The notes on pages 7 to 52 are an integral part of these interim condensed consolidated financial statements.

Kazakhstan Electricity Grid Operating Company JSC Interim consolidated financial statements

Nine months ended 30 September 2021

In KZT thousands	**For nine months ended on 30 September 2021 (unaudited)**	For nine months ended on 30 September 30 June 2020 (unaudited)
I. CASH FLOWS FROM OPERATIONS		
1. Cash inflow, total	**299,833,546**	**269,835,780**
including:		
sales of goods and services	293,913,335	266,716,950
other revenue	661,939	237,719
advances received from buyers, customers	1,344,867	149,528
insurance contract receipts	–	–
interest received	3,508,352	2,449,068
other receipts	405,053	282,515
2. Cash outflows, total	**236,226,227**	**191,205,437**
including:		
Payments to suppliers for goods and services	180,447,905	135,932,928
advances to suppliers for goods and services	1,244,949	1,806,336
payroll expenses	12,739,451	11,811,679
interest paid	11,207,420	10,389,893
insurance contract payments	–	–
income tax and other payments to the national budget	26,784,380	27,512,899
Other payments	3,802,122	3,751,702
3. Net cash flow from operations	**63,607,319**	**78,630,343**
II. CASH FLOWS FROM INVESTMENTS		
1. Cash inflow, total	**126,773,118**	**76,758,648**
including:		
sale of property, plant and equipment	154,549	147,373
sale of intangible assets	–	–
sale of other long-term assets	–	–
sale of equity instruments of other organizations (other than subsidiaries) and share of ownership in joint ventures	–	–
sale of debt instruments of other organizations	64,830,920	41,903,941
compensation for loss of control over subsidiaries	–	–
withdrawal of cash deposits	61,543,561	23,746,596
sale of other financial assets	–	–
futures and forward contracts, options and swaps	–	–
dividends received	–	–
interest received	–	–
other receipts	244,088	10,960,738
2. Cash outflows, total	**160,495,949**	**127,747,605**
including:		
purchase of property, plant and equipment	35,692,376	22,187,120
purchase of intangible assets	23,521	35,547
purchase of other long-term assets	–	–
purchase of equity instruments of other organizations (other than subsidiaries) and share of ownership in joint ventures	–	–
purchase of debt instruments of other organizations	53,263,753	67,371,456
purchase of control over subsidiaries	–	–

The notes on pages 7 to 52 are an integral part of these interim condensed consolidated financial statements.

Kazakhstan Electricity Grid Operating Company JSC Interim consolidated financial statements

Nine months ended 30 September 2021

placement of cash deposits	71,516,299	31,758,447
interest paid	–	–
purchase of other financial assets	–	–
lending	–	–
futures and forward contracts, options and swaps	–	–
investments in associates and subsidiaries	–	–
Other payments	–	6,395,035
3. Net cash flow from investments	**(33,722,831)**	**(50,988,957)**
III. CASH FLOWS FROM FINANCING ACTIVITIES	–	–
1. Cash inflow, total	**8,649,305**	**9,032,407**
including:		
issue of shares and other financial instruments	8,649,305	9,032,407
loans received	–	–
interest received	–	–
other receipts	–	–
2. Cash outflows, total	**33,685,156**	**18,787,868**
including:		
repayment of borrowings	13,839,521	5,820,236
interest paid	–	–
dividends paid	19,502,496	12,703,475
payments to shareholders on shares of the organization	–	–
other disposals	343,139	264,157
3. Net cash flow from financing activities	**(25,035,851)**	**(9,755,461)**
IV. Tenge impact of FX rates	**(48,662)**	**488,765**
V. The impact of changes in the carrying amount of cash and cash equivalents	**1,929**	**(1,175)**
VI. Increase +/- decrease in cash	**4,801,904**	**18,373,515**
VII. Cash and cash equivalents as of the beginning of the reporting period	**21,867,205**	**21,179,282**
VIII. Cash and cash equivalents as of the end of the reporting period	**26,669,109**	**39,552,797**

Acting Chairman of the Management Board of the Company

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Aibek Botabekov

Chief accountant

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Dinara Mukanova

The notes on pages 7 to 52 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2021

In KZT thousands	Charter capital	Asset revaluation reserve	Treasury shares	Retained earnings profit	Totals
As on 1 January 2020	126,799,554	310,369,243	(930)	44,670,157	481,838,024
Profit for the reporting period	–	–	–	**37,608,478**	**37,608,478**
Total comprehensive income	–	–	–	**37,608,478**	**37,608,478**
Transfer of assets revaluation surplus (Note 14)	–	**(135,878)**	–	**135,878**	–
Dividends *(Note 14)*	–	–	–	**(12,703,532)**	**(12,703,532)**
As on 30 September 2020	**126,799,554**	**310,233,365**	**(930)**	**69,710,981**	**506,742,970**
As on 1 January 2021	126,799,554	309,836,582	(930)	65,921,264	502,556,470
Profit for the reporting period	–	–	–	**36,645,309**	**36,645,309**
Total comprehensive income	–	–	–	**36,645,309**	**36,645,309**
Transfer of asset revaluation reserve *(Note 14)*	–	**(446,862)**	–	**446,862**	–
Dividends *(Note 14)*	–	–	–	**(19,502,496)**	**(19,502,496)**
As on 30 September 2021	**126,799,554**	**309,389,720**	**(930)**	**83,510,939**	**519,699,283**

Acting Chairman of the Management Board of the Company

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Aibek Botabekov

Chief accountant

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Dinara Mukanova

The notes on pages 7 to 52 are an integral part of these interim condensed consolidated financial statements.

1. GENERAL INFORMATION

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

As at 30 September 2019, the Company's major shareholder is Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

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

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

As on 30 September 2021 and 31 December 2020 the Company had interest ownership in the following subsidiaries:

Company	Activity	Ownership share 30 September 2021	Ownership share 31 December 2020
EnergoInform JSC (hereinafter - "EnergoInform")	Maintenance of the KEGOC's IT system	**100%**	100%
Financial Settlement Centre for Renewable Energy Sources Support LLP (hereinafter - FSC RES);	Centralized purchase and sale of renewable electricity that is supplied to the networks of the unified power system of Kazakhstan; purchase of services for maintaining availability of electric capacity and centralized delivery of service associated with maintaining readiness of electric capacity to bear the load in the electric capacity market.	**100%**	100%

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

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

- *Electricity transmission services and related support*. Electricity transmission is regulated by the Law of the Republic of Kazakhstan dated 27 December 2018 No. 204VI On Natural Monopolies and Regulated Markets ('the Law') as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs shall be approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy ("the Committee").

1. GENERAL INFORMATION (continued)

- *Maintain readiness of electric capacity to bear the load.* From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the sustainable balance of the reliability of the power system of the Republic of Kazakhstan. The power system adequacy is the ability to meet consumers' demand for electricity at any given time.
- *Sale of the purchased electricity.* The sale of purchased electricity segment includes the renewable energy sector ("RES") created by the Government of the Republic of Kazakhstan in order to create favourable conditions for the development of the RES. The RES sector is regulated by the Law of the Republic of Kazakhstan *On Supporting the Use of Renewable Energy Sources* No. 165-IV dated 4 July 2009.

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

These interim condensed consolidated financial statements were approved by the Acting chairman of the Management Board and Chief Accountant of the Company on 6 August 2021. Chairman of the Management Board and Chief Accountant of the Company on November 1, 2021.

2. BASIS OF PREPARATION

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

This interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. 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 September 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

As a rule, it is assumed that most voting rights determine the existence of control. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control of a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity and recognizes the resulting gain or loss in profit or loss. The remaining investments are recognized at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policy adopted in the preparation of the interim condensed **CONSOLIDATED** financial statements are in line with the policy applied in preparing the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the new standards adopted that came into force on January 1, 2021. The Group has not early adopted any standards, clarifications or amendments that have been issued but are not yet effective.

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

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

The amendments provide temporary exemptions that are applied to address financial reporting implications in cases where the interbank offer rate (IBOR) is replaced by an alternative virtually risk-free interest rate (RFR).
The amendments provide the following:

- a practical expedient according to which changes in contract or changes in cash flows directly required by the reform should be treated as changes in the floating interest rate equivalent to a change in the market interest rate;
- the changes required by the IBOR reform are allowed in the definition of the hedging relationship and the hedging documentation without termination of the hedging relationship;
- 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.

The Group intends to use the practical expedients in future periods if they become applicable. Standards issued but not yet effective

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards that have been issued but have not yet entered into force

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards that have been issued but have not yet entered into force (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)

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.

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. Current versus non-current classification

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards that have been issued but have not yet entered into force (continued)

Amendments to 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. Current versus non-current classification 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 This amendment is not applicable to the Group.

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

An asset as current when it is: An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (Continued)

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

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

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

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

The finance management and external valuers discuss the major assumptions used in the valuations.

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

Foreign currency transactions

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

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

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

All differences arising on settlement or translation of monetary items are 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).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

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 Tenge)	**30 September 2021**	31 December 2020
1 USD	**425.70**	420.91
1 Euro	**493.64**	516.79
1 RUB	**5.85**	5.62

Average exchange rate for the nine months period (to KZT)	**30 September 2021**	31 December 2020
1 USD	**424.69**	412.95
1 Euro	**508.11**	471.44
1 RUB	**5.74**	5.73

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Land is not depreciated.

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

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

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

Intangible assets

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

Intangible assets of the Group consist primarily of licenses and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 3 to 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. The recoverable amount of an asset or cash generating unit (CGU) is the higher of the fair value of the asset (CGU), less costs to sell, and the value in use of the asset (CGU). Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses of continuing operations, including impairment on inventories, are recognised in the interim consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for NES assets previously revalued with the revaluation taken to OCI. For such assets, the impairment is recognized in OCI up to the amount of any previous revaluation. For assets previously impaired, except for goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. Reversal is limited so that the asset's carrying amount does not exceed its recoverable amount and cannot exceed its carrying amount, less depreciation, at which the asset would have been recognized if no impairment loss had been recognized in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation surplus. In these cases, the reversal is recorded as an increase in value from revaluation.

Investments in associates

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

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

Unrealized gains and losses arising from transactions of the Group with an associate are eliminated to the extent that the Group has an interest in the associate.

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

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

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

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

Initial recognition and measurement (Continued)

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.

Subsequent measurement

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:

Financial assets at fair value through profit or loss

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. ECLs are recognised in two stages.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

Termination of acknowledgement

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.

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: The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Recognition of expected credit loss

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

Impairment

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

Impairment (*continued*)

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. 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 ECL. Consequently, the Group does not monitor changes in credit risk, but instead recognizes a loss allowance at each reporting date in an amount equal to lifetime expected credit losses. The Group 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. The Group determines the classification of its financial liabilities at initial recognition.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

Trade and other accounts payable

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

Termination of acknowledgement

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

Offsetting of financial instruments

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

Inventories

Inventories are accounted for on a FIFO basis.

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

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

Cash and cash equivalents

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

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

Restricted cash

In accordance with loan agreements on projects financing signed with International Bank for Reconstruction and Development (the “IBRD”) and European Bank for Reconstruction and Development (the “EBRD”), the Group opened bank escrow accounts, necessary for debt service. Cash, held on these bank accounts, can be used exclusively for the purposes of planned payments on interest and principal loan amounts. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Reserves

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

Revenue recognition

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

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

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

Identification of the contract with the consumer;

Identification of the obligation to be executed under the contract;

Determination of transaction price;

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Trade accounts receivable

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

Contract obligations

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

Interest income

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

Borrowing costs

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

Lease

At the time of inception of the contract, the Group assesses whether the agreement is a lease or whether it contains signs of 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:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

Group as lessee (continued)

i) Right-of-use assets (continued)

- Software – 5 years

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

The right-of-use assets are also subject to impairment. 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 is reduced to the extent that it is estimated that it is unlikely that sufficient taxable profit will be achieved to enable the use of all or part of the deferred tax assets. Unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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.

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

Revaluation of property, plant and equipment

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

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

After 2017, the Committee approved an increase in tariffs for electricity transmission services, technical dispatching and balancing the production and consumption of electricity. The increase in tariffs resulted in a revaluation surplus of certain assets included in other comprehensive income in the amount of KZT 113,259,316 thousand and a related deferred tax liability in the amount of KZT 22,651,864 thousand, as well as an increase in the value of some previously revalued assets included in profit and loss in the amount of KZT 3,342,507 thousand.

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

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

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

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

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

An increase in the discount rate by 0.5% or a reduction in long term growth rate by 0.5% would result in a decrease in the fair value of Group's property, plant and equipment for 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 NPG assets and the amount, which was determined using fair values at the reporting date. As at 30 September 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 September 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.

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

Taxes (continued)

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 values of financial instruments

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

Bonds DSFK

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

Management of the Group believes that at 30 September 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 September 2021, the bonds were classified as financial instruments at fair value through profit or loss. As at 30 September 2021, the Group revalued the fair value of the bonds at a discount rate of 12,9%, which represents the market discount rate as at 30 September 2021.

Bonds of Samruk-Kazyna

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 – FSC RES LLP of electricity produced by renewable energy facilities. The activities of the FSC RES LLP are regulated by the Law of the Republic of Kazakhstan On Supporting the Use of Renewable Energy Sources.

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

Purchase and sale of electricity generated by renewable energy facilities (Continued)

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

Moreover, contracts for the purchase of RES electricity are concluded by the Group for a period of 15 years, while the contracts for the sale of electricity are concluded with buyers for a period of one year.

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

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

A subsidiary of the Group, FSC RES LLP, has entered into long-term contracts for the purchase of electricity generated at RES power plants (hereinafter - "RES power plants"). According to these 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. FSC RES LLP purchases all electricity produced at these RES power plants. RES electricity purchase agreements provide for fixed tariffs in KZT/kWh of electricity produced at a RES power plant.

Therefore, the Group's management has determined that RES electricity purchase agreements contain a lease component in accordance with IFRS 16. However, the Group's management is unable to reliably estimate the amount of electricity due to high fluctuations in production volumes at each specific power plant, as the nature of the renewable energy business depends to a large extent on external factors such as weather conditions. Accordingly, the Group's management was unable to measure reliably the lease liabilities (and, accordingly, the right-of-use asset).

Estimated allowance for expected credit losses on receivables

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS INFORMATION

Geographic information

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

	For the nine-month period ended on	
KZT thousand	**30 September 2021**	30 September 30 June 2020
Revenue from Kazakhstan customers	**269,486,823**	243,220,111
Revenue from Russian customers	**12,169,877**	12,317,612
Revenue from Uzbekistan customers	**738,207**	448,776
Revenue from Kyrgyz customers	**33,815**	3,795
Total revenue per interim consolidated statement of comprehensive income	**282,428,722**	255,990,294

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

For the nine-month period ended 30 June 2021 the revenue from one customer, Samruk-Energy Group, including its joint-ventures, amounted to KZT 51 519 142 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 nine-month period ended 30 September 2020: KZT 40,537,262 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.
- *Maintain readiness of electric capacity to bear the load.* From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the sustainability of the power system of the Republic of Kazakhstan. The power system adequacy is the ability to meet consumers' demand for electricity at any given time.
- *Sale of the purchased electricity.* The sale of purchased electricity segment includes the renewable energy sector ("RES") created by the Government of the Republic of Kazakhstan in order to create favourable conditions for the development of the RES. The RES sector is regulated by the Law of the Republic of Kazakhstan *On Supporting the Use of Renewable Energy Sources* No. 165-IV dated 4 July 2009.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5 Operating segments information (Continued)

Operating segments (continued)

	For the nine-month period ended 30 September 2021					
KZT thousand	**Electricity transmission and related support services**	**Ensure readiness of electricity capacity to bear the power load**	**Sale of purchased electricity**	**Other**	**Elimination**	**Total**
Revenues from sale to external customers	**130,153,808**	**55,347,650**	**96,446,679**	**480,585**	**–**	**282,428,722**
Revenues from sale to other segments	**258,141**	**2,764,657**	**130,630**	**4,303,954**	**(7,457,382)**	**–**
Total revenues	**130,411,949**	**58,112,307**	**96,577,309**	**4,784,539**	**(7,457,382)**	**282,428,722**
Gross profit	**45,525,385**	**935,290**	**3,082,489**	**1,455,126**	**(530,631)**	**50,467,659**
G&A	**(5,330,822)**	**(174,181)**	**(87,131)**	**(370,108)**	**436,080**	**(5,526,162)**
Costs of transportation and sales	**(273,262)**	**–**	**–**	**–**	**19,423**	**(253,839)**
Finance income	**4,111,026**	**1,289,662**	**233,674**	**79,411**	**–**	**5,713,773**
Finance costs	**(8,775,164)**	**(10,343)**	**–**	**(7,351)**	**–**	**(8,792,858)**
Share in profit of an associate	**135,189**	**–**	**–**	**–**	**–**	**135,189**
Exchange gain, net	**595,090**			**(807)**		**594,283**
Accrual of expected credit losses for doubtful debts	**(399,004)**	**(294,450)**	**(80,874)**	**(31,547)**	**–**	**(805,875)**
Income tax expenses	**(6,834,810)**	**(176,741)**	**(641,628)**	**(529,170)**	**–**	**(8,182,349)**
Net profit	**30,723,690**	**1,600,905**	**2,566,508**	**2,208,165**	**(453,959)**	**36,645,309**
Other segment information						
Total segment assets	**761,182,803**	**44,488,078**	**20,221,852**	**6,179,290**	**(2,119,041)**	**829,952,982**
Total segment liabilities	**269,418,766**	**28,058,287**	**12,749,867**	**929,806**	**(903,027)**	**310,253,699**
Purchase of non-current assets	**24,578,898**	**2,313**	**1,051**	**37,467**	**(433,709)**	**24,186,020**
Investments in associates	**2,152,782**	**–**	**–**	**–**	**–**	**2,152,782**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Operating segments information (Continued)

Operating segments (continued)

	For the nine-month period ended 30 September 2021					
KZT thousand	Electricity transmission and related support services	Ensure readiness of electricity capacity to bear the power load	Sale of purchased electricity	Other	Elimination	Total
Revenues from sale to external customers	126,889,239	62,379,104	66,296,257	425,694	–	255,990,294
Revenues from sale to other segments	190,303	3,354,650	1,094	3,133,429	(6,679,476)	–
Total revenues	**127,079,542**	**65,733,754**	**66,297,351**	**3,559,123**	**(6,679,476)**	**255,990,294**
Gross profit	**53,219,246**	**6,195,967**	**–**	**957,919**	**(280,531)**	**60,092,601**
G&A	(5,148,913)	(200,010)	(79,963)	(346,675)	600,312	(5,175,249)
Costs of transportation and sales	(262,458)	–	–	–	20,168	(242,290)
Finance income	3,684,661	985,373	188,162	44,754	–	4,902,950
Finance costs	(8,366,888)	(4,059)	–	–	–	(8,370,947)
Share in profit of an associate	300,155	–	–	–	–	300,155
Exchange loss, net	(5,187,402)	–	–	(2,467)	–	(5,189,869)
Provision for expected credit losses on doubtful debts	(640,897)	47,389	(63,373)	(2,987)	–	(659,868)
Income tax expenses	(7,175,278)	(1,154,888)	(253,512)	(110,334)	–	(8,694,012)
Total net income	**32,084,818**	**4,606,626**	**1,011,211**	**544,124**	**(638,301)**	**37,608,478**
Other segment information						
Total segment assets	759,688,845	32,394,760	25,453,026	4,700,300	(2,711,999)	819,524,932
Total segment liabilities	271,081,649	22,105,909	19,614,877	1,114,857	(1,135,330)	312,781,962
Purchase of non-current assets	13,479,839	1,297	589	58,787	(163,783)	13,376,729
Investments in associates	1,959,300	–	–	–	–	1,959,300

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Fixed assets

During the nine months ended 30 September 2021, the Group acquired assets with a total cost of KZT 23,944,066 thousand (nine months ended 30 September 2020: KZT 13,180,980 thousand). The acquisitions were mainly represented by capital expenditures on investment projects.

Depreciation for the nine months ended 30 September 2021 amounted to KZT 25,231,493 thousand (for the nine months ended 30 September 2020: KZT 25,122,801 thousand).

Capitalized costs on issued bonds

During the nine months period ended 30 September 2021 the Group capitalized the cost of coupon interest on issued bonds (less investment income) amounted to KZT 126,479 thousand (for the six months period ended 30 September 2020: KZT 30,286 thousand) (Note 16).

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: Aktyubinskiye MES, Sarbaiskiye MES, Zapadnye MES (stage 1)".

Advances paid for non-current assets

As at 30 September 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", "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 ASSOCIATES

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

KZT thousand	**30 September 2021**	31 December 2020
Statement of financial position		
Current assets	**18,259,627**	17,139,259
Non-current assets	**12,285,082**	17,309,889
Current liabilities	**(6,051,628)**	(7,440,560)
Non-current liabilities	**(13,729,171)**	(16,920,626)
Net assets	**10,763,910**	10,087,962

In thousands of tenge	**30 September 2021**	31 December 2020
Group's share in net assets	**2,152,782**	2,017,593
Carrying amount of the investments	**2,152,782**	2,017,593

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENT IN AN ASSOCIATE (CONTINUED)

KZT thousand	**30 September 2021**	30 September 30 June 2020
Statement of comprehensive income		
Income	**6,302,145**	7,584,652
Net profit	**675,945**	1,500,773
Group's share in profit of Batys Transit	**135,189**	300,155

As at 30 September 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 but not later than 21 August 2020. Dividends receivable in the amount of KZT 203,095 thousand were included in the consolidated interim statement of financial position as at 30 June 2020.

8. INVENTORIES

KZT thousand	**30 September 2021**	31 December 2020
Raw and other materials	**1,666,271**	1,441,729
Spare parts	**1,480,709**	1,113,256
Fuel and lubricants	**90,133**	84,148
Other inventories	**247,107**	273,433
Less: allowance for obsolete inventories	**(369,809)**	(363,273)
	3,114,411	2,549,293

Movement in the allowance for obsolete inventories was as follows:

KZT thousand	**2021**	2020
As on 1 January	**363,273**	313,118
Charge *(Note 22)*	**67,620**	168,310
Reversal *(Note 22)*	**(60,930)**	(25,935)
Written off	**(154)**	-
As on 30 September	**369,809**	455,493

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE ACCOUNTS RECEIVABLE

KZT thousand	**30 September 2021**	31 December 2020
Trade accounts receivable	**40,441,899**	31,505,569
Less: provision for expected credit losses	**(3,540,039)**	(2,902,262)
	36,901,860	28,603,307

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

KZT thousand	**2021**	2020
As on 1 January	**2,902,262**	2,104,309
Accrual	**2,179,894**	1,372,930
Recovery	**(1,509,857)**	(815,026)
Write-off	**(32,260)**	–
As on 30 September	**3,540,039**	2,662,213

As at 30 September 2021, trade receivables included accounts receivable from the customer National Electric Grids of Uzbekistan JSC in the amount of KZT 1,573,215 THOUSAND (31 December 2020: KZT 1,721,705 thousand).

As at 30 September 2021, the provision for expected credit losses on receivable from National Electric Grids of Uzbekistan JSC amounted to KZT 1,415,958 thousand (31 December 2020: KZT 1,466,984 thousand).

Trade accounts receivable was denominated in the following currencies:

KZT thousand	**30 September 2021**	31 December 2020
Tenge	**35,509,326**	27,812,664
Russian rouble	**1,387,073**	535,922
US dollar	**5,461**	254,721
	36,901,860	28,603,307

10. OTHER CURRENT ASSETS

KZT thousand	**30 September 2021**	31 December 2020
Advances paid for goods and services	**1,986,727**	2,216,768
Other receivables for property, plant and equipment and construction in progress	**399,974**	399,974
Deferred expenses	**86,080**	166,970
Loans issued to employees 469	**469**	469
Other	**636,068**	769,850
Less: provision for expected credit losses	**(707,047)**	(608,794)
	2,402,271	2,945,237

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

KZT thousand	**2021**	2020
As on 1 January	**608,794**	472,349
Accrual	**189,512**	156,337
Recovery	**(53,620)**	(54,329)
Use	**(37,639)**	–
As on 30 September	**707,047**	574,357

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER FINANCIAL ASSETS

KZT thousand	**30 September 2021**	31 December 2020
Financial assets at amortised cost		
Bonds of Samruk-Kazyna	**30,150,128**	30,213,089
Bank deposits	**39,976,445**	29,656,027
Notes of the National Bank of the Republic of Kazakhstan	**18,812,106**	28,823,615
Placements with Eximbank	**2,414,056**	2,572,504
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**1,827,696**	1,816,832
Placements with DeltaBank JSC	**1,230,000**	1,230,000
Placements with KazInvestBank JSC	**1,212,937**	1,219,017
Interest accrued on Samruk-Kazyna bonds	**1,071,833**	254,334
Dividends receivable from an associate	**203,095**	203,095
Interest accrued on Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	**35,341**	17,163
Less: provision for impairment of placements with Eximbank	**(2,414,056)**	(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	**(1,212,937)**	(1,219,017)
Less: provision for expected credit losses	**(286,094)**	(152,516)
	91,790,550	90,831,639
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	**317,514**	310,175
	317,514	310,175
Total other financial assets	**92,108,064**	91,141,814
Other current financial assets	**59,812,828**	58,801,720
Other non-current financial assets	**32,295,236**	32,340,094
Total other financial assets	**92,108,064**	91,141,814

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

KZT thousand	**2021**	2020
As on 1 January	**5,174,037**	5,632,274
Accrual	**395,764**	426,940
Recovery	**(426,714)**	(676,047)
As on 30 September	**5,143,087**	5,383,167

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 bonds were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

On 7 December 2020, the Group purchased 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 nine months period ended 30 June 2021 the amount of premium amortization was KZT 62,961 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11 OTHER FINANCIAL ASSETS (continued)

Bonds of Special Financial Company DSFK LLP

During the nine months ended 30 September 2020, Special Financial Company DSFK LLP repaid bonds in the amount of KZT 51,457 thousand.

As at 30 September 2021, the Group reassessed the fair value of bonds and increased their carrying amount to KZT 314,514 thousand, recognizing gain from revaluation of financial instruments in the amount of KZT 58,696 thousand as finance income in the interim consolidated statement of comprehensive income *(Note 23)*

Deposits

As at 30 September 2021 and 31 December 2020 the deposits include accrued interest income in the amount of KZT 115,192 thousand and KZT 65,981 thousand, respectively.

Funds held in JSC "Eximbank Kazakhstan" (hereinafter - "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 nine months of 2021 the Liquidation Committee of Eximbank Kazakhstan JSC made payment to the Group in the amount of 436 thousand US Dollars (equivalent to KZT 184,663 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 (9 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 9 months of 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 24 December 2021 until 25 March 2022 (FSC RES). During 9 months ended on 30 September 2021, a finance income of KZT 1,555,659 thousand was recognized.

KazInvestBank

During 9 months of 2021, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 267,9 thousand tenge 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 4,200,000 Eurobonds of the Ministry of Finance of the Republic of Kazakhstan with the interest rate of 3.875% per annum and maturity until October 2024 at a price higher than the face value and to the total amount of USD 4,368 thousand (equivalent of KZT 1,749,746 thousand).

Other financial assets were denominated in the following currencies:

KZT thousand	**Interest rate**	**30 September 2021**	31 December 2020
Tenge	5.7–8.5%	**64,617,301**	64,453,314
US dollar	1 – 3.875%	**27,490,763**	26,688,500
		92,108,064	91,141,814

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. RESTRICTED CASH

in KZT thousand	**30 September 2021**	31 December 2020
Cash reserved for return as contractors' collaterals	**627,927**	553,284
Less: provision for expected credit losses	**(162)**	(698)
	627,765	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:

KZT thousand	**30 September 2021**	30 September 2020
As on 1 January	**698**	8,467
Accrual	**181**	799
Recovery	**(717)**	(8,624)
As on 30 September	**162**	642

13. CASH AND CASH EQUIVALENTS

KZT thousand	**30 September 2021**	31 December 2020
Current accounts with banks, in KZT	**20,704,971**	10,816,529
Short-term deposits, in KZT	**5,384,828**	10,812,426
Current accounts with banks, in foreign currencies	**574,642**	244,835
Cash on hand in tenge	**10,793**	1,828
Cash on special accounts in tenge	**1,111**	752
Less: provision for expected credit losses	**(7,236)**	(9,165)
	26,669,109	21,867,205

As at 30 September 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:

KZT thousand	**2021**	2020
As on 1 January	**9,165**	19,236
Accrual	**13,709**	14,354
Recovery	**(15,638)**	(13,179)
As on 30 September	**7,236**	20,411

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

KZT thousand	**30 September 2021**	31 December 2020
Tenge	**20,094,607**	**21,622,663**
Russian rouble	**463,453**	**223,177**
US dollar	**110,676**	**20,991**
Euro	**1**	**1**
Other	**372**	**373**
	26,669,109	**21,867,205**

14. EQUITY

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

Treasury shares

In November 2016 the Group repurchased 1,390 of floating shares for the total amount of KZT 930 thousand.

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.

The distribution of dividends is carried out taking into account the fact that in accordance with clause 10 of the Charter of FSC RES LLP, its net profit remains at the disposal of the partnership and is used to carry out the main activity.

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 nine months period ended 30 September 2021 (for the nine-month period ended 30 September 2020: 259,998,610 shares). For the nine-month period ended 30 September 2021 and 2020 basic and diluted earnings per share were KZT 140.94 and KZT 144.65, 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.

KZT thousand	**30 September 2021**	31 December 2020
Total assets	**829,952,982**	812,012,626
Less: intangible assets	**(3,073,508)**	(3,327,999)
Less: total liabilities	**(310,253,699)**	(309,456,156)
Net assets	**516,625,775**	499,228,471
Number of ordinary shares	**260,000,000**	260,000,000
Book value per ordinary share, KZT	**1,987**	1,920

Asset revaluation reserve

Asset revaluation reserve is represented by revaluation surplus recognized as a result of revaluation of Group’s National Power Grid (NPG) assets as on 1 October 2018 (previous revaluation was held as at 1 June 2014) Transfer of asset revaluation surplus into retained earnings, upon disposal of PPE and transfer of NES assets into other classes of PPE, for the nine months period ended 30 September 2021 amounted to KZT 446,862 thousand (for the nine-month period ended 30 September 2020: KZT 135,878 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. BORROWINGS

KZT thousand	**30 September 2021**	31 December 2020
The International Bank for Reconstruction and Development (IBRD)	**36,978,333**	41,647,967
The European Bank for Reconstruction and Development (EBRD)	**12,787,152**	22,529,925
	49,765,485	64,177,892
Less: current portion of loans repayable within 12 months	**(12,791,900)**	(14,334,439)
	36,973,585	49,843,453

As at 30 September 2021 and 31 December 2020 the accrued and unpaid interest amounts to KZT 122,808 thousand and KZT 343,237 thousand, respectively. As at 30 September 2021 and 31 December 2020 the unamortized portion of loan origination fees amounts to KZT 257,813 thousand and KZT 285,919 thousand, respectively.

Loans were denominated in the following currencies:

KZT thousand	**30 September 2021**	31 December 2020
US dollar	**36,978,333**	41,647,967
Euro	**12,787,152**	22,529,925
	49,765,485	64,177,892

Construction of 500 kV Second Transmission Line of Kazakhstan North-South Transit

In 2005 to implement the Project for Construction of 500 kV Second Transmission Line of Kazakhstan North-South Transit, phase II, KEGOC received credit facility to the amount of USD 100,000 thousand from the IBRD for 17 years including first five years of grace period. The credit facility is secured by the guarantee of the Government of the Republic of Kazakhstan. The loan interest is a six-month LIBOR plus overall spread, and repaid twice a year. In 2011, the undisbursed part of IBRD loan to the amount of USD 1,918 thousand was cancelled because the actual Project costs incurred during that Project appeared to be lower than expected. The outstanding balances as at 30 September 2021 and 31 December 2020 are USD 8,195 thousand (equivalent to KZT 3,486,804 thousand) and USD 16,351 thousand (equivalent to KZT 6,882,125 thousand), respectively.

Kazakhstan Electricity Transmission Rehabilitation Project, Phase II

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

two credit facilities to the amount of EUR 127,500 thousand and EUR 75,000 thousand granted by EBRD for 15 years including first four years of grace period. The loan interest is a six-month EUROBOR plus 3.85% margin, and repaid twice a year. The outstanding balances as at 30 September 2021 and 31 December 2020 are Euro 25,878 thousand (equivalent to KZT 12,774,266 thousand) and Euro 43,130 thousand (equivalent to KZT 22,288,891 thousand), respectively.

Moinak Electricity Transmission Project

In 2009 to implement the Moinak Electricity Transmission Project, KEGOC received a credit facility to the amount of USD 48,000 thousand granted by IBRD for 25 years, including first five years of grace period. The credit facility is secured by the guarantee of the Government of the Republic of Kazakhstan. The loan interest is a six-month LIBOR plus 0.85% fixed spread, and repaid twice a year. In May 2013, the undisbursed part of IBRD loan to the amount of USD 3,274 thousand was cancelled because the actual Project costs were lower than expected. The outstanding balances as at 30 September 2021 and 31 December 2020 are USD 29,072 thousand (equivalent to KZT 12,375,937 thousand) and USD 31,308 thousand (equivalent to KZT 13,177,966 thousand), respectively.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 facility is secured by the 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 September 2021 and 31 December 2020 are USD 49,949 thousand (equivalent to KZT 21,263,482 thousand) and USD 51,733 thousand (equivalent to KZT 21,771,592 thousand), respectively.

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16. BONDS PAYABLE

KZT thousand	**30 September 2021**	31 December 2020
Nominal value of bonds issued	**102,369,672**	**93,500,000**
Accrued coupon interest	**2,688,727**	**4,138,458**
Less: unamortised discount on bonds issued	**(1,043,106)**	**(719,637)**
Less: transaction costs	**(63,932)**	**(62,678)**
	103,951,361	**96,856,143**
Less: current portion of bonds repayable within 12 months	**(2,688,727)**	**(4,138,458)**
	101,262,634	**92,717,685**

As a part of the Nurly Zhol state program, the Group placed two tranches of coupon bonds at the Kazakhstan Stock Exchange JSC in order to finance the project of "Construction of a 500 kV OHTL Semey - Aktogay - Taldykorgan - Alma":

(a) During the period from June to August 2016 the Group issued coupon bonds with nominal amount of KZT 47,500,000 thousand under floating interest rate equal to the inflation rate in Republic of Kazakhstan plus 2.9% with the maturity in 2031 (the minimum rate of the consumer price index is set at 5%). The coupon rate for 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 September 2021 is 9.9% per annum. All bonds under this tranche were purchased by the Unified Accumulative Pension Fund. Bonds were issued with discount of KZT 111,945 thousand.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. BONDS PAYABLE (continued)

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 nine months ended 30 September 2021, the Group capitalized coupon costs on bonds issued less investment income of KZT 1,085,961 thousand (for the nine months ended 30 September 2020: KZT 126,479 thousand).

17. TRADE AND OTHER ACCOUNTS PAYABLE

KZT thousand	**30 September 2021**	31 December 2020
Accounts payable for electricity purchased	**31,924,765**	15,982,064
Accounts payable for inventories, works and services	**18,351,960**	15,414,429
Accounts payable for property, plant and equipment and construction in progress	**11,375,410**	19,118,365
Less: discount	**(1,440,605)**	(1,978,958)
	60,211,530	48,535,900
Less: current portion of trade payables repayable within 12 months	**(54,238,846)**	(40,884,883)
	5,972,684	7,651,017

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

KZT thousand	**30 September 2021**	31 December 2020
Tenge	**53,369,704**	45,752,581
Russian rouble	**6,839,804**	2,677,323
USD	**2,022**	46,721
Euro	**-**	59,275
	60,211,530	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 23*.

18. TAXES PAYABLE OTHER THAN INCOME TAX

KZT thousand	**30 September 2021**	31 December 2020
VAT payable	**1,793,798**	960,338
Contributions payable to pension fund	**140,055**	364,051
Individual income tax	**104,472**	316,597
Social tax	**86,980**	269,371
Social contribution payable	**79,081**	104,804
Other	**6,834**	13,345
	2,211,220	2,028,506

19. OTHER CURRENT LIABILITIES

KZT thousand	**30 September 2021**	31 December 2020
Due to employees	**1,974,707**	3,727,583
Other	**1,080,466**	692,878
	3,055,173	4,420,461

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

	For three-month period ended		For the nine months period ended on	
In KZT thousands	**30 September 2021**	30 September 2020	**30 September 2021**	30 September 2020
Revenue from sale of the purchased electricity	**35,383,816**	27,404,831	**96,429,804**	66,300,053
Electricity transmission	**29,949,926**	28,625,801	**89,960,751**	86,392,495
Sale of services to ensure readiness of electricity capacity to bear the power load	**18,385,560**	19,663,929	**55,347,649**	62,379,103
Technical dispatching services	**6,535,331**	6,935,476	**20,387,972**	21,868,659
Electricity generation and consumption balancing services	**4,072,982**	4,249,228	**12,682,717**	13,482,214
Sale of electricity for compensation of the interstate balances of electricity flows	**2,318,487**	1,408,964	**5,287,367**	3,712,243
Power regulation services	**107,653**	78,425	**738,207**	448,776
Other	**530,734**	402,796	**1,594,255**	1,406,751
	97,284,489	88,769,450	**282,428,722**	255,990,294

	For three-month period ended		For the nine months period ended on	
In thousands of tenge	**30 September 2021**	30 September 2020	**30 September 2021**	30 September 2020
Revenue recognition timeline				
The goods are transferred at a certain point in time	**37,702,303**	28,813,795	**101,717,171**	70,012,296
The services are provided over a period of time	**59,582,186**	59,955,655	**180,711,551**	185,977,998
Total revenue from contracts with customers	**97,284,489**	88,769,450	**282,428,722**	255,990,294

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

21. COST OF SALES

	For three-month period ended		For the nine months period ended on	
In KZT thousands	**30 September 2021**	30 September 2020	**30 September 2021**	30 September 2020
Cost of sales of purchased electricity	**33,148,077**	25,103,888	**93,216,882**	64,975,311
Costs for services of maintaining availability of electric capacity	**18,723,226**	21,503,413	**57,177,016**	60,673,016
Depreciation and amortisation	**8,392,879**	8,388,227	**25,080,228**	24,937,702
Technical losses of electric energy	**6,643,503**	2,971,981	**15,574,814**	9,454,874
Costs for purchase of electricity to compensate for interstate electricity balance flows	**8,321,966**	4,956,428	**15,516,892**	10,042,451
Payroll expenses and other deductions associated with payroll	**4,063,763**	4,186,139	**11,966,086**	11,988,692
Operation and maintenance costs	**2,086,596**	1,659,581	**5,237,732**	3,485,032
Taxes	**1,420,423**	2,315,316	**4,274,984**	6,948,200
Security expenses	**325,454**	302,255	**967,708**	901,240
Inventory	**269,107**	249,069	**690,059**	627,097
Other	**844,330**	725,074	**2,258,662**	1,864,078
	84,239,324	72,361,371	**231,961,063**	195,897,693

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For three-month period ended		For the nine months period ended on	
In KZT thousands	**30 September 2021**	30 September 2020	**30 September 2021**	30 September 2020
Payroll expenses and other deductions associated with payroll	**1,146,766**	1,000,309	**3,252,742**	3,265,854
Depreciation and amortisation	**223,937**	197,734	**665,944**	416,747
Taxes excluding income tax	**93,797**	37,157	**182,013**	125,005
Consulting services	**25,075**	76,291	**101,492**	127,296
Utility service costs	**11,485**	13,432	**51,440**	47,083
Rental costs of software use rights	**16,920**	8,954	**49,936**	28,489
Materials	**19,426**	12,204	**51,338**	30,025
Expenses for the Board of Directors	**10,112**	13,618	**39,263**	52,039
Trainings	**8,045**	2,470	**27,385**	12,996
Business trip expenses	**16,801**	5,521	**30,657**	20,712
Insurance expenses	**6,815**	6,744	**20,442**	23,533
Charge for obsolete inventories *(Note 8)*	**20,295**	104,631	**6,690**	142,375
Other	**331,690**	266,780	**1,046,820**	883,095
	1,931,164	1,745,845	**5,526,162**	5,175,249

23. FINANCE INCOME/(COSTS)

	For three-month period ended		For the nine months period ended on	
In KZT thousands	**30 September 2021**	30 September 2020	**30 September 2021**	30 September 2020
Finance income				
Interest income on deposits, current accounts and quoted bonds	**1,512,048**	1,539,198	**4,567,942**	4,043,239
Income from the notes of the National Bank of the Republic of Kazakhstan	**412,383**	579,643	**1,555,659**	843,561
Income from revaluation of DSFK financial instruments *(Note 11)*	**11,472**	40,417	**58,696**	65,803
Amortization of discount on accounts receivable *(Note 26)*	**21,901**	24,497	**66,949**	74,743
Amortization of discount on other financial assets		1	**-**	113,683
	1,957,804	2,183,756	**6,249,246**	5,141,029
Less: interest capitalized into the cost of qualified property, plant and equipment *(Note 6)*	**(97,053)**	(170,557)	**(535,473)**	(238,079)
	1,860,751	2,013,199	**5,713,773**	4,902,950
Finance costs				
Bond coupon	**2,729,916**	2,414,750	**8,163,601**	6,550,453
Interest on loans	**242,329**	380,466	**806,490**	1,318,372
Bank guarantee commission	**246,008**	258,014	**738,369**	733,320
Discount expenses	**172,478**	2,793	**546,640**	8,318
Amortization of premiums on other financial assets	**17,341**	3,252	**72,762**	9,507
Loan administration fee amortization	**12,710**	11,935	**35,623**	20,922
Interest expense on leases	**6,440**	57,391	**27,769**	79,539
Other expenses for bonds issued	**4,214**	5,442	**23,038**	15,074
	3,431,436	3,134,043	**10,414,292**	8,735,505
Less: interest capitalized into the cost of qualified property, plant and equipment *(Note 6)*	**(510,666)**	(266,750)	**(1,621,434)**	(364,558)
	2,920,770	2,867,293	**8,792,858**	8,370,947

NOTES TO THE INTERIM CONDENSED 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 nine months period ended 30 September 2021, the group incurred net foreign exchange gain in the amount of KZT 594,283 thousand (for the nine-month period ended 30 September 2020: net foreign exchange loss in the amount of KZT 5,189,869 thousand).

25. INCOME TAX EXPENSES

	For three-month period ended		**For the nine months period ended on**	
In KZT thousands	**30 September 2021**	30 September 2020	**30 September 2021**	30 September 2020
Current income tax				
Current income tax expenses	**2,231,314**	2,087,653	**9,075,699**	9,472,969
Adjustments in respect of current income tax of previous year	**-**	–	**(64,776)**	28,168
Deferred tax				
Deferred tax benefit	**(113,020)**	(223,479)	**(828,574)**	(807,125)
Total income tax expense reported in profit or loss	**2,118,294**	1,864,174	**8,182,349**	8,694,012

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

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

KZT thousand	**30 September 2021**	31 December 2020
Deferred tax assets	**223,321**	159,652
Deferred tax liabilities	**(88,558,931)**	(89,323,835)
Net deferred tax liabilities	**(88,335,610)**	(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. RELATED PARITY TRANSACTIONS

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 Related party transactions (continued)

The following table provides the balances of trade accounts payable to / receivable from related parties as at 30 September 2021 and 31 December 2020:

KZT thousand		Accounts receivable from related parties	Accounts payable to related parties
	30 September 2021	**9,746,426**	**19,210,098**
Subsidiaries of Samruk-Kazyna Group	31 December 2020	5,520,116	18,658,353
Samruk-Kazyna associates	**30 September 2021**	**730,012**	**720,584**
	31 December 2020	397,719	586,602
Samruk-Kazyna joint ventures	**30 September 2021**	**334,915**	**887**
	31 December 2020	404,371	12,646
Group associates	**30 September 2021**	**250,904**	**24,838**
	31 December 2020	276,675	9,820

The Group had the following transactions with related parties for the nine-month period ended 30 September 2021 and 30 September 2020:

KZT thousand		Sales to related parties	Purchases from related parties
	2021	**65,551,503**	**47,135,891**
Subsidiaries of Samruk-Kazyna Group	2020	47,085,436	39,754,353
	2021	**8,929,518**	**1,818,822**
Samruk-Kazyna associates	2020	8,898,246	2,343,731
	2021	**3,181,874**	**-**
Samruk-Kazyna joint ventures	2020	3,572,370	35,992
Group associates	**2021**	**518,114**	**58,551**
	2020	521,490	54,372

The Group’s sales to related parties mainly represent electricity transmission, technical dispatch and services on organizing and balancing of electricity production and consumption services. The Group's acquisitions from related parties primarily include telecommunications services, energy services, purchases of electricity and purchases of services to maintain the readiness of electricity capacity.

The Group’s borrowings (IBRD) 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 September 2021 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 TPP JSC should have paid the outstanding debt before the end of 2018. However, as at 30 September 2020 the debt was not paid off due to the suspension of construction of the Balkhash TPP, thus the management of the Group decided to make an allowance for the 100% of expected credit losses.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 Related party transactions (continued)

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 September 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 September 2021 the discount on accounts receivable from Kazpost JSC amounted to KZT 271,256 thousand. As at 30 September 2021 the receivables net of discount comprised KZT 842,231 thousand, of which KZT 662,108 thousand was accounted for within long-term receivables from related parties. During the nine months period ended 30 September 2021, the Group recognized income from amortization of a discount on long-term receivables from Kazpost JSC in the amount of KZT 66,949 thousand (during the nine months period ended 30 September 2020: KZT 74,743 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 September 2021, lease liability of the Group comprised KZT 207,785 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 September 2021 discount on accounts payable of Karabatan Utility Solutions LLP amounted to KZT 1,440,606 thousand. As at 30 September 2021 the amount of payable net of the discount was KZT 7,995,146 thousand, of which KZT 5,972,684 thousand were included within long-term payables from related parties. For the nine months period ended 30 September 2021 the Group recognized the expense from amortization of discount on long-term trade payables in the amount of KZT 538,352 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 286,049 thousand for the nine-month period ended 30 September 2020 (for the nine months period ended 30 September 2019: KZT 151,931 thousand). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. COMMITMENTS AND CONTINGENCIES

Operating environment

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

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

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

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

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including an opinion on the IFRS approach regarding revenue, expenses and other accounts of financial statements. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe. Penalties 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 five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 30 September 2020.

Compliance with loan covenants

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

Current ratio of not less than 1:1;

Total debt to total capital of not more than 50%;

Earnings before finance costs, 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. COMMITMENTS AND CONTINGENCIES (continued)

Compliance with loan covenants (continued)

Management believes that the Group complied with all existing loan covenants with EBRD and IBRD as of 30 September 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 September 2021, the Group excluded from EBITDA the foreign exchange gain of 594,283 thousand tenge (during the nine-month period ended 30 September 2020: the foreign exchange loss of 5,189,869 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 September 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 carrying 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 consolidated financial statements for unexpected expenses associated with damage or loss of such assets.

Capital 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 274.761 billion 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 September 2021, the amount of capital commitments under open agreements entered by the Group within the framework of the plan amounted to 119,976,695 thousand tenge (as at 31 December 2020: 82,980,915 thousand tenge).

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 fulfilment 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. COMMITMENTS AND CONTINGENCIES (continued)

Contractual commitments

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.

By the decision of the Committee for regulation of natural monopolies of the Ministry of National Economy of the Republic of Kazakhstan (order No. 79-OD dated 16 August 2021), tariffs for regulated services of KEGOC for 2021-2026 were approved, effective from 1 October 2021 to 30 September 2026 (excluding VAT), including the following tariffs effective from 1 October 2021 to 30 September 2022:

- 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 No. 36 of the Minister of National Economy of the Republic of Kazakhstan dated 1 February 2017. The tariff on sale of electricity includes the costs of the Financial Settlement Centre (FSC RES LLP) for the purchase of renewable electricity, the costs of generation and consumption balancing services, the costs of maintaining reserve funds and the costs associated with the operation of the FSC RES LLP.

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 are allocated to notional consumers in the form of a surcharge above their electricity ceiling tariff.

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 have been based on the pass-through surcharge and the actual volume of RES electricity generation in the billing month.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. COMMITMENTS AND CONTINGENCIES (continued)

Contractual commitments (continued)

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.

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

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

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

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 FSC RES LLP places on its Internet resource a price for a service to ensure readiness of electricity capacity to bear the power load for the coming calendar year along with supporting calculations. The price for the service to ensure the readiness of electric power to bear the load for 2021 is 692,376 KZT / MW * month (excluding VAT) (2019: 613,413 KZT/MW*month (excluding VAT); 2020: 799,869 KZT / 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.

28. SUBSEQUENT EVENTS

On 29 October 2021, the extraordinary General Meeting of Shareholders of KEGOC decided to pay dividends for the first half of 2021 in the amount of KZT 22,027,082 thousand to all holders of ordinary shares of KEGOC.

On 21 October 2021, KEGOC placed bonds at Kazakhstan Stock Exchange JSC (KASE) with a par value of KZT 16,430,326 thousand with an average weighted yield to maturity of 11.50% per annum. The bonds were placed with a discount in the amount of KZT 562,427 thousand. The coupon interest as of the date of placement was KZT 717,914 thousand.