# Appendix 5. Financial statements

**AS AT AND FOR THE YEAR ENDED 1 DECEMBER 2020 WITH INDEPENDENT AUDITOR'S REPORT**

# Independent auditor's report

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## Independent auditor's report

To the Shareholders, Audit Committee and management of Kazakhstan Electricity Grid Operating Company JSC

***Opinion***

We have audited the consolidated financial statements of Kazakhstan Electricity Grid Operating Company JSC and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

***Basis for opinion***

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

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**Key audit matters**

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

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Revenue from services to ensure readiness of electricity capacity to bear the power load*** | |
| This issue was one of the key audit issues in connection with the changes in the Law of the Republic of Kazakhstan "On Electric Power " regarding the application of the k8 coefficient for calculating the volume of capacity sold and calculating the price for services to ensure the readiness of electricity capacity to bear the power load. The matter received special attention due to the large volume of operations, associated with it- in particular, service delivery to more than 240 consumers based on uniform weighted average tariff.<br><br>Estimation of revenue received by the Group depends on management's estimates of the volume of capacity sold and the calculation of the price for services.<br><br>The Group's disclosures in respect of capacity market and the application of the k8 coefficient are included in Notes 3 and 29 to the consolidated financial statements | We reviewed the relevant changes in the regulatory framework and the available information on the calculation of the price and actual volume of the electric capacity maintenance service, including additional explanations received from the Group's management regarding the application of the k8 coefficient to calculate the volumes of power sold during 2020. We evaluated the accounting policy applied for revenue recognition.<br><br>On a sample basis we compared the values of electricity capacity volume used for revenue during the reporting period with the acts of the actual maximum volume of electricity capacity agreed with the customers. We analysed tariff calculation for the services to ensure the readiness of electricity capacity to bear the load.<br><br>We also reviewed the calculation and application of the k8 coefficient during 2020. We analysed the Group's disclosures in respect of revenue for this service. |
| ***Development of accounting information systems*** | |
| During the 2020, the Group was in the development process of the accounting information system, in particular, automation of consolidation and disclosures to financial statements.<br><br>The issue of development of the accounting information system was one of the key audit matters, since the accounting information system is fundamental to the processing and generation of | We discussed with the management of the Group the changes made to the system, as well as the relevant processes, paying particular attention to those changes that have a significant impact on the receipt and processing of financial information. We carried out procedures to evaluate the design and operational effectiveness of the general controls established by the Group's |

financial information for financial statement purposes.

As a result of development of the accounting information system the Group implemented new processes, controls and changes in the delegation of duties.

management in the system, including the access and manage change.

We have engaged our IT specialists to complete the above procedures.

***Fair value of assets of the National Electric Grid***

As at 31 December 2020, the carrying value of the assets of the National Electricity Grid ("NES") amounted to 580,460,546 thousand tenge (2019: 599,496,951 thousand tenge).

The NES assets are accounted at fair value in accordance with the Group's accounting policies. At each reporting date, the Group analyzes to what extent the fair value of NES assets differs significantly from their carrying amount. In order to assess the possible fluctuations in the fair values the Management of the Group determines the replacement cost of assets most exposed to the risk of changes in fair value.

Due to the significance of the carrying value of the NES assets, as well as significant use of professional judgment and estimates by Management when analyzing changes in the fair value of NES assets, this issue was one of the key audit matters.

Information on NES assets and analysis of changes in fair value of NES assets is presented in Note 4 to the consolidated financial statements.

We received from the management of the Group an analysis of possible changes in the fair value of NES assets.

We have analyzed on a sample basis the calculations performed by the management of the Group in relation to the replacement cost of NES assets. We have reviewed the price index assumptions used by the Group in determining the replacement cost.

We have recalculated the replacement cost using the available information for the construction and installation works.

We have verified the mathematical accuracy of the replacement cost and accumulated depreciation calculations.

We reviewed the information disclosed in Note 4 to the consolidated financial statements.

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***Other information included in Group's 2020 Annual Report***

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

***Responsibilities of management and the Audit Committee for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

The partner in charge of the audit resulting in this independent auditor's report is Adil Syzdykov.

Ernst & Young LLP

Adil Syzdykov
Auditor

Rustamzhan Sattarov
General Director
Ernst & Young LLP

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

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

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

26 February 2021

# Consolidated financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| In thousands of Tenge | Notes | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **652,478,444** | 651,570,990 |
| Intangible assets | | **3,327,999** | 1,411,900 |
| Advances paid for non-current assets | 6 | **4,126,292** | 1,485,220 |
| Deferred tax asset | 26 | **159,652** | 53,436 |
| Investments in associate | 7 | **2,017,593** | 1,862,241 |
| Long-term receivables from related parties | 27 | **742,477** | 840,324 |
| Other financial assets, non-current portion | 11 | **32,340,094** | 1,951,795 |
| | | **695,192,551** | 659,175,906 |
| | | | |
| **Current assets** | | | |
| Inventories | 8 | **2,549,293** | 2,134,157 |
| Trade accounts receivable | 9 | **28,603,307** | 21,901,834 |
| VAT recoverable and other prepaid taxes | | **477,893** | 698,928 |
| Prepaid income tax | | **1,017,708** | 922,475 |
| Other current assets | 10 | **2,945,237** | 739,483 |
| Other financial assets, current portion | 11 | **58,801,720** | 45,260,710 |
| Restricted cash | 12 | **552,586** | 4,274,085 |
| Cash and cash equivalents | 13 | **21,867,205** | 21,179,282 |
| | | **116,814,949** | 97,110,954 |
| | | | |
| Assets held for transfer | | **5,126** | 700,861 |
| **Total assets** | | **812,012,626** | 756,987,721 |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 14 | **126,799,554** | 126,799,554 |
| Treasury shares | 14 | **(930)** | (930) |
| Asset revaluation reserve | 14 | **309,836,582** | 310,369,243 |
| Retained earnings | | **65,921,264** | 44,670,157 |
| | | **502,556,470** | 481,838,024 |

| In thousands of Tenge | Notes | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings, non-current portion | 15 | **49,843,453** | 56,925,610 |
| Bonds payable, non-current portion | 16 | **92,717,685** | 83,671,184 |
| Deferred tax liability | 26 | **89,323,835** | 89,995,249 |
| Long-term trade payable | 17 | **7,651,017** | – |
| Government grant, non-current portion | | **29,113** | 59,543 |
| Lease liability, non-current portion | 27 | **99,406** | 156,661 |
| Other payables, non-current portion | | **102,412** | – |
| | | **239,766,921** | 230,808,247 |
| | | | |
| **Current liabilities** | | | |
| Borrowings, current portion | 15 | **14,334,439** | 6,083,377 |
| Bonds payable, current portion | 16 | **4,138,458** | 3,645,344 |
| Trade and other accounts payable, current portion | 17 | **40,884,883** | 23,389,482 |
| Construction obligation | 18 | **–** | 683,430 |
| Contract liabilities | | **3,336,881** | 2,167,885 |
| Government grant, current portion | | **30,430** | 30,430 |
| Lease liability, current portion | 27 | **462,359** | 262,882 |
| Taxes payable other than income tax | 19 | **2,028,506** | 3,371,344 |
| Income tax payable | | **52,818** | 723,620 |
| Dividends payable | | **–** | 56 |
| Other current liabilities | 20 | **4,420,461** | 3,983,600 |
| | | **69,689,235** | 44,341,450 |
| **Total liabilities** | | **309,456,156** | **275,149,697** |
| **Total equity and liabilities** | | **812,012,626** | 756,987,721 |
| | | | |
| **Book value per ordinary share (in Tenge)** | 14 | **1,920** | 1,848 |

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

Chief Accountant — Mukanova D.T.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 31 December 2020**

| In thousands of Tenge | Notes | 2020 | 2019 |
|---|---|---|---|
| Revenue from contracts with customers | 21 | **350,659,551** | 263,162,073 |
| Cost of sales | 22 | **(267,056,968)** | (200,256,677) |
| **Gross profit** | | **83,602,583** | 62,905,396 |
| | | | |
| General and administrative expenses | 23 | **(8,309,669)** | (8,834,207) |
| Selling expenses | | **(364,084)** | (382,278) |
| (Loss from) / reversal of impairment of property, plant and equipment | 6 | (19,210) | 28,364 |
| **Operating profit** | | **74,909,620** | 53,717,275 |
| | | | |
| Finance income | 24 | **7,146,006** | 4,171,530 |
| Finance costs | 24 | **(11,205,980)** | (9,200,695) |
| Foreign exchange (loss)/gain, net | 25 | **(5,309,688)** | 469,129 |
| Share in profit of an associate | 7 | **358,447** | 774,374 |
| Accrual of provision for expected credit losses | 9, 10, 11, 12, 13 | **(458,445)** | (134,370) |
| Other income | | **930,872** | 724,097 |
| Other expenses | | **(622,600)** | (250,366) |
| **Profit before tax** | | **65,748,232** | 50,270,974 |
| | | | |
| Income tax expense | 26 | **(12,282,961)** | (9,522,004) |
| **Profit for the year** | | **53,465,271** | 40,748,970 |
| | | | |
| **Earnings per share** | | | |
| **Basic and diluted profit for the year attributable to common shareholders of the parent (in Tenge)** | 14 | **205.64** | 156.73 |

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

Chief Accountant — Mukanova D.T.

## CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended 31 December 2020**

| In thousands of Tenge | Notes | 2020 | 2019 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | **65,748,232** | 50,270,974 |
| | | | |
| **Adjustments to reconcile profit before tax to net cash flows** | | | |
| Depreciation and amortisation | | **34,076,993** | 34,348,949 |
| Finance costs | 24 | **11,205,980** | 9,200,695 |
| Finance income | 24 | **(7,146,006)** | (4,171,530) |
| Foreign exchange loss/(gain), net | 25 | **5,309,688** | (469,129) |
| Accrual of provision for expected credit losses | | **458,445** | 134,370 |
| Accrual of allowance for obsolete inventories | 23 | **57,028** | 67,532 |
| Loss from disposal of property, plant and equipment and intangible assets | | **372,695** | 108,015 |
| Loss from / (reversal) of property, plant and equipment | 6 | **19,210** | (28,364) |
| Share in profit of an associate | 7 | **(358,447)** | (774,374) |
| Income from government grants | | **(30,430)** | (58,305) |
| | | | |
| **Working capital adjustments** | | | |
| Change in inventories | | **(472,164)** | 89,689 |
| Change in trade accounts receivable | | **(7,404,216)** | (12,725,280) |
| Change in other current assets | | **(2,325,816)** | (255,298) |
| Change in VAT recoverable and other prepaid taxes | | **221,035** | 93,006 |
| Change in trade and other accounts payable | | **16,526,787** | 8,617,459 |
| Change in contract liabilities | | **1,168,996** | 433,215 |
| Change in other non-current liabilities | | **102,412** | – |
| Change in taxes payable other than income tax | | **(1,237,193)** | 1,229,811 |
| Change in other current liabilities | | **142,312** | 472,010 |
| **Cash flows from operating activities** | | **116,435,541** | 86,583,445 |
| | | | |
| Interest paid | | **(2,093,727)** | (2,536,865) |
| Coupon interest paid | | **(8,460,500)** | (8,687,000) |
| Lease interest paid | | **(87,769)** | (52,601) |
| Bank guarantee commission paid | | **(966,986)** | (894,908) |
| Income tax paid | | **(13,529,672)** | (8,093,869) |
| Interest received | | **5,405,063** | 3,380,005 |
| **Net cash flows received from operating activities** | | **96,701,950** | 69,698,207 |

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

**For the year ended 31 December 2020**

| In thousands of Tenge | Notes | 2020 | 2019 |
|---|---|---|---|
| **Investing activities** | | | |
| Withdrawal of bank deposits | | **40,103,448** | 31,924,115 |
| Replenishment of bank deposits | | **(48,792,359)** | (32,329,832) |
| Change in restricted cash | | **4,238,713** | (9,352) |
| Gain from sale of property, plant and equipment and intangible assets | | **196,498** | 196,498 |
| Purchase of property, plant, equipment | | **(30,376,834)** | (24,541,643) |
| Purchase of intangible assets | | **(51,273)** | (177,828) |
| Acquisition of debt securities (National bank notes, bills of Ministry of Finance of the Republic of Kazakhstan) | | (117,199,634) | (8,459,310) |
| Redemption of debt securities (National bank notes, bills of Ministry of Finance of the Republic of Kazakhstan) | | **85,659,159** | 7,953,341 |
| Repurchase of DSFK bonds by the issuer | 11 | **67,980** | 22,141 |
| Partial return of funds from Kazinvestbank JSC and Eximbank Kazakhstan JSC | | **358,558** | 95,075 |
| Repayment of loans to employees | | **564** | 2,092 |
| Dividends from an associate | 7 | **–** | 20,000 |
| **Net cash flows used in investing activities** | | **(65,795,180)** | (25,304,703) |
| | | | |
| **Financing activities** | | | |
| Issue of bonds | | **9,032,407** | – |
| Dividends paid | | **(32,746,767)** | (31,644,640) |
| Repayment of borrowings | | **(6,574,597)** | (10,517,957) |
| Principal repayment of lease liability | | **(400,692)** | (47,420) |
| **Net cash flows used in financing activities** | | **(30,689,649)** | (42,210,017) |
| **Net change in cash and cash equivalents** | | **217,120** | 2,183,487 |
| | | | |
| Effect of exchange rate changes on cash and cash equivalents | | **460,732** | (54,765) |
| Effect of accrual of provision on expected credit losses on cash and cash equivalents | 13 | **10,071** | (10,140) |
| **Cash and cash equivalents, as at 1 January** | | **21,179,282** | 19,060,700 |
| **Cash and cash equivalents, as at 31 December** | 13 | **21,867,205** | 21,179,282 |

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

Chief Accountant — Mukanova D.T.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the year ended 31 December 2020**

| In thousands of Tenge | Share capital | Asset revaluation reserve | Treasury shares | Other reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2019** | 126,799,554 | 310,840,187 | (930) | (37,081) | 35,092,074 | 472,693,804 |
| | | | | | | |
| Profit for the year | – | – | – | – | 40,748,970 | 40,748,970 |
| **Total comprehensive income** | – | – | – | – | 40,748,970 | 40,748,970 |
| | | | | | | |
| Dividends (Note 14) | – | – | – | – | (31,641,831) | (31,641,831) |
| Amortization of provision for bonds | – | – | – | 37,081 | – | 37,081 |
| Transfer of asset revaluation reserve (Note 14) | – | (470,944) | – | – | 470,944 | – |
| **As at 31 December 2019** | 126,799,554 | 310,369,243 | (930) | – | 44,670,157 | 481,838,024 |
| | | | | | | |
| Profit for the year | **–** | **–** | **–** | **–** | **53,465,271** | **53,465,271** |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **53,465,271** | **53,465,271** |
| | | | | | | |
| Dividends (Note 14) | **–** | **–** | **–** | **–** | **(32,746,825)** | **(32,746,825)** |
| Transfer of asset revaluation reserve (Note 14) | **–** | **(532,661)** | **–** | **–** | **532,661** | **–** |
| **As at 31 December 2020** | **126,799,554** | **309,836,582** | **(930)** | **–** | **65,921,264** | **502,556,470** |

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

Chief Accountant — Mukanova D.T.

# Notes to the consolidated financial statements

## 1. GENERAL INFORMATION

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

As at 31 December 2020 the Company's major shareholder was Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

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

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

As of 31 December 2020 and 31 December 2019 the Company has stakes in the following companies:

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

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

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

- Electricity transmission and related support. Electricity transmission is regulated by the Law of the Republic of Kazakhstan dated 9 July 1998 No. 272 I On Natural Monopolies and Regulated Markets (the "Law") as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan (the "Committee").
- Ensure readiness of electricity capacity to bear the power load. From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the reliability of the power system of the Republic of Kazakhstan. Balance reliability refers to the ability of a power system to meet consumer demand for electricity at any given time.
- Sale of purchased electricity. The sale of purchased electricity segment includes the renewable energy sector (hereinafter – "RES") created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV On Supporting the Use of Renewable Energy Sources.

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

These consolidated financial statements were approved by the Acting chairman of the Management Board and Chief Accountant of the Company on 26 February 2021.

## 2. BASIS OF PREPARATION

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

These consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment, which are stated at revalued amounts and financial assets measured at fair value as described in the accounting policies and notes to these consolidated financial statements. The 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 consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the following term apply:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights.

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED TO THE EXISTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE COMPANY FOR THE FIRST TIME

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

#### Amendments to IFRS 3: Definition of a Business

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Amendments to IAS 1 and IAS 8: Definition of Material

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

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

### Conceptual Framework for Financial Reporting issued on 29 March 2018

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

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

### Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

### CURRENT VERSUS NON-CURRENT CLASSIFICATION

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

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

All other assets are classified as non-current.

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

The Group classifies all other liabilities as non-current.

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

## FAIR VALUE MEASUREMENT

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

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### FAIR VALUE MEASUREMENT (CONTINUED)

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

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

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

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

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

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

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

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

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

## FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

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

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

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

| Exchange rate as at the end of the year (to KZT) | 31 December 2020 | 31 December 2019 |
|---|---|---|
| USD 1 | **420.91** | 382.59 |
| EUR 1 | **516.79** | 429.00 |
| RUB 1 | **5.62** | 6.16 |

| Average exchange rate for the year (to KZT) | 31 December 2020 | 31 December 2019 |
|---|---|---|
| USD 1 | **412.95** | 382.87 |
| EUR 1 | **471.44** | 428.63 |
| RUB 1 | **5.73** | 5.92 |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

Land is not depreciated.

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

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

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

## INTANGIBLE ASSETS

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

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

## IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

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

### INVESTMENTS IN AN ASSOCIATE

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

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

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

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

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

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

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the 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

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

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

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

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

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

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT (CONTINUED)

### Financial assets (continued)

#### Initial recognition and measurement (continued)

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

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

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

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

#### Subsequent measurement

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

#### Derecognition

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

— The rights to receive cash flows from the asset have expired;

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

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

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

### Recognition of expected credit loss

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

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

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

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

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

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

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

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT (CONTINUED)

### Financial assets (continued)

#### Measurement of expected credit loss

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

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

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

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

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

### Financial liabilities

#### Initial recognition and measurement

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

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

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

#### Subsequent measurement

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

Loans and borrowings

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

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

Trade and other payables

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

### Derecognition

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

## OFFSETTING OF FINANCIAL INSTRUMENTS

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

## INVENTORY

Inventories are accounted for on a FIFO basis.
Inventories are valued at the 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 consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity till 3 (three) months or less.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### RESTRICTED CASH

In accordance with loan agreements on projects financing signed with International Bank for Reconstruction and Development (the "IBRD") and European Bank for Reconstruction and Development (the "EBRD"), the Group opened bank escrow accounts, necessary for debt service. Cash, held on these bank accounts, can be used exclusively for the purposes of planned payments on interest and principal loan amounts. If cash is restricted in use for the period not exceeding 12 (twelve) months from the reporting date, such cash is treated as current asset and an appropriate disclosure is provided in the notes to the consolidated financial statements. If cash is restricted in use for the period exceeding 12 (twelve) months from the reporting date, such cash is reflected within non-current assets.

### PROVISIONS

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

### REVENUE RECOGNITION

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

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

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

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

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

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

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

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

### Interest income

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

## BORROWING COSTS

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

## LEASE

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### LEASE (CONTINUED)

#### The Group as a lessee

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

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

### PENSION OBLIGATIONS

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees' salaries, but no more than KZT 212,500 per month (2019: KZT 212,500) to accumulative pension funds. Pension fund payments are withheld from employees' salaries and included with payroll expenses in the 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 consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### DEFERRED TAX

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

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

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

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

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

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

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### DIVIDENDS

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

### CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

### ESTIMATES AND ASSUMPTIONS

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

### REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

At each reporting date, the Group assesses whether there is any difference between the carrying amount of NES assets from that which was determined using fair values at the reporting date. As of 31 December 2020, and 31 December 2019, the management of the Group revised its estimates in relation to the fair value of its NES assets by calculating the actual replacement cost of the NES assets excluding all types of accumulated depreciation. As a result, the management of the Group has concluded that there has been no significant change in the fair value of NES assets as at 31 December 2020 and 31 December 2019 from the date of the last revaluation in 2018. As a result, the Group concluded that the carrying amount of NES assets as of 31 December 2020 does not significantly differ from their fair value.

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

### TAXES

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

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

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

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

### FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the 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 31 December 2020 DSFK bonds are non-recoverable. Accordingly, management of the Group believes that fair value of DSFK bonds is limited to their recoverable amount that is equal to the fair value of the guarantee. The Group does not hold the bonds for all contractual cash flows, so as at 31 December 2020, the bonds were classified as financial instruments at fair value through profit or loss. As at 31 December 2020, the Group revalued the fair value of the bonds at a discount rate of 11.2%, which represents the market discount rate as at 31 December 2020.

### Samruk-Kazyna Bonds

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

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

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

## PURCHASE AND SALE OF ELECTRICITY GENERATED BY RENEWABLE ENERGY FACILITIES

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

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

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

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

### PURCHASE AND SALE OF ELECTRICITY GENERATED BY RENEWABLE ENERGY FACILITIES (CONTINUED)

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

### DETERMINATION OF THE LEASE COMPONENT IN RENEWABLE ENERGY PURCHASE AGREEMENTS

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

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

### ESTIMATED PROVISION FOR EXPECTED CREDIT LOSSES ON RECEIVABLES

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

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

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

## 5. OPERATING SEGMENTS INFORMATION

### GEOGRAPHIC INFORMATION

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

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| Revenue from Kazakhstan customers | **333,105,023** | 247,186,271 |
| Revenue from Russian customers | **16,579,111** | 15,245,821 |
| Revenue from Uzbekistan customers | **954,342** | 708,465 |
| Revenue from Kyrgys customers | **21,075** | 21,516 |
| **Total revenue per consolidated statement of comprehensive income** | **350,659,551** | 263,162,073 |

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

For the year ended 31 December 2020 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to KZT 57,496,342 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 year ended 31 December 2019: KZT 38,464,643 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 and related support. Electricity transmission is regulated by the Law as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group’s electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee.
- Ensure readiness of electricity capacity to bear the power load. From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the reliability of the power system of the Republic of Kazakhstan. Balance reliability refers to the ability of a power system to meet consumer demand for electricity at any given time.
- Sale of purchased electricity. • The sale of purchased electricity segment includes the renewable energy sector (hereinafter – “RES”) created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV On Supporting the Use of Renewable Energy Sources.

## 5. OPERATING SEGMENTS INFORMATION (CONTINUED)

### OPERATING SEGMENTS (CONTINUED)

| In thousands of Tenge | Electricity transmission and related support services | Ensure readiness of electricity capacity to bear the power load |
|---|---|---|
| Revenue from sales to external customers | 178,298,630 | 84,384,233 |
| Revenue from sales to other segments | 249,262 | 4,569,012 |
| **Total revenue** | 178,547,892 | 88,953,245 |
| | | |
| **Gross profit** | 71,912,504 | 8,570,187 |
| General and administrative expenses | (7,924,511) | (381,775) |
| Selling expenses | (391,066) | – |
| Finance income | 6,245,387 | 1,358,572 |
| Finance costs | (11,200,196) | (5,784) |
| Share in profit of an associate | 358,447 | – |
| Foreign exchange loss, net | (5,304,463) | – |
| Income tax expense | (9,912,348) | (1,745,646) |
| **Profit/(loss) for the reporting period** | 44,257,239 | 7,380,159 |
| **Total net income/(loss)** | 44,257,239 | 7,380,159 |
| | | |
| **Other segment information** | | |
| Total segment assets | 763,557,223 | 27,623,419 |
| Total segment liabilities | 282,879,191 | 14,084,196 |
| Accrual of expected credit losses for doubtful debts | (467,868) | (368,624) |
| Investments in an associate | 2,017,593 | – |

| For the year ended 31 December 2020 | | | |
|---|---|---|---|
| Sale of purchased electricity | Other | Elimination | Total |
| 87,177,756 | 798,932 | – | 350,659,551 |
| 1,448 | 4,728,576 | (9,548,298) | – |
| 87,179,204 | 5,527,508 | (9,548,298) | 350,659,551 |
| | | | |
| 2,176,959 | 1,506,179 | (563,246) | 83,602,583 |
| (173,837) | (573,558) | 744,012 | (8,309,669) |
| – | – | 26,982 | (364,084) |
| 307,194 | 52,554 | (817,701) | 7,146,006 |
| – | – | – | (11,205,980) |
| – | – | – | 358,447 |
| – | (5,225) | – | (5,309,688) |
| (436,412) | (188,555) | – | (12,282,961) |
| 1,845,040 | 806,869 | (824,036) | 53,465,271 |
| 1,845,040 | 806,869 | (824,036) | 53,465,271 |
| | | | |
| | | | |
| 19,195,936 | 5,291,404 | (3,655,356) | 812,012,626 |
| 13,000,797 | 1,443,216 | (1,951,244) | 309,456,156 |
| (114,611) | 16,582 | – | (934,521) |
| – | – | – | 2,017,593 |

## 5. OPERATING SEGMENTS INFORMATION (CONTINUED)

### OPERATING SEGMENTS (CONTINUED)

| In thousands of Tenge | Electricity transmission and related support services | Ensure readiness of electricity capacity to bear the power load |
|---|---|---|
| Revenue from sales to external customers | 153,938,491 | 67,727,114 |
| Revenue from sales to other segments | 118,642 | 3,366,165 |
| **Total revenue** | 154,057,133 | 71,093,279 |
| | | |
| **Gross profit** | 50,246,401 | 12,809,151 |
| General and administrative expenses | (8,454,964) | (244,126) |
| Selling expenses | (411,350) | – |
| Finance income | 3,861,445 | 357,094 |
| Finance costs | (9,200,695) | – |
| Share in profit of an associate | 774,374 | – |
| Foreign exchange gain/(loss), net | 469,269 | – |
| Impairment of property, plant and equipment | (28,364) | – |
| Income tax expense | (6,906,005) | (2,597,311) |
| **Profit/(loss) for the reporting period** | 30,942,952 | 10,358,076 |
| **Total net income/(loss)** | 30,942,952 | 10,358,076 |
| | | |
| **Other segment information** | | |
| Total segment assets | 729,742,694 | 17,967,007 |
| Total segment liabilities | 260,216,629 | 10,741,958 |
| Accrual of expected credit losses for doubtful debts | 94,761 | (236,653) |
| Investments in an associate | 1,862,241 | – |

| For the year ended 31 December 2019 | | | |
|---|---|---|---|
| Sale of purchased electricity | Other | Elimination | Total |
| 40,838,117 | 658,351 | – | 263,162,073 |
| 32,811 | 4,009,395 | (7,527,013) | – |
| 40,870,928 | 4,667,746 | (7,527,013) | 263,162,073 |
| | | | |
| (710,722) | 1,188,292 | (627,726) | 62,905,396 |
| (118,534) | (546,169) | 529,586 | (8,834,207) |
| – | – | 29,072 | (382,278) |
| 232,623 | 70,749 | (350,381) | 4,171,530 |
| – | – | – | (9,200,695) |
| – | – | – | 774,374 |
| 1 | (141) | – | 469,129 |
| – | – | – | (28,364) |
| 144,113 | (162,801) | – | (9,522,004) |
| (574,723) | 614,608 | (591,943) | 40,748,970 |
| (574,723) | 614,608 | (591,943) | 40,748,970 |
| | | | |
| | | | |
| 8,166,822 | 4,570,336 | (3,459,138) | 756,987,721 |
| 4,882,708 | 914,410 | (1,606,008) | 275,149,697 |
| 2,584 | 9,121 | – | (130,187) |
| – | – | – | 1,862,241 |

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

| In thousands of Tenge | Land | Buildings | NES assets | Vehicles and other property, plant and equipment | Const-ruction-in-progress | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2019** | 1,771,135 | 17,424,530 | 1,116,427,405 | 33,624,896 | 62,403,893 | 1,231,651,859 |
| Additions | 50,427 | 76,411 | 214,121 | 1,382,027 | 16,641,467 | 18,364,453 |
| Transfers | 88,694 | 1,236,427 | 52,579,631 | 7,362,162 | (61,347,432) | (80,518) |
| Disposals | – | (862) | (817,105) | (544,568) | (700,861) | (2,063,396) |
| **As at 31 December 2019** | 1,910,256 | 18,736,506 | 1,168,404,052 | 41,824,517 | 16,997,067 | 1,247,872,398 |
| | | | | | | |
| Additions | **11,269** | **196,100** | **8,027,050** | **2,894,181** | **24,694,126** | **35,822,726** |
| Transfers | **48,813** | **186,638** | **3,929,847** | **866,458** | **(5,031,756)** | **–** |
| Transfer to intangible assets | **–** | **–** | **–** | **–** | **(1,612,929)** | **(1,612,929)** |
| Transfer from inventory | **–** | **–** | **–** | **–** | **837,678** | **837,678** |
| Transfers to non-current assets for sale | **(5,126)** | **–** | **–** | **–** | **–** | **(5,126)** |
| Disposals | **–** | **(402,940)** | **(2,552,883)** | **(444,198)** | **(73,815)** | **(3,473,836)** |
| **As at 31 December 2020** | **1,965,212** | **18,716,304** | **1,177,808,066** | **45,140,958** | **35,810,371** | **1,279,440,911** |
| | | | | | | |
| **Accumulated depreciation and impairment** | | | | | | |
| As at 1 January 2019 | – | (4,003,282) | (538,815,274) | (20,646,878) | (250,058) | (563,715,492) |
| Charge for the year | – | (546,045) | (30,658,153) | (2,537,292) | – | (33,741,490) |
| Transfer | – | (99,574) | (106,641) | 206,215 | – | – |
| Disposals | – | 389 | 672,967 | 453,854 | – | 1,127,210 |
| Reversal of impairment | – | – | – | – | 28,364 | 28,364 |
| **As at 31 December 2019** | – | (4,648,512) | (568,907,101) | (22,524,101) | (221,694) | (596,301,408) |
| | | | | | | |
| Charge for the year | **–** | **(249,462)** | **(30,572,899)** | **(2,779,662)** | **–** | **(33,602,023)** |
| Disposals | **–** | **393,737** | **2,128,850** | **437,587** | **–** | **2,960,174** |
| Impairment loss | **–** | **–** | **–** | **–** | **(19,210)** | **(19,210)** |
| **As at 31 December 2020** | **–** | **(4,504,237)** | **(597,351,150)** | **(24,866,176)** | **(240,904)** | **(626,962,467)** |
| | | | | | | |
| **Net book value** | | | | | | |
| **As at 1 January 2019** | 1,771,135 | 13,421,248 | 577,612,131 | 12,978,018 | 62,153,835 | 667,936,367 |
| **As at 31 December 2019** | 1,910,256 | 14,087,994 | 599,496,951 | 19,300,416 | 16,775,373 | 651,570,990 |
| **As at 31 December 2020** | **1,965,212** | **14,212,067** | **580,456,916** | **20,274,782** | **35,569,467** | **652,478,444** |

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

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cost | **421,253,836** | 409,926,673 |
| Accumulated depreciation | **(124,078,236)** | (112,519,473) |
| **Net book value** | **297,175,600** | 297,407,200 |

As at 31 December 2020 and 31 December 2019 the cost of fully amortised property, plant and equipment, which is still in use amounted to KZT 43,753,588 thousand and KZT 35,090,534 thousand, respectively.

## CAPITALIZED COSTS ON ISSUED BONDS

During the year ended 31 December 2020 the Group capitalized the cost of coupon interest on issued bonds (less investment income) amounted to KZT 310,407 thousand (for the year ended 31 December 2019: KZT 2,118,729 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 “Aktobe MES”, “Sarbaiskie MES”, “Western MES” (stage 1)”.

## ADVANCES PAID FOR NON-CURRENT ASSETS

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

## 7. INVESTMENTS IN ASSOCIATE

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

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Statement of financial position** | | |
| Current assets | **17,139,259** | 11,609,091 |
| Non-current assets | **17,309,889** | 20,448,279 |
| Current liabilities | **(7,440,560)** | (4,311,941) |
| Non-current liabilities | **(16,920,626)** | (18,334,225) |
| **Net assets** | **10,187,962** | 9,411,204 |

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Group's share in net assets | **2,017,593** | 1,862,241 |
| **Carrying amount of the investments** | **2,017,593** | 1,862,241 |

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Statement of comprehensive income** | | |
| Revenue | **10,406,346** | 14,248,515 |
| Net profit | **1,792,235** | 3,871,868 |
| **Group's share in profit of Batys Transit** | **358,447** | 774,374 |

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

The Extraordinary General Meeting of Shareholders (GMS) of Batys Transit, held on 6 April 2020, taking into account the amendments and additions to the extraordinary GMS dated 2 July 2020, decided to assign a part of the profit from non-core activities for 2019 to pay dividends on ordinary shares in the amount of KZT 1,015,477 thousand, at the rate of KZT 33,849.23 per ordinary share. The start date of payment is the day following the date of receipt of written consent to pay dividends on ordinary shares of Batys Transit from the Eurasian Development Bank in accordance with the loan agreement concluded between Batys Transit and the Bank, but no later than 21 August 2020. Dividends receivable in the amount of KZT 203,095 thousand were included in the consolidated statement of financial position as of 31 December 2020.

## 8. INVENTORIES

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Raw and other materials | **1,441,729** | 1,319,421 |
| Spare parts | **1,113,256** | 848,899 |
| Fuel and lubricants | **84,148** | 90,399 |
| Other inventory | **273,433** | 188,556 |
| Less: allowance for obsolete inventories | **(363,273)** | (313,118) |
| | **2,549,293** | 2,134,157 |

Movement in the allowance for obsolete inventories was as follows:

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| **At 1 January** | **313,118** | 246,046 |
| Charge (Note 23) | **201,353** | 91,041 |
| Reversal (Note 23) | **(144,325)** | (23,509) |
| Write-off | **(6,873)** | (460) |
| **At 31 December** | **363,273** | 313,118 |

## 9. TRADE ACCOUNTS RECEIVABLE

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Trade accounts receivable | **31,505,569** | 24,006,143 |
| Less: provision for expected credit losses | **(2,902,262)** | (2,104,309) |
| | **28,603,307** | 21,901,834 |

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

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| **At 1 January** | **2,104,309** | 2,024,770 |
| Charge | **2,025,634** | 824,194 |
| Reversal | **(1,227,681)** | (739,689) |
| Write-off | **–** | (4,966) |
| **At 31 December** | **2,902,262** | 2,104,309 |

## 9. TRADE ACCOUNTS RECEIVABLE (CONTINUED)

As at 31 December 2020 trade accounts receivable included accounts receivable from the customer National Electric Grids of Uzbekistan JSC, in the amount of KZT 1,721,705 thousand (31 December 2019: KZT 1,472,045 thousand.)

As at 31 December 2020 provision for debts from National Electric Grids of Uzbekistan JSC amounted to KZT 1,466,984 thousand (31 December 2019: KZT 1,332,370 thousand).

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

| In thousands of Tenge | Trade accounts receivable | | | | | |
|---|---|---|---|---|---|---|
| | | | Days past due | | | |
| | Total | Current | 30-90 days | 91-180 days | 181-270 days | Above 271 days |
| **31 December 2020** | | | | | | |
| Percentage of expected credit losses | **9.21%** | **0.75%** | **14.06%** | **19.89%** | **32.29%** | **99.12%** |
| Estimated total gross carrying amount in case of default | **31,505,569** | **26,405,391** | **1,090,797** | **1,233,908** | **667,744** | **2,107,729** |
| Expected credit losses | **(2,902,262)** | **(198,706)** | **(153,340)** | **(245,440)** | **(215,639)** | **(2,089,137)** |
| | **28,603,307** | **26,206,685** | **937,457** | **988,468** | **452,105** | **18,592** |
| **31 December 2019** | | | | | | |
| Percentage of expected credit losses | 8.77% | 0.19% | 2.49% | 9.82% | 27.21% | 99.96% |
| Estimated total gross carrying amount in case of default | 24,006,143 | 20,372,759 | 859,963 | 504,020 | 376,674 | 1,892,727 |
| Expected credit losses | (2,104,309) | (39,061) | (21,395) | (49,478) | (102,492) | (1,891,883) |
| | 21,901,834 | 20,333,698 | 838,568 | 454,542 | 274,182 | 844 |

Trade accounts receivable were denominated in the following currencies:

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Tenge | **27,812,664** | 20,907,577 |
| Russian Rouble | **535,922** | 931,182 |
| US Dollars | **254,721** | 63,075 |
| | **28,603,307** | 21,901,834 |

## 10. OTHER CURRENT ASSETS

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Advances paid for goods and services | **2,216,768** | 314,710 |
| Other receivables for property, plant and equipment and constructions | **399,974** | 399,974 |
| Deferred expenses | **166,970** | 92,629 |
| Loans receivable from employees | **469** | 1,521 |
| Other | **769,850** | 402,998 |
| Less: provision for expected credit losses | **(608,794)** | (472,349) |
| | **2,945,237** | 739,483 |

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

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| **At 1 January** | **472,349** | 427,059 |
| Charge | **219,244** | 93,972 |
| Reversal | **(82,675)** | (48,533) |
| Write-off | **(124)** | (149) |
| **At 31 December** | **608,794** | 472,349 |

## 11. OTHER FINANCIAL ASSETS

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Financial assets at amortised cost** | | |
| Bonds of Samruk-Kazyna | **30,213,089** | 25,886,318 |
| Bank deposits | **29,656,027** | 19,194,586 |
| Notes of the National Bank of the Republic of Kazakhstan | **28,823,615** | – |
| Placements with Eximbank Kazakhstan | **2,572,504** | 2,865,652 |
| Eurobonds of the Ministry of Finance of the Republic of Kazakhstan | **1,816,832** | 1,663,184 |
| Placements with DeltaBank JSC | **1,230,000** | 1,230,000 |
| Placements with Kazinvestbank JSC | **1,219,017** | 1,239,455 |
| Interest accrued on Samruk-Kazyna bonds | **254,334** | 463,667 |
| Dividends receivable from an associate | **203,095** | – |
| Interest accrued on Ministry of Finance Eurobonds | **17,163** | 13,304 |
| Less: provision for impairment of placements with Eximbank Kazakhstan | **(2,572,504)** | (2,865,652) |
| Less: provision for impairment of placements with Deltabank JSC | **(1,230,000)** | (1,230,000) |
| Less: provision for impairment of placements with Kazinvestbank JSC | **(1,219,017)** | (1,239,455) |
| Less: provision for expected credit losses | **(152,516)** | (297,167) |
| | **90,831,639** | 46,923,892 |
| | | |
| **Financial assets at fair value through profit or loss** | | |
| Bonds of Special Financial Company DSFK | **310,175** | 288,613 |
| | **310,175** | 288,613 |
| **Total other financial assets** | **91,141,814** | 47,212,505 |
| | | |
| Other current financial assets | **58,801,720** | 45,260,710 |
| Other non-current financial assets | **32,340,094** | 1,951,795 |
| **Total other financial assets** | **91,141,814** | 47,212,505 |

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

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| **At 1 January** | **5,632,274** | 5,600,216 |
| Accrual | **442,012** | 508,905 |
| Reversal | **(900,249)** | (476,847) |
| **At 31 December** | **5,174,037** | 5,632,274 |

## BONDS OF SAMRUK-KAZYNA JSC

During May-June 2018, the Group acquired coupon bonds of Samruk-Kazyna JSC with nominal value of KZT 26,000,000 thousand at cost lower than par value for KZT 25,159,831 thousand at Kazakhstan Stock Exchange JSC. The bonds mature on 13 March 2020. During the March 2020, the bonds were fully repaid. During the year ended 31 December 2020, amortization of the discount in amount of KZT 113,682 thousand was recognized as financial income in the consolidated statement of comprehensive income.

The Group classified the bonds as carried at amortised cost. During the year ended 31 December 2020, the discount amount was fully amortized and the bonds were fully repaid on 13 March 2020.

On 30 March 2020, the Group purchased coupon bonds of SWF Samruk-Kazyna JSC in the amount of 25,927,008 at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange, with an interest rate of 12.5% per annum. The bonds were redeemed ahead of schedule on 2 December 2020.

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

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

## BONDS OF SPECIAL FINANCIAL COMPANY DSFK LLP

During the year ended 31 December 2020, Special Financial Company DSFK LLP redeemed bonds amounting to KZT 67,980 thousand.

As at 31 December 2020, the Group reassessed the fair value of bonds and increased their carrying amount to KZT 310,175 thousand, recognizing gain from revaluation of financial instruments in the amount of KZT 89,541 thousand as finance income in the consolidated statement of comprehensive income.

## DEPOSITS

As at 31 December 2020 and 31 December 2019 the deposits include accrued interest income in the amount of KZT 65,981 thousand and KZT 16,284 thousand, respectively.

## 11. OTHER FINANCIAL ASSETS (CONTINUED)

### PLACEMENTS WITH EXIMBANK KAZAKHSTAN JSC

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

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

During the year ended 31 December 2020, the Liquidation Commission of Eximbank Kazakhstan JSC made a payment in the amount of 805 thousand US Dollars (equivalent to KZT 330,624 thousand as of the date of payment) in accordance with the approved register of creditors' claims dated 13 June 2019. The Group recognized a corresponding reversal of the allowance for impairment losses.

### NOTES OF THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

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

### KAZINVESTBANK JSC

On 20 March 2020 and 21 April 2020, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 43.5 thousand US Dollars (equivalent to KZT 19,531 thousand as of the date of payment) and in the amount of KZT 222.4 thousand, respectively. The Group recognized a corresponding reversal of the allowance for impairment losses. On 19 October 2020 the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 18,9 thousand US Dollars (equivalent to KZT 6,085 thousand as of the date of payment) and in the amount of KZT 96,4 thousand, respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

### EUROBONDS OF THE MINISTRY OF FINANCE OF THE REPUBLIC OF KAZAKHSTAN

On 26 April 2019, the Group acquired Eurobonds of the Ministry of Finance of the Republic of Kazakhstan in the amount of 4,200,000 at a rate of 3.875% per annum and maturity until October 2024 at a price higher than the nominal amount of 4,368 thousand USD (equivalent of 1,816,832 thousand Tenge).

Other financial assets were represented in the following currencies:

| In thousands of Tenge | Interest rate | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Tenge | 7,55-10,5% | **64,453,314** | 26,899,100 |
| US Dollars | 0,3-1,5% | **26,688,500** | 20,313,405 |
| | | **91,141,814** | 47,212,505 |

## 12. RESTRICTED CASH

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash reserved for return on guarantee obligations | **553,284** | 292,786 |
| Cash on reserve accounts | **–** | 2,932,192 |
| Cash on debt service accounts | **–** | 1,057,574 |
| Less: provision for expected credit losses | **(698)** | (8,467) |
| | **552,586** | 4,274,085 |

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

As of 31 December 2020, there is no balance of restricted cash, including funds planned to be redeemed. This is due to the closure of the reserve account, due to the fulfilment of obligations under the terms of the guarantee agreement with the Government of the Republic of Kazakhstan, the guarantor for the Group's loans.

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

In December 2019, the final payment was made on the IBRD loan (loan agreement 4526-KZ dated 21 December 1999), attracted within the framework of the project "Modernization of the national electrical network". A letter confirming the full fulfilment of liabilities to the IBRD was received in January 2020, after which cash in the amount of KZT 2,932,192 thousand was transferred to the current account within cash and cash equivalents.

In accordance with the terms of the guarantee agreements with the Government of the Republic of Kazakhstan, the guarantor of the Group's loans (Note 15), the Group is obliged to hold cash on a special reserve account opened in a Kazakhstan bank. The Group is obliged to reserve cash for at least 110% of the upcoming semi-annual payment of principal, interest and commission fees of the IBRD loans. As of 31 December 2020, the loans entered into with the above requirement have been fully repaid.

## 12. RESTRICTED CASH (CONTINUED)

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

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| **At 1 January** | **8,467** | 46,480 |
| Charge | **855** | 19,390 |
| Reversal | **(8,624)** | (57,403) |
| **At 31 December** | **698** | 8,467 |

As at 31 December 2020 and 31 December 2019, restricted cash taking into account the funds planned to be repaid were denominated in the following currencies:

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Tenge | **552,586** | 292,422 |
| US Dollars | **–** | 3,981,663 |
| | **552,586** | 4,274,085 |

## 13. CASH AND CASH EQUIVALENTS

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Current accounts with banks, in Tenge | **10,816,529** | 3,136,231 |
| Short-term deposits, in Tenge | **10,812,426** | 17,795,817 |
| Current accounts with banks, in foreign currencies | **244,835** | 263,712 |
| Cash on hand, in Tenge | **1,828** | 2,672 |
| Cash at special accounts, in Tenge | **752** | 86 |
| Less: provision for expected credit losses | **(9,165)** | (19,236) |
| | **21,867,205** | 21,179,282 |

As at 31 December 2020 the Group placed short-term deposits with banks with maturity less than 90 days at 7-8.25% per annum (2019: 7-9% per annum) and current accounts with banks at 8.25% per annum (2019: 3.69% per annum).

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

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| **As at 1 January** | 19,236 | 9,096 |
| Accrual | **14,551** | 26,334 |
| Reversal | **(24,622)** | (16,194) |
| **As at 31 December** | 9,165 | 19,236 |

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

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Tenge | **21,622,663** | 20,915,735 |
| Russian Rouble | **223,177** | 4,278 |
| US Dollars | **20,991** | 258,492 |
| Euro | **1** | 450 |
| Others | **373** | 327 |
| | 21,867,205 | 21,179,282 |

## 14. EQUITY

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

### TREASURY SHARES

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

### DIVIDENDS

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

In October 2019 shareholders approved the distribution of 77.36% of net profit for the 1st half-year 2019. The amount of dividends to be distributed amounted to KZT 17,464,107 thousand to all common shareholders of the Group, which is KZT 67.17 per ordinary share.

## 14. EQUITY (CONTINUED)

### DIVIDENDS (CONTINUED)

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

In November 2020, shareholders approved the distribution of 70% of net profit for first half of 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.

### 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 year ended 31 December 2020 (for the year ended 31 December 2019: 259,998,610 shares). For the year ended 31 December 2020 and 2019 basic and diluted earnings per share were KZT 205.64 and KZT 156.73, respectively.

### BOOK VALUE PER SHARE

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

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Total assets** | **812,012,626** | 756,987,721 |
| Less: intangible assets | **(3,327,999)** | (1,411,900) |
| Less: total liabilities | **(309,456,156)** | (275,149,697) |
| **Net assets** | **499,228,471** | 480,426,124 |
| | | |
| Number of ordinary shares | **260,000,000** | 260,000,000 |
| **Book value per ordinary share, Tenge** | **1,920** | 1,848 |

### ASSET REVALUATION RESERVE

Asset revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group's NES assets as at 1 October 2018 (previous revaluation was held as at 1 June 2014) (Note 6). Transfer of asset revaluation surplus into retained earnings, upon disposal of PPE and transfer of NES assets into other classes of PPE, for the year ended 31 December 2020 amounted to KZT 532,661 thousand (for the year ended 31 December 2019: KZT 470,944 thousand).

## 15. BORROWINGS

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| International Bank of Reconstruction and Development (IBRD) | **41,647,967** | 44,314,813 |
| European Bank of Reconstruction and Development (EBRD) | **22,529,925** | 18,694,174 |
| | **64,177,892** | 63,008,987 |
| | | |
| Less: current portion of loans repayable within 12 months | **(14,334,439)** | (6,083,377) |
| | **49,843,453** | 56,925,610 |

As at 31 December 2020 and 31 December 2019 the accrued and unpaid interest amounts to KZT 343,237 thousand and KZT 760,458 thousand, respectively. As at 31 December 2020 and 31 December 2019 the unamortized portion of loan origination fees amounts to KZT 285,919 thousand and KZT 303,894 thousand, respectively.

Loans were denominated in the following currencies:

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| US Dollars | **41,647,967** | 44,314,813 |
| Euro | **22,529,925** | 18,694,174 |
| | **64,177,892** | 63,008,987 |

### "CONSTRUCTION OF THE SECOND NORTH-SOUTH 500 KW ELECTRICITY TRANSMISSION LINE"

In 2005 for the purpose of implementation of the Phase II of the "Construction of the second North-South 500 kW Electricity Transmission line", the Group received a credit line facility of USD 100,000 thousand provided by IBRD for a period of 17 (seventeen) years of which first 5 (five) years are a grace period. This credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR Dollar rate plus general spread is paid semi-annually. In 2011 the non-disbursed part of this IBRD credit line in the amount of USD 1,918 thousand was cancelled due to the fact that actual costs incurred within this project were less than expected. The outstanding balances as at 31 December 2020 and 31 December 2019 are USD 16,351 thousand (equivalent to KZT 6,882,125 thousand) and USD 24,506 thousand (equivalent to KZT 9,375,865 thousand), respectively.

## 15. BORROWINGS (CONTINUED)

### "KAZAKHSTAN NATIONAL ELECTRICITY TRANSMISSION REHABILITATION PROJECT, PHASE 2"

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

Two credit-line facilities of Euro 127,500 thousand and Euro 75,000 thousand from EBRD for 15 (fifteen) years, of which the first 4 (four) years are a grace period. An interest at the interbank six months EURIBOR rate plus a 3.85% margin is payable semi-annually. The outstanding balances as at 31 December 2020 and 31 December 2019 are Euro 43,130 thousand (equivalent to KZT 22,288,891 thousand) and Euro 43,130 thousand (equivalent to KZT 18,502,553 thousand), respectively.

### "MOINAK ELECTRICITY TRANSMISSION PROJECT"

In 2009, for the realization of the "Moinak Electricity Transmission Project" a credit line facility from IBRD of USD 48,000 thousand was opened for 25 (twenty five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by the guarantee of the Government of the Republic of Kazakhstan. An interest rate is USD LIBOR rate plus fixed spread 0.85% is payable semi-annually. In May 2013 unused portion of the credit line from the IBRD in the amount of USD 3,274 thousand was cancelled due to the fact that the amount of actual expenses incurred in the course of the project was less than expected. The outstanding balances as at 31 December 2020 and 31 December 2019 are USD 31,308 thousand (equivalent to KZT 13,177,966 thousand) and USD 33,545 thousand (equivalent to KZT 12,833,821 thousand), respectively.

### "CONSTRUCTION OF THE ALMA 500 KW SUBSTATION WITH CONNECTION TO NES OF KAZAKHSTAN WITH THE VOLTAGE OF 500, 200 KW"

In 2010 for the realization of the project "Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW" the Group received a credit line facility of USD 78,000 thousand from IBRD for 25 (twenty five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR Dollar rate plus fixed spread 1.15% is repayable semi-annually. In July 2014 undeveloped part of the credit line from the IBRD in the amount USD 6,644 thousand has been cancelled due to the fact that the amount of actual costs was less than expected costs. The outstanding balances as at 31 December 2020 and 31 December 2019 are USD 51,733 thousand (equivalent to KZT 21,771,592 thousand) and USD 57,085 thousand (equivalent to KZT 21,840,184 thousand), respectively.

## 16. BONDS PAYABLE

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Nominal value of issued bonds | **93,500,000** | 83,800,000 |
| Accrued coupon interest | **4,138,458** | 3,645,344 |
| Less: discount on bonds issued | **(719,637)** | (86,190) |
| Less: transaction costs | **(62,678)** | (42,626) |
| | **96,856,143** | 87,316,528 |
| Less: current portion of bonds repayable within 12 months | **(4,138,458)** | (3,645,344) |
| | **92,717,685** | 83,671,184 |

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

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

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

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

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

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

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

In order to implement the investment project "Reconstruction of 220-500 kW overhead lines of branches of KEGOC JSC" on 28 May 2020, KEGOC's bonds were placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a total volume of 9,700,000 thousand at par value in the amount of KZT 9,032,407 thousand with a yield of 12% per annum.

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

## 16. BONDS PAYABLE (CONTINUED)

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

During the year ended 31 December 2020 the Group capitalized the borrowing costs of coupon interest on the issued bonds less investment income in the amount of KZT 310,407 thousand (for the year ended 31 December 2019: KZT 2,118,729 thousand) (Note 6).

## 17. TRADE AND OTHER ACCOUNTS PAYABLE

As at 31 December 2020 and 31 December 2019 trade accounts payable

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Accounts payable for property, plant and equipment and construction works | **19,118,365** | 5,226,900 |
| Accounts payable for electricity purchased | **15,982,064** | 10,277,750 |
| Accounts payable for inventories, works and services | **15,414,490** | 7,844,832 |
| Less: discount | **(1,978,958)** | – |
| | 48,535,900 | 23,389,482 |
| Less: current portion of trade payables repayable within 12 months | **40,884,883** | 23,389,482 |
| | 7,651,017 | – |

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

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Tenge | **45,752,581** | 22,386,569 |
| Russian Rouble | **2,677,323** | 938,700 |
| Euro | **59,275** | 22,893 |
| US Dollars | **46,721** | 41,320 |
| | 48,535,900 | 23,389,482 |

## 18. CONSTRUCTION OBLIGATION

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

## 19. TAXES PAYABLE OTHER THAN INCOME TAX

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| VAT payable | **960,338** | 2,391,947 |
| Contributions payable to pension fund | **364,051** | 345,742 |
| Personal income tax | **316,597** | 284,573 |
| Social tax | **269,371** | 244,406 |
| Social contribution payable | **104,804** | 82,635 |
| Property tax | **–** | 1,599 |
| Other | **13,345** | 20,442 |
| | **2,028,506** | 3,371,344 |

## 20. OTHER CURRENT LIABILITIES

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Due to employees | **3,727,583** | 3,662,535 |
| Other | **692,878** | 321,065 |
| | **4,420,461** | 3,983,600 |

## 21. REVENUE FROM CONTRACTS WITH CUSTOMERS

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| Electricity transmission services | **121,953,313** | 106,160,250 |
| Sale of purchased electricity | **87,198,830** | 40,826,184 |
| Sale of services to ensure readiness of electricity capacity to bear the power load | **84,384,233** | 67,727,113 |
| Technical dispatch | **30,291,437** | 23,003,501 |
| Balancing of electricity production and consumption | **18,649,805** | 16,493,329 |
| Sale of electricity for compensation of the interstate balances of electricity flows | **5,101,651** | 6,326,309 |
| Power regulation services | **954,342** | 708,465 |
| Other | **2,125,940** | 1,916,922 |
| **Total revenue from contracts with customers** | **350,659,551** | 263,162,073 |

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| **Revenue recognition timeline** | | |
| The goods are transferred at a certain point in time | **92,300,481** | 47,152,493 |
| The services are provided over a period of time | **258,359,070** | 216,009,580 |
| **Total revenue from contracts with customers** | **350,659,551** | 263,162,073 |

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

## 22. COST OF SALES

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| Cost of purchased electricity | **84,772,374** | 41,456,649 |
| Cost of electricity capacity readiness services | **80,381,919** | 58,282,988 |
| Depreciation and amortization | **33,349,877** | 33,490,579 |
| Payroll expenses and related taxes | **18,292,955** | 16,930,191 |
| Cost of purchased electricity for compensation of interstate balances of electricity flows | **16,019,937** | 14,807,491 |
| Technical losses of electric energy | **14,709,725** | 16,022,320 |
| Taxes other than income tax | **9,049,154** | 8,845,051 |
| Repair and maintenance expenses | **5,642,147** | 5,933,830 |
| Security services | **1,206,494** | 1,157,369 |
| Inventories | **1,031,355** | 532,806 |
| Other | **2,601,031** | 2,797,403 |
| | **267,056,968** | 200,256,677 |

## 23. GENERAL AND ADMINISTRATIVE EXPENSES

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| Payroll expenses and related taxes | **5,414,484** | 5,488,847 |
| Depreciation and amortization | **701,193** | 832,919 |
| Taxes other than income tax | **297,402** | 122,354 |
| Consulting services | **169,247** | 253,477 |
| Utilities | **68,540** | 76,023 |
| Expenses for the Board of Directors | **67,725** | 134,017 |
| Charge/(reversal) for obsolete inventories (Note 8) | **57,028** | 67,532 |
| Trainings | **55,174** | 83,363 |
| Materials | **49,564** | 69,665 |
| Expenses for the rights to use the software | **47,273** | 122,693 |
| Insurance | **30,368** | 52,394 |
| Business trip expenses | **28,631** | 123,870 |
| Rent expenses | **22,806** | 137,628 |
| Other | **1,300,234** | 1,269,425 |
| | **8,309,669** | 8,834,207 |

## 24. FINANCE INCOME/(COSTS)

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| **Finance income** | | |
| Interest income from deposits, current accounts and bonds | **5,552,858** | 3,693,259 |
| Income from the National Bank notes | **1,399,121** | 123,420 |
| Income from recognition of premiums on long-term financial assets | **213,089** | – |
| Amortization of discount on other financial assets | **113,682** | 544,470 |
| Amortization of discount on accounts receivable | **98,615** | 107,536 |
| Others | **89,542** | 43,885 |
| | **7,466,907** | 4,512,570 |
| Less: interest capitalized into cost of qualifying asset (Note 6) | **(320,901)** | (341,040) |
| | **7,146,006** | 4,171,530 |
| | | |
| **Finance costs** | | |
| Bond coupon | **8,977,984** | 8,243,226 |
| Interest on borrowings | **1,652,890** | 2,399,085 |
| Commission on bank guarantees | **980,762** | 925,963 |
| Interest expense on finance leases | **96,818** | 36,235 |
| Discounting of the other financial assets | **79,439** | 11,816 |
| Amortization of loan origination fees | **25,416** | 24,394 |
| Other costs on bonds issued | **23,979** | 17,329 |
| Other | **–** | 2,416 |
| | **11,837,288** | 11,660,464 |
| Less: interest capitalized into cost of qualifying assets (Note 6) | **(631,308)** | (2,459,769) |
| | **11,205,980** | 9,200,695 |

## 25. FOREIGN EXCHANGE 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 year ended 31 December 2020, the Group incurred net foreign exchange loss in the amount of KZT 5,309,688 thousand (for the year ended 31 December 2019: net foreign exchange loss in the amount of KZT 469,129 thousand).

## 26. INCOME TAX EXPENSE

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| **Current income tax** | | |
| Current income tax expense | **13,032,423** | 9,880,628 |
| Adjustments in respect of current income tax of previous year | **28,168** | (133,995) |
| | | |
| **Deferred tax** | | |
| Deferred income tax benefit | **(777,630)** | (224,629) |
| **Total income tax expense reported in consolidated statement of comprehensive income** | **12,282,961** | 9,522,004 |

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

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

| In thousands of Tenge | 2020 | 2019 |
|---|---|---|
| **Profit before tax** | **65,748,232** | 50,270,974 |
| **Tax at statutory income tax rate of 20%** | **13,149,646** | 10,054,195 |
| | | |
| (Reversal)/accrual of provision for expected credit loss | **(97,995)** | 26,874 |
| Adjustments in respect of current income tax of previous year | **28,168** | (133,995) |
| Accrual/(reversal) of allowance for doubtful accounts receivable from non-residents | **10,897** | (43,349) |
| Accrual of allowance for obsolete inventories | **10,877** | 12,889 |
| Interest income from securities | **(564,155)** | (334,796) |
| Income from changes in FV | **(332,284)** | (85,869) |
| Other permanent differences | **77,807** | 26,055 |
| **Income tax expense reported in profit or loss** | **12,282,961** | 9,522,004 |

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

| In thousands of Tenge | Consolidated statement of financial position | | Consolidated statement of comprehensive income | |
|---|---|---|---|---|
| | 31 December 2020 | 31 December 2019 | 2020 | 2019 |
| Accounts receivable | **384,646** | 208,610 | **176,036** | 62,773 |
| Accrued liabilities | **702,392** | 602,636 | **99,756** | (62,176) |
| Property, plant and equipment | **(90,251,221)** | (90,753,059) | **501,838** | 224,032 |
| **Deferred tax benefit** | **–** | – | **777,630** | 224,629 |
| **Net deferred tax liabilities** | **(89,164,183)** | (89,941,813) | **–** | – |

## 26. INCOME TAX EXPENSE (CONTINUED)

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

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Deferred tax assets | **159,652** | 53,436 |
| Deferred tax liabilities | **(89,323,835)** | (89,995,249) |
| **Net deferred tax liabilities** | **(89,164,183)** | (89,941,813) |

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

## 27. TRANSACTIONS WITH RELATED PARTIES

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

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

| In thousands of Tenge | | Trade accounts receivable from related parties | Trade accounts payable to related parties |
|---|---|---|---|
| Subsidiaries of Samruk-Kazyna Group | **31 December 2020** | **5,520,116** | **18,658,353** |
| | 31 December 2019 | 4,562,033 | 5,212,732 |
| Associates of Samruk-Kazyna | **31 December 2020** | **397,719** | **586,602** |
| | 31 December 2019 | 122,745 | 469,270 |
| Entities under joint control of Samruk-Kazyna | **31 December 2020** | **404,371** | **12,646** |
| | 31 December 2019 | 225,098 | 47,233 |
| Associates of the Group | **31 December 2020** | **276,675** | **9,820** |
| | 31 December 2019 | 51,357 | 874 |

The Group had the following transactions with related parties for the year ended 31 December 2020 and 31 December 2019:

| In thousands of Tenge | | Sales to related parties | Purchases fromrelated parties |
|---|---|---|---|
| Subsidiaries of Samruk-Kazyna Group | **2020** | **67,328,921** | **56,206,438** |
| | 2019 | 44,420,011 | 35,862,210 |
| Associates of Samruk-Kazyna | **2020** | **11,900,079** | **3,211,878** |
| | 2019 | 7,612,678 | 2,749,820 |
| Entities under joint control of Samruk-Kazyna | **2020** | **4,775,623** | **44,152** |
| | 2019 | 7,212,565 | 5,797,907 |
| Associates of the Group | **2020** | **732,943** | **75,315** |
| | 2019 | 1,745,632 | 6,257 |

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, electrical capacity readiness services. The Group's purchases from related parties mainly represent communication services, energy services, purchase of electricity and purchase of electric capacity readiness maintenance services.

As at 31 December 2020 the Group's borrowings of KZT 42,800,248 thousand were guaranteed by the Government of the Republic of Kazakhstan (31 December 2019: KZT 44,558,028 thousand).

## 27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

On 30 September 2015 the Group has sold buildings and constructions with equipment and land located in Nur-Sultan city to its related party Kazpost JSC for KZT 2,161,476 thousand. In accordance with sales agreement Kazpost JSC will repay the outstanding balance by equal monthly payments until June 2027. Accordingly, the Group discounted the future cash flows using discount rate of 10.37%, which is the Group Management's best estimate of market rate. As at 31 December 2020 the discount on accounts receivable from Kazpost JSC amounted to KZT 338,205 thousand. As at 31 December 2020 the receivables net of discount comprised KZT 922,655 thousand, of which KZT 742,533 thousand was accounted for within long-term receivables from related parties. During the year ended 31 December 2020, the Group recognized income from amortization of a discount on long-term receivables from Kazpost JSC in the amount of KZT 98,615 thousand (during the year ended 31 December 2019: KZT 107,536 thousand).

In 2017, the Group entered into a long-term contract with a related party, Samruk-Kazyna Business Contract LLP, for leasing out the rights to use the software. As at 31 December 2020, lease liability of the Group comprised KZT 561,765 thousand (as at 31 December 2019: KZT 419,543 thousand).

In November-December 2020, the Group acquired a property complex from a 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 an estimate of the market rate by the Group's Management. As of 31 December, 2020 discount on accounts payable of Karabatan Utility Solutions LLP amounted to KZT 1,978,958 thousand. As of 31 December 2020, the amount of payable net of the discount was KZT 9,815,731 thousand, of which KZT 7,651,017 thousand were included within long-term payables from related parties. During the year ended 31 December 2020, the Group recognized the expense from amortization of discount of long-term trade payables in the amount of KZT 68,328 thousand.

Compensation to key management personnel and all related expenses (taxes, contributions, sick leaves, vacation pay, material assistance and others) included in salary expenses in the consolidated statement of comprehensive income amounted to KZT 381,788 thousand for the year ended 31 December 2020 (for the year ended 31 December 2019: KZT 543,682 thousand). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### INTEREST RATE RISK

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

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

| In thousands of Tenge | Increase/(decrease) in basis points* / in percentage | Effect on profit before tax |
|---|---|---|
| **For the year ended 31 December 2020** | | |
| LIBOR | **1/(0,25)** | **(418,317)/104,579** |
| EURIBOR | **0,2/(0,2)** | **(44,578)/44,578** |
| Inflation rate in the Republic of Kazakhstan | **1%/0%** | **(474,048)/–** |
| | | |
| **For the year ended 31 December 2019** | | |
| LIBOR | 0.35/(0.35) | (154,175)/154,175 |
| EURIBOR | 0.15/(0.15) | (27,754)/27,754 |
| Inflation rate in the Republic of Kazakhstan | 1%/0% | (474,270)/– |

* 1 basis point = 0.01%.

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

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### FOREIGN CURRENCY RISK

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

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

| In thousands of Tenge | Increase/(decrease) in the exchange rate in absolute terms (Tenge) | Increase/(decrease) in exchange rate | Effect on profit before tax |
|---|---|---|---|
| **At 31 December 2020** | | | |
| US Dollar | **58.93/(46.3)** | **14%/(11%)** | **(2,062,267)/1,620,352** |
| Euro | **72.35/(56.85)** | **14%/(11%)** | **(3,162,488)/2,484,812** |
| | | | |
| **At 31 December 2019** | | | |
| US Dollar | 45.91/(34.43) | 12%/(9%) | (2,368,740)/1,776,555 |
| Euro | 51.48/(38.61) | 12%/(9%) | (2,245,994)/1,684,496 |

### CREDIT RISK

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

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

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

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

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

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

| In thousands of Tenge | Location | Rating | | 31 December 2020 | 31 December 2019 |
|---|---|---|---|---|---|
| | | 2020 | 2019 | | |
| Halyk Bank Kazakhstan JSC | Kazakhstan | BB/stable | BB/stable | **19,333,594** | 15,190,343 |
| ATF Bank JSC | Kazakhstan | B-/stable | B-/stable | **12,326,032** | 11,477,329 |
| ForteBank JSC | Kazakhstan | B/stable | B+/stable | **9,871,765** | 12,486,567 |
| BankCenterCredit JSC | Kazakhstan | B/stable | B/stable | **6,149,103** | 5,193,789 |
| Kaspi Bank JSC | | BB-/stable | BB-/stable | **4,240,228** | – |
| | | | | **51,920,722** | 44,348,028 |

## LIQUIDITY RISK

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

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

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### LIQUIDITY RISK (CONTINUED)

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

| In thousands of Tenge | On demand | Due more than 1 month but not later than 3 months | Due more than 3 months but not later than 1 year | Due more than 1 year but not later than 5 years | Due more than 5 years | Total |
|---|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | | |
| Borrowings | – | **5,980,856** | **10,355,771** | **28,374,905** | **24,940,645** | **69,187,210** |
| Bonds payable | – | **2,414,750** | **7,244,250** | **38,636,000** | **155,224,542** | **203,519,542** |
| Trade and other accounts payable | – | **40,884,883** | – | – | – | **48,535,900** |
| Lease liability | – | – | **493,644** | **99,907** | – | **593,551** |
| | – | **49,280,489** | **17,628,698** | **74,761,829** | **180,165,187** | **321,836,203** |
| **At 31 December 2019** | | | | | | |
| Borrowings | – | 1,618,831 | 5,662,720 | 38,119,263 | 27,519,216 | 72,920,030 |
| Bonds payable | – | 1,981,750 | 5,945,250 | 31,708,000 | 139,689,340 | 179,324,340 |
| Trade and other accounts payable | – | 23,389,482 | – | – | – | 23,389,482 |
| Lease liability | – | – | 288,173 | 167,176 | – | 455,349 |
| | – | 26,990,063 | 11,896,143 | 69,994,439 | 167,208,556 | 276,089,201 |

### CAPITAL MANAGEMENT

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

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

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

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Debt/capital** | **0.20** | 0.21 |

| In thousands of Tenge | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Long-term borrowings and long-term bonds payable | **142,561,138** | 140,596,794 |
| Short-term borrowings and short-term bonds payable | **18,472,897** | 9,728,721 |
| **Debt** | **161,034,035** | 150,325,515 |
| | | |
| Total liabilities | **309,456,156** | 275,149,697 |
| Equity | **502,556,470** | 481,838,024 |
| **Total equity and liabilities** | **812,012,626** | 756,987,721 |

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

## FAIR VALUE HIERARCHY

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

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

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

### Assets measured at fair value

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

| In thousands of Tenge | 31 December 2019 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Revalued property, plant and equipment** | | | | |
| NES assets (Note 6) | 599,496,951 | – | – | 599,496,951 |
| Bonds of "Special Financial Company DSFK LLP" (Note 11) | – | 288,613 | – | 288,613 |

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### FAIR VALUE HIERARCHY (CONTINUED)

#### Assets for which fair values are disclosed

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

| In thousands of Tenge | 31 December 2019 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Other financial assets (Note 11) | 46,923,892 | – | 46,923,892 | – |

#### Liabilities for which fair values are disclosed

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

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

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

### FAIR VALUES OF FINANCIAL INSTRUMENTS

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

## CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| In thousands of Tenge | 1 January 2020 | Cash flows | Foreign exchange movement | New leases | Other | 31 December 2020 |
|---|---|---|---|---|---|---|
| Borrowings | 63,008,987 | **(6,574,597)** | **8,166,364** | **–** | **(422,862)** | **64,177,892** |
| Bonds payable | 87,316,528 | **9,032,407** | **–** | **–** | **507,208** | **96,856,143** |
| Lease liability | 419,543 | **(400,692)** | **–** | **533,866** | **9,048** | **561,765** |
| **Total liabilities from financing activities** | 150,745,058 | **2,057,118** | **8,166,364** | **533,866** | **93,394** | **161,595,800** |

| In thousands of Tenge | 1 January 2019 | Cash flows | Foreign exchange movement | New leases | Other | 31 December 2019 |
|---|---|---|---|---|---|---|
| Borrowings | 74,301,860 | (10,517,957) | (673,696) | – | (101,220) | 63,008,987 |
| Bonds payable | 87,757,226 | – | – | – | (440,698) | 87,316,528 |
| Lease liability | 193,498 | (47,420) | – | 289,831 | (16,366) | 419,543 |
| **Total liabilities from financing activities** | 162,252,584 | (10,565,377) | (673,696) | 289,831 | (558,284) | 150,745,058 |

The Other column shows the amounts of received but not yet paid loan interest, including liabilities under Finance leases. The Group classifies the interest paid as cash flows from operating activities.

## 29. COMMITMENTS AND CONTINGENCIES

### OPERATING ENVIRONMENT

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

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

## 29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### OPERATING ENVIRONMENT (CONTINUED)

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

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

### TAXATION

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including an opinion on the IFRS approach regarding revenue, expenses and other accounts of financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for 5 calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2020.

### COMPLIANCE WITH LOAN COVENANTS

From 1999 till 2011 the Group concluded loan facility agreements with EBRD and IBRD (the "Creditors") of which are effective for the amounts of 506 million US Dollars and 228 million Euro (Note 15). According to the Loan facility Agreements concluded between the Group and the Creditors, the Group has to comply with the following covenants:

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

Management believes that the Group complied with all existing loan covenants with EBRD and IBRD as at 31 December 2020 and 31 December 2019. The Group excludes from EBITDA the foreign exchange loss, as management believes that foreign exchange loss meets definition of non-cash impairment and as such shall be excluded from the calculation of EBITDA as provided in the loan agreement. As of 31 December 2020 the Group excluded from EBITDA the foreign exchange loss of KZT 5.309.688 thousand (during the year ended 31 December 2019: the foreign exchange gain of KZT 469,129 thousand).

## INSURANCE

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

## CONTRACTUAL COMMITMENTS

To ensure the stable and reliable performance of the national electricity grid, the Group developed a capital investment plan. As at 31 December 2020, the Group's outstanding contractual commitments within the frameworks of this plan amount to KZT 82,980,915 thousand (31 December 2019: KZT 52,925,016 thousand).

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

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

Taking into account the expiration of the tariffs for the services of KEGOC on December 31, 2020 and in accordance with the requirements of paragraph 3 of Article 15 of the Law of the Republic of Kazakhstan On Natural Monopolies, the Group provides regulated services from January 1, 2021 until the approval of new tariffs at the following tariffs (without VAT):
- Transmission of electric energy in the amount of KZT 2.448 per kWh;
- Technical dispatching of the grid output and consumption of electric energy in the amount of KZT 0.264 per kWh;
- Organization of balancing the production and consumption of electric energy in the amount of KZT 0.086 per kWh.

Tariffs for consumers for 2020, approved by the Committee for the following regulated services of the Group:
- Transmission of electric energy in the amount of KZT 2.797 per kWh;
- Technical dispatching of the grid output and consumption of electric energy in the amount of KZT 0.306 per kWh;
- Organization of balancing the production and consumption of electric energy in the amount of KZT 0.098 per kWh.

Temporary offsetting tariffs for consumers for 2019 approved by the Committee for the following regulated services of the Group:
- For the transmission of electrical energy in the amount of 2.496 Tenge per kWh;
- On technical dispatching of supply to the grid and consumption of electric energy in the amount of 0.237 Tenge per kWh;
- On the organization of balancing the production and consumption of electrical energy in the amount of 0.088 Tenge per kWh.

## 29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### CONTRACTUAL COMMITMENTS (CONTINUED)

#### 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 Government Decision No. 290 dated 1 April 2014 and the "Rules for pricing in socially significant markets", approved by Order of the Minister of National Economy of the Republic of Kazakhstan dated 1 February 2017 No. 36. The tariff on sale of electricity include the costs of the accounting and finance center for the purchase of electricity, produced by the renewable energy facilities, the costs of services for the organization of balancing the production and consumption of electricity, the costs of forming a reserve fund and the costs associated with the activities of the RFC on renewable energy sources.

Tariffs on sale of electricity, produced by the renewable energy sources for 2020 by Areas:
- Area 1:
  - From 1 January to 30 June – 34.62 Tenge per kWh;
  - From 1 July to 31 December – 36.47 Tenge per kWh.
- Area 2:
  - From January 1 to December 31 – 24.46 Tenge per kWh.

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

#### Tariffs for the provision of services to ensure 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 of the service to ensure readiness of electricity capacity of all contracts for the purchase of the services for maintaining readiness of electricity capacity, concluded by a single purchaser with the winners of tenders for the construction of generating units that are newly put into operation, with existing energy-producing organizations that have concluded an investment agreement for modernization, expansion, reconstruction and (or) updating with an authorized body, as well as with existing energy-producing organizations, comprising heat and power plants;

3. Forecast applications for the consumption of energy supplying, energy-transmitting organizations and consumers, which are subjects of the wholesale market;
4. Forecast demand for electricity capacity for the coming and subsequent calendar years.

Annually, prior to 1 December RFC LLP places on its Internet resource a price for a service to ensure readiness of electricity capacity to bear the power load for the coming calendar year along with supporting calculations. The price of the service to ensure readiness of electricity capacity to bear the power load for 2020 is 799,869 thousand Tenge / MW * month (excluding VAT) (for 2019: 613,413 thousand Tenge / MW * month (excluding VAT).

### Impact of changes in legislation by type of activity "Capacity Market"

By order of the Minister of Energy of the Republic of Kazakhstan dated 6 August 2020 No. 273, amendments and additions were made to the order dated 27 February 2015 No. 152 On approval of the Rules for the Organization and Functioning of the Electric Power Market (hereinafter referred to as the "Rules"). One of the additions to the Rules was a change in the application of the k8 coefficient (the value of k8 before 1 January 2020 is equal to one). As a result of changes in legislation, the 2020 financial statements has been adjusted for December 2019.

As a result of the k8 coefficient, the proceeds from the provision of services for ensuring the readiness of electric power to bear the load decreased by 1,259,214 thousand Tenge, and the cost of maintaining the readiness of electric power to bear the load increased by 1,215,828 thousand Tenge for the year ended 31 December 2020.

### Revision of the methodology for calculating the tariff for the services to ensure the readiness of electricity capacity to bear the power load

The Ministry of Energy of the Republic of Kazakhstan made amendments to the Law of the Republic of Kazakhstan On Electric Power Industry in terms of the methodology for calculating the tariff for the services to ensure the readiness of electricity capacity to bear the power load. In this regard, the Ministry of Energy of the Republic of Kazakhstan developed a draft order of the Minister of Energy of the Republic of Kazakhstan On Amending the Order of the Minister of Energy of the Republic of Kazakhstan dated December 3, 2015 No. 685 On approval of the Rules for calculating and posting on the Internet resource by a single purchaser of prices for the services to ensure the readiness of electricity capacity to bear the power load. The calculation of the tariff for the services to ensure the readiness of electricity capacity to bear the power load for 2021 was made taking into account the amendments made to the legislation of the Republic of Kazakhstan.

## EXECUTION OF INVESTMENT PROGRAM

In accordance with the Law of the Republic of Kazakhstan On Natural Monopolies, the Company, as a subject natural monopolies, within the approved maximum tariffs for 2016-2020, there is an liability to fulfil an investment program for capital construction/reconstruction/overhaul/diagnostics of production facilities for 2016-2020 (approved by the joint order of the Ministry of Energy of the Republic of Kazakhstan No. 38 dated 29 January 2020 and Committee on regulations of natural monopolies of the Ministry of national economy of the Republic of Kazakhstan ("CREM") No. 8-OD dated January 24, 2020), for a total amount of 172 billion Tenge.

## 29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### EXECUTION OF INVESTMENT PROGRAM (CONTINUED)

According to clause 6 of the Rules for the approval of a temporary compensating tariff, approved by order Of the Minister of National Economy of the Republic of Kazakhstan dated 23 November 2016 No. 484, for failure to comply measures of investment programs taken into account when approving tariffs or their limit levels, a temporary compensating tariff is introduced. However, in 2016-2020 the Group's expenses on its own funds exceed the approved amount by 17.4 billion Tenge. In addition, unused funds were redistributed among other activities included in the approved Investment Program. As of 31 December 2020, the Group's management believes that the investment program has been completed.

### LITIGATION WITH THE CREM

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

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

On 29 December 2020, the Group appealed the decision of the Committee on the refusal to approve tariffs in court. The first instance court dismissed the claims of KEGOC. The Group is in process of preparation of an appeal against the decision of the court of first instance.

## 30. SUBSEQUENT EVENTS

On December 8, 2020, the Group signed an agreement with Samruk-Kazyna Construction LLP for the sale of land plots at a contractual cost of 2,182,037 thousand Tenge for the construction of residential and non-residential premises and parking spaces. On 12 January 2021, land plots were transferred under an agreement with Samruk-Kazyna Construction LLP.

On 5 February 2021, the Group made a partial repayment of the loan of IBRD in the amount of USD 1,296 thousand (equivalent to KZT 546,910 thousand).

On 10 February 2021, the Group made a partial repayment of the EBRD loan in the amount of 9,382 thousand Euros (equivalent to KZT 4,745,384 thousand).