



KEGOC

Future of
Kazakhstan
power industry

2021

KEGOC JSC

ANNUAL REPORT 2021



KEGOC JSC – ANNUAL REPORT – 2021



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ANNUAL REPORT 2021



Kazakhstan
Electricity Grid
Operating Company



Interactive
Annual Report



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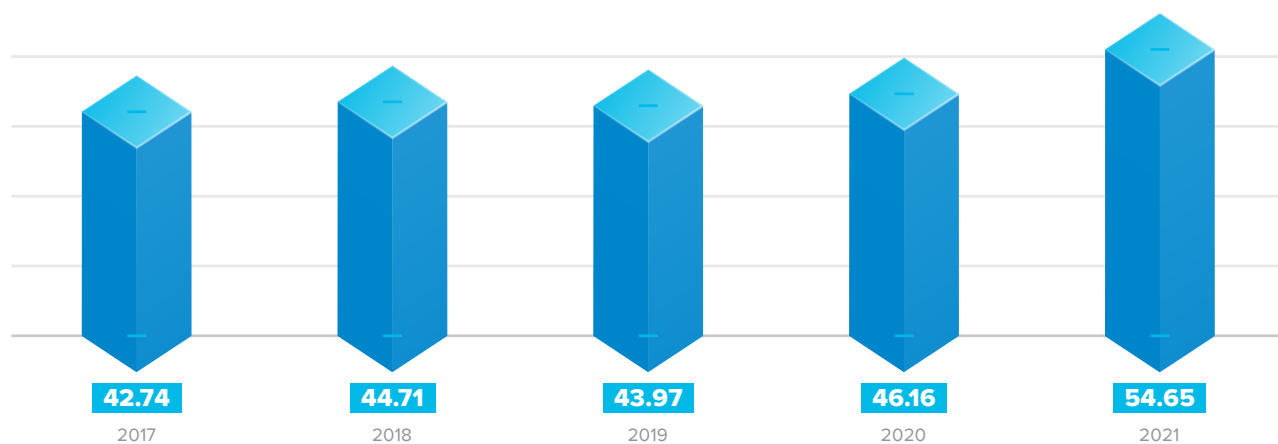
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KEY PERFORMANCE INDICATORS

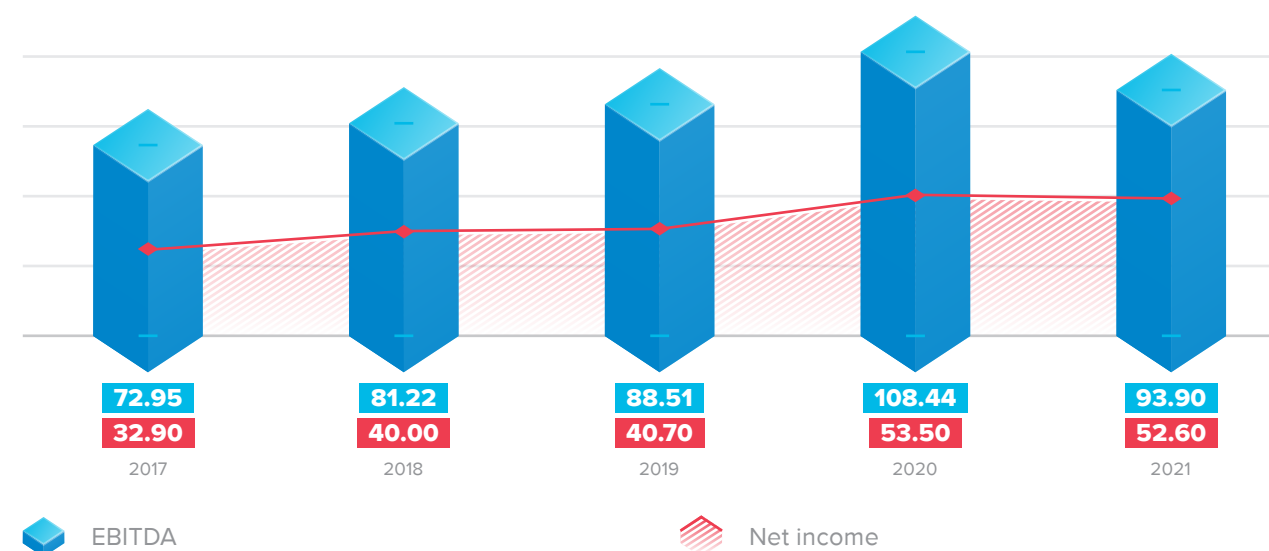
Electricity transmission in KEGOC's networks

billion kWh



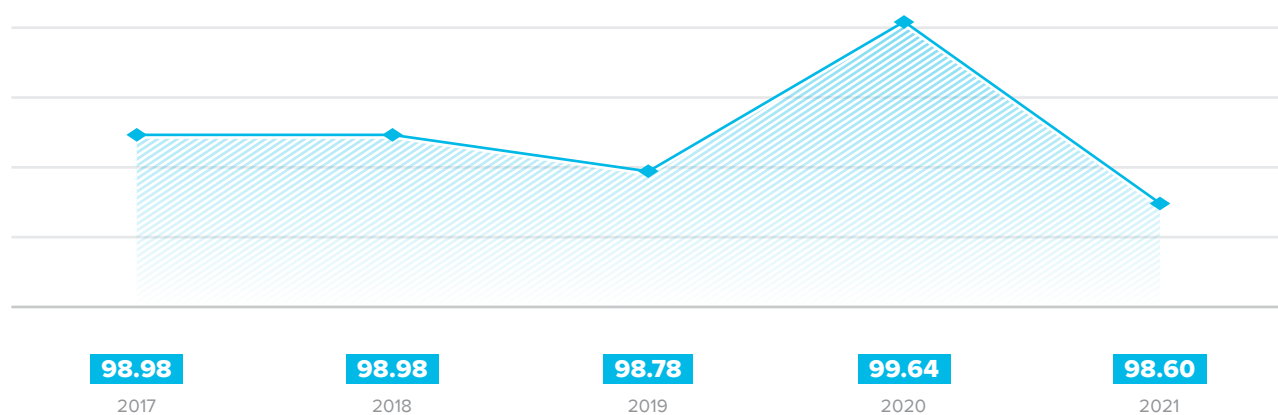
Profitability

KZT billion



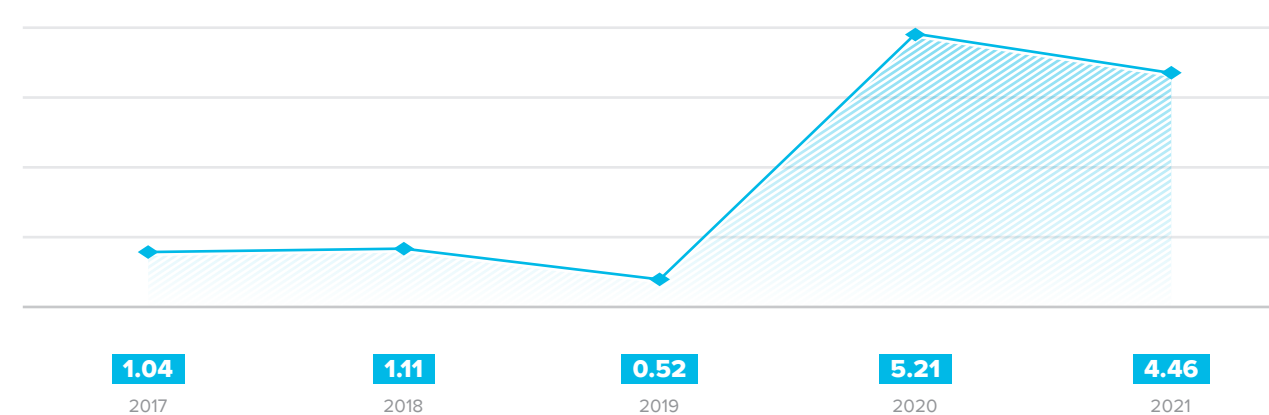
Network reliability work without problems (WWP)

%



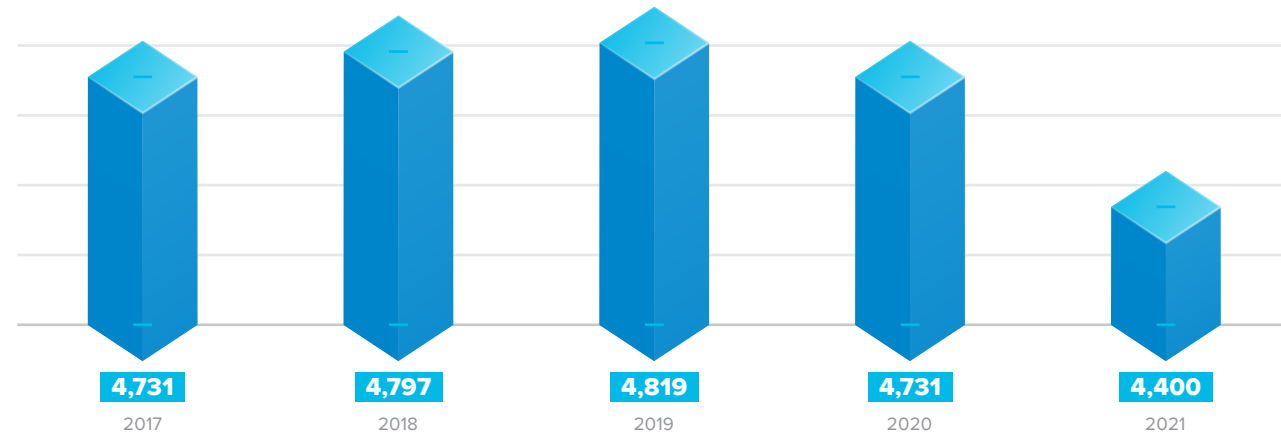
Network reliability system minutes lost (SML)

minutes



Personnel

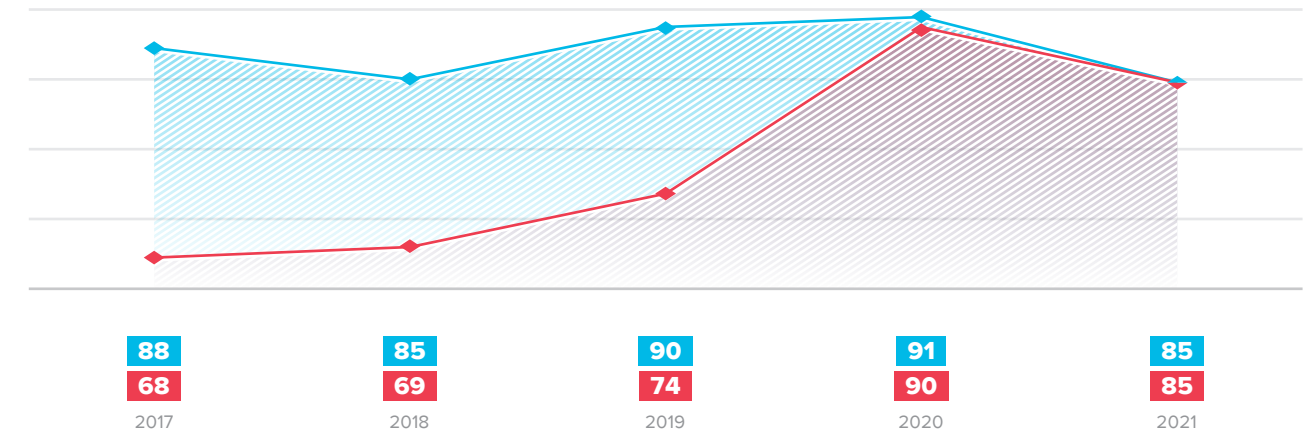
employees



Number of employees

HR policy

%



Social stability index

Employee engagement index

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders, Investors, Colleagues and Partners,

One of the most important events of 2021 was the approval of the Development Strategy of KEGOC for 2022–2031. It addresses the issues of the long-term sustainable development of the Company such as the global trends of energy transition and integration of renewables, and the emerging medium-term electricity and capacity shortages in Kazakhstan. It also includes the important issues of introduction of modern innovative and digital technologies, R&D, commitment to ESG principles, and covers processes related to decarbonisation of the economy and ensuring economic growth in the country.

In the reporting year the work of the Board of Directors was more concerned with motivating the Company's team to achieve its goals. As a result, the year ended with positive operational and financial results.

At the same time, adherence to the principles of sustainable development has remained a traditionally important focus for the Board of Directors. KEGOC is aware of its responsibility to all stakeholders, therefore the main elements in ensuring high efficiency of the Company are the improvement of the management systems of occupational safety, human capital and care for the environment. And the process of continuous improvement of the corporate governance system by increasing the efficiency of the Board of Directors, its Committees and the Executive Body; improving the risk management, internal control and sustainable development systems; increasing transparency and observance of shareholders' rights plays a major role

in this. This has resulted in an upgrade of our corporate governance rating from "BB" to "BBB", following an independent audit carried out in 2021.

Moody's affirmed KEGOC's rating of Baa2 with a stable outlook also demonstrates the effectiveness of the measures taken by the Company to improve its investment appeal.



The Company's shares have demonstrated a trend of high liquidity and stable growth. Since the beginning of 2021, the market price per share rose by KZT 169.5 (from KZT 1,699.5 to 1,869), with a maximum value of KZT 1,920, which is KZT 170 above the historical maximum of 2020. Since the Company's initial public offering on the stock exchange in 2014, the total amount of dividends paid to shareholders was KZT 174.7 billion.

The year 2022 will require from us no less responsible and diligent work, high qualification and dedication, readiness for new challenges and application of modern approaches in solving ambitious tasks. In order to ensure the outstripping development of Kazakhstan's power system, KEGOC is starting to develop a forecast model for the development of the national power grid. Large-scale modernization of the national power grid should be synchronized with commissioning of new generating capacities, to provide necessary transmission capacity for interregional and interstate power flows.

On behalf of the members of KEGOC's Board of Directors, I would like to thank all shareholders and partners for cooperation and wish my colleagues fruitful work on the way to implementing the new KEGOC Development Strategy.

YERNAT BERDIGULOV

Chairman of the Board of Directors of KEGOC JSC



LETTER FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear readers,

Despite the ongoing COVID-19 impact, KEGOC continued to successfully implement its objectives of ensuring a reliable energy supply to consumers and maintained financial sustainability in 2021. Business continuity and efficiency were ensured. The technical maintenance campaign was completed in accordance with the approved schedule and the certificate of readiness for operation in the autumn-winter period 2021–2022 was received on time.

At the same time, the Company has worked productively with the power systems of neighbouring states to manage and ensure the sustainability of parallel operation, which in the current environment is also important for the sustainable operation of Kazakhstan’s power system.

According to KEGOC’s audited financial statements for 2021, the net income was KZT 52.6 billion, which was generated by the growing amount of regulated services. E.g., the amount of electricity transmission services increased by 18.4% to 54.65 billion kWh. Technical dispatching and electricity production-consumption balancing services also showed an average growth of 6% compared to 2020.

The Company’s shares showed steady growth and high liquidity in 2021. The price per share reached an all-time high of KZT 1,920, more than 3.7 times the offering price. The company paid two dividends to shareholders for a

7.70 %
ROACE

98.6 %
WWP

4.46 MINUTES
SML

93.9 billion KZT
EBITDA

0.15
LTIFR

total (record) amount of about KZT 41.5 billion, of which KZT19.5 billion for 2020 and KZT 22 billion for the first half of 2021.

In the reporting year, an important area of focus was the implementation of investment projects aimed at improving the reliability of the national power grid of Kazakhstan, including Rehabilitation of 220–500 kV OHTLs at Aktyubinskiye MES branch, Sarbaiskiye MES branch and Zapadnye MES branch of KEGOC, Turkestan External Power Supply Reinforcement Project, and West Kazakhstan Electricity Transmission Reinforcement Project.

As part of Digital Kazakhstan state programme KEGOC completed the implementation of a multi-component smart grid project called “Automation of Mode Control of the Unified Power System of Kazakhstan”. At the same time, the Company continues to enhance project and process management, efficiency of operations, including through optimisation and use of data analysis. It is indicative that KEGOC won second place with this project in the second Qazaqstan Project Management Awards–2021 national competition.

Transmission of electricity through the national power grid

54.65 billion kWh

KANYSH MOLDABAYEV

Chairman of the Management Board of KEGOC JSC



In KEGOC we believe that the key asset are the people who make all the successes possible. And the update of the Collective Agreement between KEGOC and employees' representatives for 2021–2025 was an important event in 2021. It incorporated the proposals for the improvement of favourable and safe working conditions and other wishes of the Company's personnel. At the same time, comprehensive work continues to enhance working conditions, professional development and social support for employees.

The personnel in the reporting period traditionally demonstrated high engagement. As a result, the Social Stability Index of KEGOC operational personnel in 2021 (acc. Samruk Research Services) was 85% and the Engagement Index of the administrative and managerial personnel was also 85%.

To summarise the results of the past year supported KEGOC's image of a reliable power grid company in the country, capable of solving large-scale strategic tasks.

In 2022, in order to further develop the unified power system and ensure reliable power supply, KEGOC will continue to implement the planned investment projects, including reconstruction of existing and construction of new transmission lines and substations taking into account the effective integration of renewables, work in the field of technological development of the power industry, introduction of real-time balancing electricity market. I am confident that the considerable experience accumulated by the administrative and operational personnel will enable the Company to achieve its strategic goals and objectives in line with the challenges of the times and the preservation of established values and traditions.



KEY EVENTS

01 27 January
KEGOC's 8.9 million bonds were successfully placed on Kazakhstan Stock Exchange (KASE) in the amount of KZT 8.6 billion with a weighted average yield to maturity of 11.6161% per annum.

02 16 February
Fitch Ratings affirmed Kazakhstan Electricity Grid Operating Company's (KEGOC) Long-term foreign currency Issuer Default Rating (IDR) at "BBB-" with "stable" outlook.

03 10 March
Standard & Poor's Ratings Services affirmed its "BB+" rating of KEGOC with a "stable" outlook.

04 27 April
The Annual General Meeting of KEGOC shareholders was held, where the annual financial statements for 2020 were approved, according to which the consolidated net income of the Company amounted to KZT 53.5 billion. The shareholders decided to allocate 74% of KEGOC's net income for 2020 (90% of unconsolidated profit) to the payment of dividends.

05 21 May
In accordance with the decision of the Annual General Meeting of Shareholders, KEGOC paid dividends for 2020. A total of KZT 19.5 billion, or KZT 75.01 per ordinary share, was allocated to pay dividends.

06 17 August
Moody's upgraded KEGOC from "Baa3" to "Baa2" and a "positive" outlook to a "stable" outlook.

07 28 September
The Issuer Day was held on Kazakhstan Stock Exchange (KASE) in the format of a video conference. At this event KEGOC reported its performance for the first half-year of 2021.

08 14 October
The Committee for Nuclear and Energy Supervision and Control of the Ministry of Energy of Kazakhstan issued KEGOC a certificate of readiness for operation in the autumn-winter period 2021–2022.

09 21 October
KEGOC's bonds were successfully placed on Kazakhstan Stock Exchange (KASE) for a total amount of KZT 16.6 billion with a yield to maturity of 11.50% per annum.

10 29 October
An Extraordinary General Shareholders' Meeting of KEGOC was held in the form of absentee voting, at which the financial statements of KEGOC for the first half of 2021 were approved, in accordance with which the consolidated net income of the Company amounted to KZT 27.5 billion, about 80% of which were decided to be distributed as dividends.

11 19 November
KEGOC paid dividends on ordinary shares for the first half of 2021. KZT 22,027,082,239.2 or KZT 84.72 per ordinary share were allocated for payment of dividends

12 24 November
An Extraordinary General Meeting of KEGOC shareholders was held, during which personnel appointments were made. At Bakytzhan Kazhiyev's personal initiative, his powers as the Chairman of the Management Board and a member of the Board of Directors of KEGOC were early terminated.

Kanysh Moldabayev was appointed as the Chairman of KEGOC's Management Board by the Extraordinary General Meeting of KEGOC Shareholders for three years and his powers as the Chairman of KEGOC's Board of Directors were also prematurely terminated.

Suinshlik Tiyyessov was elected the Chairman of the KEGOC's Board of Directors.

It was also decided to elect Yernat Berdigulov as a member of the KEGOC's Board of Directors to represent the interests of Samruk-Kazyna.

13 15 December
KEGOC won second place in the second Qazaqstan Project Management Awards–2021

national competition with its project called "Automation of Mode Control of the Unified Power System of Kazakhstan".

14 21 December
KEGOC's Board of Directors approved the updated KEGOC Development Strategy for 2022–2031.

15 28 December
Moody's published a credit opinion and affirmed KEGOC's rating at "Baa2" with a "stable" outlook.

16 30 December
Financial Settlement Centre for Renewable Energy Support LLP, a subsidiary of KEGOC, was alienated by transferring 100% of shares owned by KEGOC to state ownership free of charge.

STRATEGIC REPORT

Mission of the Company is to ensure reliability, availability and advanced development of Kazakhstan energy system



81

SS of 38,742.9 MVA

Installed capacity of transformers



27

thousand km

Total length of OHTL



10

9 MES branches
1 NDC SO branch

Branches



About the Company

KAZAKHSTAN ELECTRICITY GRID OPERATING COMPANY (KEGOC) JOINT-STOCK COMPANY WAS ESTABLISHED IN ACCORDANCE WITH RESOLUTION NO. 1188 OF THE GOVERNMENT OF KAZAKHSTAN DATED 28 SEPTEMBER 1996 “ON CERTAIN MEASURES FOR RESTRUCTURING OF THE ENERGY SYSTEM OF KAZAKHSTAN”. KEGOC IS THE COMPANY MANAGING THE NATIONAL POWER GRID OF KAZAKHSTAN AND HAS THE STATUS OF THE SYSTEM OPERATOR OF THE UNIFIED POWER SYSTEM OF KAZAKHSTAN. THE DATE OF INITIAL STATE REGISTRATION OF KEGOC WAS 11 JULY 1997.

KEGOC operates in Kazakhstan.

2-1

Prior to 2006, 100% of KEGOC’s shares were owned by the State. In 2006 the State block of shares (100%) was transferred in payment for the placed shares to “Samruk” Kazakhstan Holding for Management of State Assets. In 2008, “Kazyna” Sustainable Development Fund and “Samruk” Kazakhstan Holding for Management of State Assets were merged to establish Samruk-Kazyna Sovereign Wealth Fund, which became the legal successor of “Samruk” Kazakhstan Holding for Management of State Assets.

On 18 December 2014, as part of Samruk-Kazyna’s IPO Programme, 25,999,999 of the Company’s authorized ordinary shares were placed at Kazakhstan Stock Exchange through subscription.

In accordance with the power sector regulations in Kazakhstan, KEGOC main areas of operation includes:

- transmission of electricity in the national electricity grid;

- technical dispatching of generation and consumption of electricity in the grid;
- balancing of electricity production and consumption.

These are the natural monopoly services in Kazakhstan, which is why KEGOC’s operations are regulated by the Law of Kazakhstan On Natural Monopolies.

2-6

MISSION AND VALUES

The Company’s vision¹: Leader in the electric power industry, contributing to future energy system and market changes in the context of an energy transition; and to development of a sustainable electricity system through infrastructure planning and clean energy development.

The Company’s mission is to ensure the reliability, availability and advanced development of Kazakhstan’s energy system.

The development strategy addresses the issues of the long-term sustainable development of the Company such as the global trends of energy transition and integration of renewables, and the emerging medium-term electricity and capacity shortages in Kazakhstan. It also includes the important issues of introduction of modern innovative and digital technologies, R&D, commitment to ESG principles, and covers processes related to decarbonisation of the economy and ensuring economic growth in the country.

PARTNERSHIP

KEGOC is a member and participant in important industry and other organisations and associations, including:

2-28

- **Kazakhstan Electricity Association** (KEA, www.kea.kz), whose main objectives are: to support all organisations whose activities are directly or otherwise related to the electricity sector; to participate in the development of state programmes, laws and regulations related to the electricity sector; to support and defend the positions of its members in matters where the interests of the sector depend on decisions of the Government, judicial and other bodies;
 - **KAZENERGY Kazakhstan Association of Oil, Gas and Energy Sector Organisations** (www.kazenergy.com) whose main objectives are: to protect rights and interests of its members in state bodies, harmonisation of the legislative framework; to establish a single information field for subsoil users, electricity producers, transporters and consumers of energy sector products and services; to develop and support of intrasectoral cooperation projects and entrepreneurship at local, regional and global levels; promote economic, social, environmental, and R&D activities in Kazakhstan community;
 - **Qazaq Green RES association** (www.qazaqgreen.kz) whose main purpose is to unite players in the renewable energy sector in order to create favourable conditions for the development of the industry. The key objectives of the association are: to represent and protect the interests of the association members; to conduct information and explanatory work for the association members and interested investors with regard to implementation of RES projects in Kazakhstan; to enhance the investment climate by proposing the amendments to the laws in Kazakhstan; to cooperate with international financial institutions; to represent the industry in the international arena to attract investment and best practices;
 - **Electric Capacity Reserve Pool of Kazakhstan** (ECRP), the main purpose of which is to maintain the adequate amount, structure, and location of reserves to ensure uninterrupted power supply in case of unforeseen outages of power equipment owned by ECRP participants and/or interregional and regional power lines, in accordance with ECRP Rules;
 - **Association for Development of Competition and Commodity Markets** (www.ark.org.kz) is a non-profit organization uniting legal entities on a voluntary basis to coordinate business activities, as well as to represent and protect common interests of the association members in state authorities, power structures, international and public organizations regarding the issues of development of competition and commodity markets. Membership in this organisation will enable the Company to initiate and promote necessary amendments to the antimonopoly legislation in the interests of KEGOC. The results of the Association’s work will be development and participation in drafting of regulatory legal acts, development of international non-governmental contacts for exchange of experience, holding seminars, conferences, round tables and other events, promotion of competition and entrepreneurship, prevention of violations of the anti-monopoly legislation.
- To support the efforts of establishing efficient electricity market with neighbouring countries and to develop international cooperation KEGOC also participates to international sectoral organisations, such as:

¹ – On 21 December 2021, KEGOC Board of Directors approved KEGOC Development Strategy for 2022–2031 (Minutes No.14), which includes a new version of the Company’s Vision and Mission. KEGOC’s Development Strategy for 2018–2028 has been nullified.

- CIS Electric Power Council;
- The International Council on Large Electric High Voltage Systems (Conseil International des Grands Réseaux Électriques – CIGRE);
- Eurasian Economic Union (Republic of Armenia, Republic of Belarus, Republic of Kazakhstan, Russian Federation, and Kyrgyz Republic);
- World Energy Council;
- EURELECTRIC Association;
- Executive Assembly to the World Energy Council (WEC);
- United Nations Economic Commission for Europe;
- Coordinating Electricity Council of Central Asia (CEC CA).

BUSINESS MODEL

2-6

Mission

Ensure reliability, availability and advanced development of the energy system of Kazakhstan

Our assets:

- 81 substations with the installed transformer capacity of 38,742.9 MVA
- 26,973.228 km of OHTLs
- 9 MES branches and NDC SO
- 4,400 employees
- Modern technologies

Our business:

- Electricity transmission **54.65 billion kWh**
- Technical dispatch control **105.04 billion kWh**
- Generation and consumption balancing **205.15 billion kWh**

Our performance:

- Net profit **KZT 52.6 billion**
- Dividends per share **KZT 75.01** for 2020 / **KZT 84.72** for H1 2021
- Share price as on 31 December 2021 **KZT 1,885**
- Reliability indicators **WWP 98.60%, SML 4.46 minutes**
- Social Stability Rating **85%**

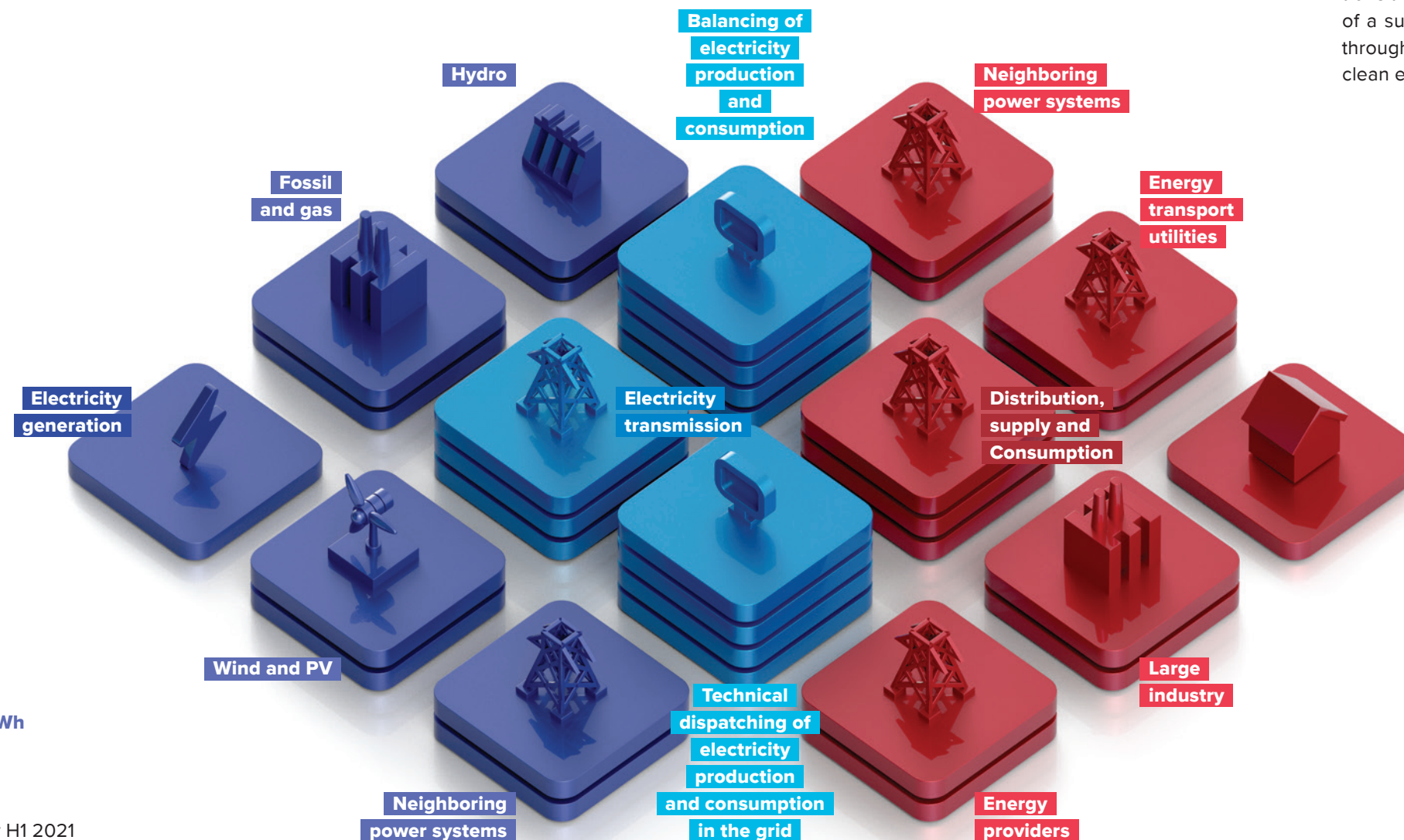


Values

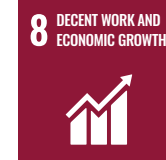
Loyalty and honesty
Improvement and challenge
Goodwill and responsibility
Heritage and Trust

Vision

Leader in the electric power industry, contributing to the future energy system and the market changes in the context of an energy transition; and to the development of a sustainable electricity system through infrastructure planning and clean energy development



Key SDGs



CAPACITIES

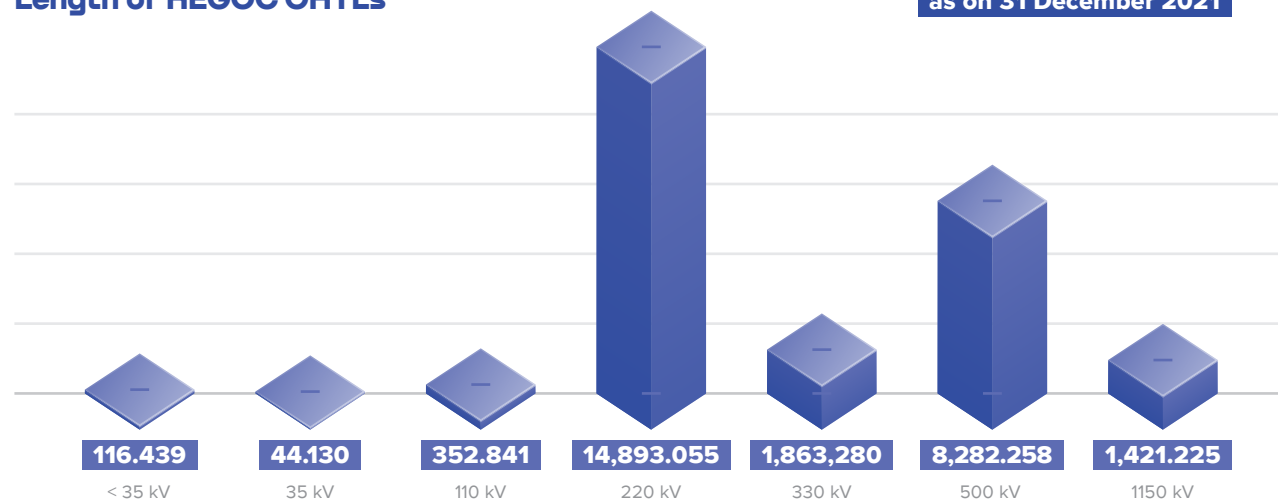
The main asset of the Company is the national power grid (NPG), which at the end of 2021 consisted of 384 overhead power transmission lines (OHTL) of 0.4–1150 kV with a total length of 26,973.228 km (ckt) and 81 electrical substations

(SS) of 35–1150 kV with an installed transformer capacity of 38,742.9 MVA. They serve to provide cross-border power flows, to supply power from the power plants, and link regional power companies to large consumers.

2-6

Length of KEGOC OHTLs

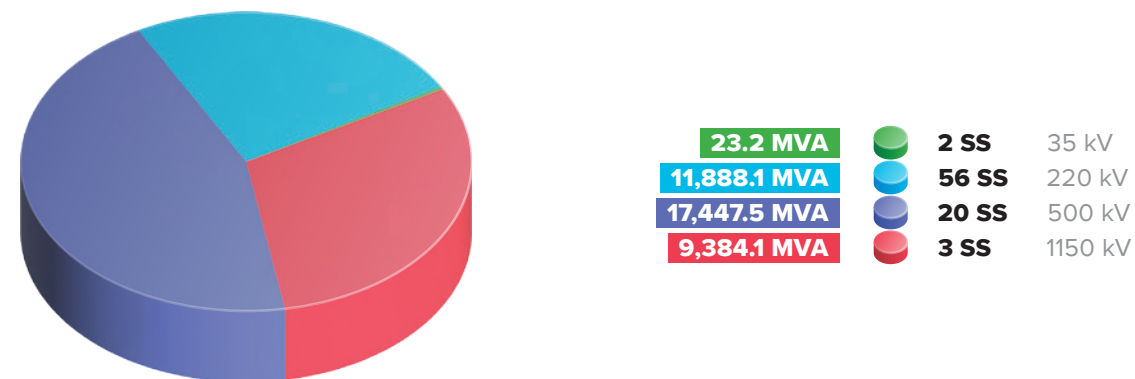
as on 31 December 2021



EU4

Capacity and number of KEGOC's substations

as on 31 December 2021



EU1

COMPANY STRUCTURE

The Company's structure includes 9 Inter-system Electric Networks (MES) branches, and National Dispatch Centre of System Operator (NDC SO), also as a branch of the Company.

KEGOC is the sole shareholder of EnergoInform, a subsidiary.

The mission of Energoinform JSC is to ensure the reliable functioning and efficient development of the information and telecommunications systems in UPS using the global best practices and innovative technologies.

The main activity is the maintenance of KEGOC's information and telecommunication complex, including: commercial metering system, SCADA, balancing electricity market, information management system, PLC, radio relay links, satellite communication, guaranteed power supply, branch exchange, fibre optic links, fire and security alarm systems and corporate services.

In addition, KEGOC is a shareholder (20%) in Batys Transit, which was established in 2005 for construction of the

North Kazakhstan – Aktyubinsk Oblast interregional power transmission line project.

Until 30 December 2021, KEGOC was also the sole founder of its subsidiary, Financial Settlement Centre for Renewable Energy Support LLP (FSC RES LLP). FSC RES LLP was established in 2013 to encourage investment in the renewable energy sources (RES) and increase penetration of RES in the energy balance of Kazakhstan providing a guarantee on the part of the state of the centralized purchase of electricity from all RES facilities (who chose this support scheme) at fixed tariffs.

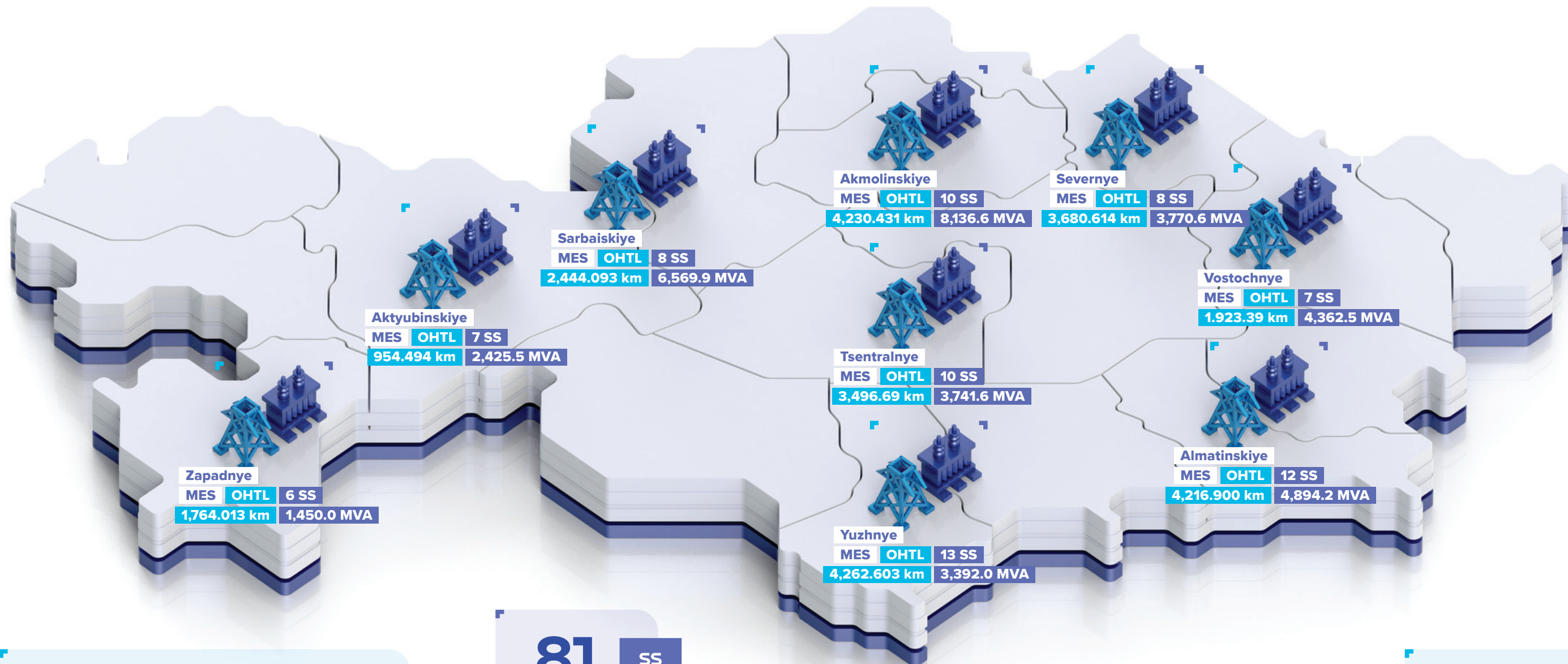
FSC RES LLP as assigned by the Minister of Energy of Kazakhstan (order No. 357 dated 7 September 2018) the single buyer of centralized procurement of services service of maintaining the readiness of electric capacity and centralized provider of services of ensuring readiness of electricity capacity to bear the power load.

On 30 December 2021, FSC RES LLP is alienated by transferring 100% of the participatory interests owned by KEGOC to the state ownership free of charge.

2-6

Geography of Operations

2-6, EU1



26,973.228 KM
Overhead transmission lines

81 SS
installed transformer capacity
38,742.9 MVA



Development Strategy

KEGOC'S OPERATIONS HAVE STRATEGIC IMPORTANCE FOR THE DEVELOPMENT OF THE ENTIRE ECONOMY OF KAZAKHSTAN AND AFFECT THE INTERESTS OF A WIDE RANGE OF STAKEHOLDERS, AND THE COMPANY TAKES THIS INTO ACCOUNT WHEN MAKING DECISIONS AND BUILDING A LONG-TERM STRATEGY. THE FOCUS OF OUR ATTENTION IS TO BE ATTENTIVE TO THE INTERESTS OF THE SOCIETY AND ENSURE OUTSTRIPPING DEVELOPMENT OF THE NPG OF KAZAKHSTAN, ENSURE DECENT WORKING CONDITIONS AND WELL-BEING OF PEOPLE, AND CARE FOR THE ENVIRONMENT. THIS IS REFLECTED IN KEGOC'S DEVELOPMENT STRATEGY.

The State has assigned to KEGOC the status of the system operator of the UPS of Kazakhstan, which defines the functions of KEGOC to ensure parallel operation with the energy systems of the neighbouring countries, maintain the balance in the energy system, provide system services, and purchase ancillary services from the wholesale electricity market entities, as well as to ensure the transmission of electricity through the NPG of Kazakhstan, provide for its maintenance and operational availability.

The following is essential for successful development:

- enhancement of the Company's operational performance and introduction of a portfolio approach to asset management and investment projects;
- consideration of ongoing electricity sector development impacts (renewable energy sources, digitalisation of business, automation, and information security, etc.);
- transformation of people's minds.

LONG-TERM STRATEGIC GOALS

Goal 1: Ensure reliable operation of the UPS of Kazakhstan, i.e., quality delivery of the functions of the System Operator of the UPS of Kazakhstan; quality maintenance, repair and modernisation of the existing

assets; increase the capacity of the NPG of Kazakhstan through construction of new transmission lines and substations; technological development and digitalisation of the business.

Goal 2: Ensure the effective operation of KEGOC through higher efficiency of invested capital and development of new businesses, implementation of KEGOC's Transformation Programme and development of international cooperation.

Goal 3. Enhance corporate governance and sustainable development through better health and safety management, enhanced corporate governance, human capital development and environmental protection.

In 2021, the Company continued the implementation of 2018–2028 Strategy and the Roadmap, which includes major investment projects, activities and strategic KPIs.

Goal 1: Ensure reliable operation of the UPS of Kazakhstan

In order to meet the goal of **quality maintenance, repair and modernisation of the existing assets**, KEGOC launched a large-scale rehabilitation programme for its 220–500 kV overhead lines.

Rehabilitation of 220–500 kV overhead lines at KEGOC's branches, stage I, was continued: 1,306.7 km of 2,029 km of transmission lines were rehabilitated including 456.7 km in 2021.

The selected contractor continued development of the feasibility study for Rehabilitation of 220–500 kV overhead lines at KEGOC's branches, stage II, which includes 48 overhead lines of 220–500 kV.

A number of strategic investment projects are being implemented by KEGOC **to increase the capacity of NPG of Kazakhstan through the construction of new transmission lines and substations:**

- West Kazakhstan Electricity Transmission Reinforcement Project shall increase the capacity and reliability of power supply to consumers in Zone West of the UPS of Kazakhstan by strengthening 220 kV interconnections of the western regions of the country. The project requires construction of the second circuit of the existing 220 kV Uralskaya – Pravoberezhnaya – Inder – Karabatan – Kulsary – Tengiz transmission with a length of about 779.7 km.
- Turkestan External Power Supply Reinforcement Project is implemented in accordance with the Decree of the President of Kazakhstan No. 762 dated 29 September 2018 "On approval of the Concept Master Plan for Development of Turkestan as a Cultural and Spiritual Centre of the Turkic World". The project requires construction of a new 220 kV substation near the city of Turkestan, which will be connected to the existing 220 kV network.

Implementation of a remote access to corporate e-mail and implementation of an 'Automated Enterprise Information and Management System' as a part of 'Implementation of Target Accounting and Tax Accounting Model', delivery of equipment for WAMS system in the NPG of Kazakhstan, and construction works for the project have been completed. The acceptance certificate has been signed.

Automation of control modes of the Unified Power System of Kazakhstan project is a part of Digital Kazakhstan programme, which includes 3 components, has been implemented to automate operational mode control of the UPS of Kazakhstan:

- WAMS/WACS synchrophasor-based monitoring and control system, maximises network capacity through

real-time control. The system has been put into operation.

- The Centralised Emergency Control System (CECS) ensures the automatic stability of the power system in the event of a disturbance. The system has been put into operation.
- Automatic Frequency and Power Control (AFPC) system, provides automatic maintenance of power generation-consumption balance in the power system. The system has been put into operation.

KEGOC won second place in the second Qazaqstan Project Management national contest 2021 with this project.

Also, the Company's updated Development Strategy for 2022–2031 includes the following future investment projects that shall increase transmission capacity:

- South Kazakhstan Electricity Transmission Reinforcement Project. Construction of power grid facilities shall improve reliability of power supply in Zone South;
- West Kazakhstan Power System and Kazakhstan Unified Power System Interconnection Project requires construction of power transmission lines connecting the Zone West with the UPS of Kazakhstan. As a result, the Zone West will be involved in maintaining the overall energy balance of the country, and in general, the reliability of power supply to consumers in Zone West will be improved.

In 2021, in accordance with the instructions given by the Head of State and further approval by the Ministry of Energy of Kazakhstan, KEGOC developed the Energy Balance Forecast until 2035, reflecting the current state and future development of the country's energy system, including the development of shunting capacities, renewable energy sources and nuclear power plants.

KPIs for Goal 1

KPI	2019 actual	2020 actual	2021 plan	2021 actual
WWP, %	99.64	98.63	98.55	98.60
SML, minutes	0.52	5.21	0.96	4.46

The main reason for the actual SML of 4.46 minutes exceeding the 0.96-minute target for 2021 is undersupply of electricity (ENS or energy not supplied in MWh, included in the SML calculation formula) as a result of the impact of natural phenomena and the third-parties beyond the Company's control. At the same time in 2021 there have been no cases of undersupply caused by erroneous actions of KEGOC's personnel, operational shortcomings.

The main objectives of the Company for 2022 are:

- **Deliver functions of the System Operator of Kazakhstan UPS.** In order to effectively deliver the functions of the System Operator as needed to secure reliability of the UPS of Kazakhstan and to develop the NPG, KEGOC plans to:
 - implement investment projects for the development of NPG of Kazakhstan;
 - take an active part in the development of sectoral regulatory and technical documentation;
 - minimise technical disruptions and poor operation leading to emergencies.

The Company is working to prepare for the planned real-time commissioning of the balancing electricity market (BEM) in 2022. KEGOC, as the System Operator,

is responsible for managing the BEM operation, and as such will continue the efficient commissioning of the BEM to mitigate financial settlement risks of the BEM operator.

- **Secure outstripping development of the NPG Kazakhstan and effective integration of 15% target of renewable energy sources.** This objective envisages further implementation of Rehabilitation of 220–500 kV overhead lines of KEGOC branches project, including by equipping the substations with modern comprehensive security systems, including installation of video surveillance systems, access control systems, installation of perimeter security alarm system, construction of checkpoints, fences and security lighting. The network development shall facilitate the development of intermittent renewable energy (solar and wind) through network construction that will help the grid accommodate large renewable facilities.
- **Increase the transmission capacity of the NPG of Kazakhstan by constructing new transmission lines and substations.** KEGOC will continue the ongoing and future projects related to construction of new overhead lines and strengthening of external power supply.

In terms of technological development in 2022, according to the global trend, KEGOC will continue the work in the field of technological development of the electricity sector, mainly through introduction of various elements of intelligent control of network objects (measurement, control and management systems), which could become the basis of the new generation electricity networks, the so-called “Smart Grid”.

Goal 2: Ensure the effective operation of KEGOC

Last year, the updated Portfolio and Roadmap of the Business Transformation Programme were approved. Net benefits from implementation of projects of the Business Transformation Programme for 2021 amounted to KZT 2,734,061 thousand.

In accordance with the Information Security Development Programme for 2018–2022, the data leakage prevention system (DLP) and the Privileged Access Management

system (PAM) were put into commercial operation at KEGOC. A centralised authentication system for industrial devices (NAC) was also implemented. TUV NORD carried out a compliance audit of the information security management system for compliance with the international standard ISO 27001. As a result of the audit, the certificate of compliance was renewed.

Also, as part of the Business Transformation Programme Roadmap, KEGOC completed the following initiatives: Building effective human resources capacity, Development of data architecture, Research data analysis usage in operational processes, Automation of HSE processes, and Enhancement of project and portfolio management.

To develop international cooperation, the Company actively participated in the work of the CIS Electric Power Council, Eurasian Economic Union, United Nations Economic Commission for Europe, Coordinating Electricity Council of Central Asia, World Energy Council, IEC, and CIGRE.

KPIs for Goal 2

KPI	2018 actual	2019 actual	2020 actual	2021 plan	2021 actual
EBITDA, KZT billion	81.2	88.5	108.4	94.1	93.9
NAV, KZT billion	416.2	422.2	441.2	489.2	486.3

Financial performance

KZT billion



EBITDA

NAV

KZT billion



KEGOC placed 8.9 million bonds on 27 January 2021 at Kazakhstan Stock Exchange (KASE) to total amount of KZT 8.6 billion with weighted average yield to maturity

of 11.6161% per annum. In 2021 the regulator approved tariffs for the services of the Company for 2021–2026.

Goal 3. Enhance corporate governance and sustainable development

The Company systematically carries out work in the area of occupational health and safety. Ensuring occupational safety and preserving the health of employees is an absolute priority for the Company. The Company is constantly working to create safe working conditions, reduce injuries during technological operations, improve production, sanitary and living conditions of employees, and reduce the impact of harmful and unfavourable factors.

In 2021, a behavioural safety audit was conducted in the branches. KEGOC has been implementing its Occupational Health and Safety Management System Programme 2021 in accordance with the international standard ISO 45001.

In addition, annual and pre-shift medical examinations of KEGOC operational personnel were conducted.

In addition, training has been provided in emergency care for victims using defibrillators.

No occupational diseases of the Company's employees were reported in 2021.

In 2021, 370 internal IMS audits were carried out in the structural units of the Executive Administration, MES branches, and NDC SO.

The Company has made significant progress in implementing the principles of sustainable development. The Company's performance shows achievable results in the area of overall sustainable development and the of economic, environmental and social areas of the Company. In 2021, the Company achieved the planned BBB level of the strategic Corporate Governance Rating KPI.

The human resources potential of KEGOC is the most important strategic factor determining the success of the Company's development. In 2021, the Company have been implementing the initiatives from its Personnel Policy Roadmap for 2019–2022, the environmental, energy saving and energy efficiency efforts, and the Environmental Programme.

KPIs for Goal 3

KPI	2018 actual	2019 actual	2020 actual	2021 plan	2021 actual
LTIFR, coefficient	0.29	0	0	3.40	0.15
Frequency of fatal occupational accidents, ratio	0.25	0	0	0	0
Corporate governance rating	BB	BB	BB	BBB	BBB

In 2022 KEGOC plans to improve its safety performance based on zero-tolerance criterion for fatal accidents at work to meet the objective of improving the occupational health and safety management system. 2022 was declared the Year of Occupational Health and Safety in the companies of Samruk-Kazyna group. In this regard the Company has tighten the occupational health and safety performance indicators for the management of the Company's branches.

The company will continue to develop human capital development in accordance with its Human Resources Policy Roadmap 2019–2022.

FUTURE PLANS

On 21 December 2021, KEGOC's Board of Directors approved KEGOC Development Strategy for 2022-2031. The Development Strategy is a long-term strategic document, which defines the Company's Vision and Mission and strategic areas of KEGOC development for the long-term period. The Development Strategy addresses the issues of the long-term sustainable development of the Company such as the global trends of energy transition and integration of renewables, and the emerging medium-term electricity and capacity shortages in Kazakhstan. It also includes the important issues of introduction of modern innovative and digital technologies, R&D, commitment to ESG principles, and covers processes related to decarbonisation of the economy and ensuring economic growth in the country.

KEGOC expects an increase in electricity consumption and production in the future, which will have a positive impact on the volume of electricity transmission and regulated services provided by the Company.

KEGOC will continue to upgrade and develop its assets to ensure the reliable operation of the UPS of Kazakhstan

and enhance its performance KPI, such as grid availability, average interruption time (AIT), electricity not supplied (ENS) and customer satisfaction with system services.

KEGOC's future sustainable development will be ensured through further improvement of corporate governance and occupational health and safety management system, increasing the Company's responsibility for environmental protection in accordance with the plans and programmes developed.

Key performance indicators, or KPIs, reflect the achievement of the Company's strategic goals and objectives, as well as the effectiveness of its operations.

The Company's KPI system is focused on:

- implementation progress of the Company's Development Strategy and Business Plan, major strategic projects and initiatives;
- progress of the operational and financial performance of the Company;
- safe and accident-free operation of the Company;
- balanced approach to evaluating the Company's performance.

Corporate KPIs and executive KPIs are approved by the Company's Board of Directors. KPIs for management and branch managers are approved by the Company's Management Board.

Corporate KPIs and executive KPIs are monitored every six and nine months of a reporting year. The actual KPIs at all levels are estimated at the end of a reporting year.

On 15 December 2020, KEGOC's Board of Directors approved the corporate KPIs and their target values for 2021, which include financial and economic indicators, the Company's operational efficiency indicators and occupational safety indicators. At the end of 2021, all target values of the corporate KPIs have been achieved.

The executive and management KPIs are reviewed regularly to ensure they are relevant and consistent with strategic goals and objectives. The Company will continue to monitor the applicability and relevance of these KPIs. The remuneration system for executives and managers is directly linked to KEGOC's performance and the amount and payment of annual bonuses are linked to the Company's KPIs and strategic priorities.

In 2021, the Company started to develop a Carbon Footprint Reduction Programme 2031 with a further vision until 2060. KEGOC analysed the current situation, identified and quantified the main sources of direct and indirect CO2 emissions (Scope 1 and 2), the main activities to reduce the Company's carbon footprint in its operations and key indicators to monitor KEGOC's carbon footprint reduction. The Programme is expected to specify low-carbon development targets until 2031.

2-23, 2-24, 201-2



OPERATIONAL REPORT

50% of electricity generated in the Republic of Kazakhstan is transmitted via KEGOC networks



54.65

kWh

Transmission of electricity



105.04

billion kWh

Technical dispatching of electricity supply



205.15

billion kWh

Balancing of electricity generation and consumption

Industry Overview

THE MAIN STATE POLICY AREAS IN THE ELECTRICITY SECTOR ARE IDENTIFIED BY THE GOVERNMENT OF KAZAKHSTAN. THE MINISTRY OF ENERGY OF KAZAKHSTAN IS RESPONSIBLE FOR MANAGING THE ELECTRICITY SECTOR. SUPERVISION AND CONTROL IN THE FIELD OF ELECTRICITY IS CARRIED OUT BY THE COMMITTEE FOR ATOMIC AND ENERGY SUPERVISION AND CONTROL OF THE MINISTRY OF ENERGY OF KAZAKHSTAN.

The Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of Kazakhstan is responsible for the control and regulation of state monopoly operations (including KEGOC).

INDUSTRY STRUCTURE

The UPS of Kazakhstan is a system of power stations, transmission lines and substations.

The electricity industry in Kazakhstan includes the following sectors:

- electricity generation;
- electricity transmission;
- electricity supply;
- electricity consumption;
- other activities in the electricity sector.

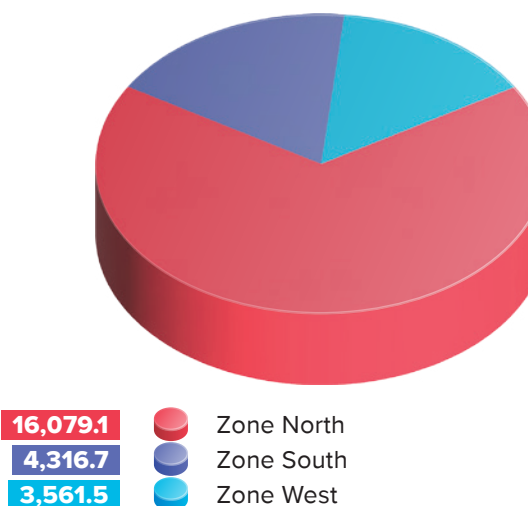
Electricity generation sector

Electricity in Kazakhstan is generated by 190 power plants of different forms of ownership. The total installed capacity of power plants in Kazakhstan as of 31 December 2021 is 23,957.3 MW; the available capacity is 19,004.0 MW (the available capacity of RES (solar, wind, small hydro) is estimated in accordance with the methodology for the forecast electric capacity balance: 30% for run-of-river hydro power plants; 20% for wind power plants; 0% for solar power plants).

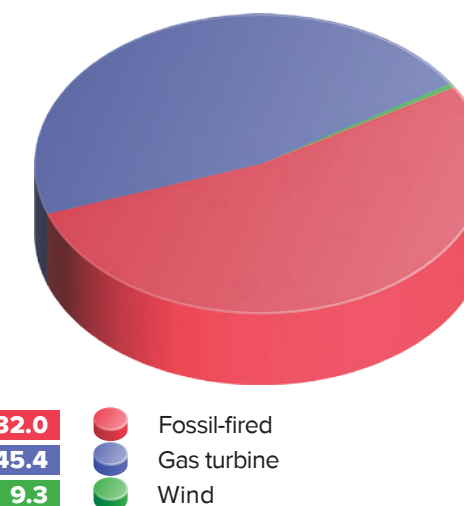
Power plants	Installed capacity, MW
Thermal power plants total	19,456.2
steam turbines	17,394.5
▪ pulverized coal	13,384.5
▪ gas and fuel oil	4,010.0
gas turbines	2,061.7
Wind farms	659.5
Solar power plants	1,034.3
Hydropower plants, including small hydro	2,806.2
	271.4
Biogas plants	1.1
	23,957.3

The total available capacity by grid zones:

Power plant installed capacity by grid zones

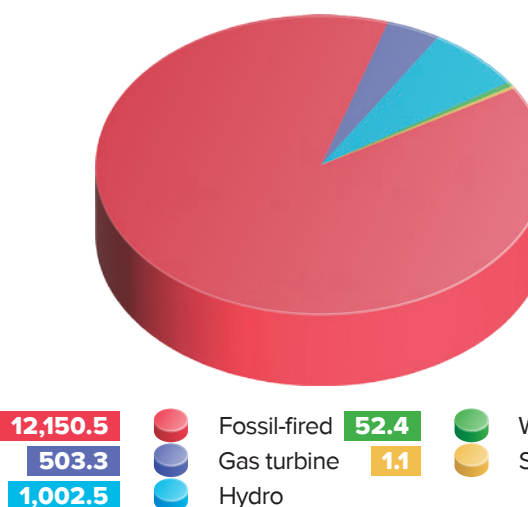


MW Zone West

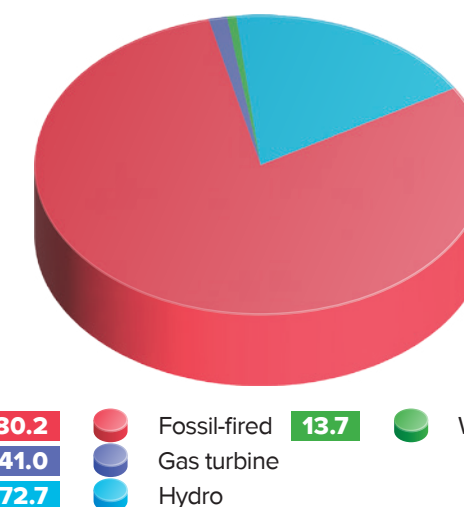


MW

Zone North



MW Zone South



MW

455.5 MW of new generation capacity was commissioned in 2021 with installed capacity as follows:

Akmola oblast	128 MW
Turgai WPP, Production Company ElectroNetStroy LLP	4.5 MW
Krasny Yar WPP, Vichi LLP	3.5 MW
Turbine Unit No. 6, Akmola CHPP-2	120 MW
Aktobe oblast	66.30 MW
WPP, Badamsha-2 LLP Arm Wind	48.00 MW
Unit No. 11, Zhanazhol GTPP LLP	16.00 MW
Karatobe TPP Y. Kazakhturkmunai LLP	2.3 MW
Almaty oblast	26.8 MW
Chizhinskaya HPP-2, Karatal HPP Cascade LLP	25.80 MW
Kapshagay PVPP, Samruk Green Energy LLP	1.00 MW
East Kazakhstan oblast	29.85 MW
Turgusun HPP, Turgusun-1 LLP	24.9 MW
Charsk Veter WPP, Charsk Veter LLP	4.95 MW
Zhambyl oblast	49.20 MW
Tasotkel HPP-2, A&T LLP	9.2 MW
Zhanatas WPP	40 MW
Kyzylorda oblast	10.00 MW
Zhanakorgan PVPP, HEK-KT LLP	10.00 MW
Kostanay oblast	50.0 MW
Ybyrai WPP, Zhel Elektrik LLP	50.0 MW
Mangistau oblast	30.4 MW
Zhana Ozen GPPP, OralMunaiProm LLP	30.4 MW
Turkestan oblast	65.0 MW
Shoktas PVPP, KZT Solar LLP	50.00 MW
Kushata PVPP, KZT Solar LLP	10.00 MW
Zadarya-2 PVPP, KazGreen tek Solar-1 LLP	5.00 MW

Electricity supply sector

The electricity supply sector of the electricity market of Kazakhstan consists of power supply companies (PSC), which purchase electricity from power generation companies or at centralised tenders and subsequently sell it to end retail consumers. Part of the PSC are the “guaranteed suppliers” of electricity.

The participants of the wholesale electricity market are:

- power generating organisations supplying at least 1 MW of average daily (base) capacity to the wholesale electricity market;
- energy transmission organisations;
- energy supplying organisations that buy electricity on the wholesale market for energy supply purposes in an amount of at least 1 MW of average daily (base) capacity;
- electricity consumers purchasing electricity on the wholesale market in an amount of at least 1 MW of average daily (base) capacity;
- the system operator, the functions of which are performed by KEGOC;
- the operator of centralised trade in electricity and capacity, the functions of which are performed by KOREM JSC;
- financial settlement centre for the support of renewable energy sources.

The centralized dispatch control of the UPS of Kazakhstan is the function of the National Dispatch Centre of the System Operator (NDC SO), a branch of KEGOC. The centralized operational dispatch control in the UPS of Kazakhstan is structured as direct subordination of 9 regional dispatch centres (RDC) in KEGOC MES branches NDC SO.

Electricity transmission sector

The power networks of Kazakhstan are a combination of substations, switchgears and connecting power lines of 0.4–1150 kV, designed for transmission and (or) distribution of electricity. The national power grid (NPG) is a backbone network in the UPS of Kazakhstan. It provides interconnections between the regions of Kazakhstan, connections with the power systems of neighbouring countries (the Russian Federation, the Kyrgyz Republic and the Republic of Uzbekistan), and delivery of electricity from power plants to wholesale consumers. Substations, switchgears, interregional and (or) interstate power lines and transmission lines that deliver electric power from electric power plants at 220 kV and higher voltage, are a part of the NPG, and belong to KEGOC. 2-6

Regional electricity networks provide electricity interconnections within regions and electricity transmission to retail consumers, and belong to and are operated by regional electricity network companies.

Power transmission companies contractually transmit electricity through their own or used (lease, trust management, and other types of use) electricity networks to consumers on the wholesale and retail markets or to energy supplying organisations.

STRUCTURE OF OPERATIONAL DISPATCH CONTROL OF THE KAZAKHSTAN UPS AS ON 1 JANUARY 2022



Zapadny RDC Atyrau	Aktyubinskiy RDC Aktobe	Kostanaiskiy RDC Kostanay	Akmolinskiy RDC Nur-Sultan	Tsentralny RDC Karaganda	Severny RDC Ekibastuz	Vostochny RDC U-Kamenogorsk	Yuzhny RDC, Shymkent	Almatinskiy RDC Almaty	Legend
Atyrau Zharyk JSC (Atyrau REC) Atyrau	Energosystema LLP Aktyubinskiy MES Aktobe	MezhRegionEnergotransit LLP (MREI) Kostanay	Akmola REC JSC Nur-Sultan	Karagandy Zharyk LLP Karaganda	PREC JSC Pavlodar	EKREC JSC U-Kamenogorsk	Ontustik Zharyk Transit LLP Shymkent	AZhc JSC Almaty	Regional dispatch centres
Mangistau REC JSC Aktau	West Kazakhstan REC JSC Uralsk	Forfait EPK (Kostanai REC), Kostanay	Kokshetauenergo LLP (Kokshetau REC) Kokshetau	Karaganda REC JSC Karaganda	GorElectroSet LLP Ekibastuz	KazZinc-Energo LLP Ust-Kamenogorsk	ZHES LLP Taraz	TATEC Taldykorgan	Regional network companies
Atyrau CHPP JSC Atyrau	AksayGazPromEnergo LLP West Kazakhstan oblast	Zharyk-Zhol REC LLP Rudny	SevKaz REC JSC Petropavlovsk	Zhezkazgan REC JSC Zhezkazgan	EEC JSC power station Aksu	Bukhtarma hydro power complex KazZinc LLP Serebryansk	KREC JSC Kyzylorda	KaratalTransit LLP Taldykorgan	Power stations of the national level
CHPP-1 MAEC MAEC-KazAtomProm LLP Aktau	Samruk Energy JSC ACHPP Aktobe	Kostanai YuzhElektroService PUE, Arkalyk	Astana REC JSC Nur-Sultan	GRES, Topar main distribution power station LLP (KGRES-2) Topar	Ekibastuz GRES-1 LLP named after Nurzhanov Ekibastuz	AES Ust-Kamenogorsk GES LLP Ust-Kamenogorsk	BaikonurEnergo PEA PUE Baikonur	ZhTsPK LLP Taraz	Power plants level
CHPP-2 of MAEC MAEC-KazAtomProm LLP Aktau	ES AZF power plant KazCh-TNC Aktobe	GKP ZhitikaraKommun-Energo Zhitikara	Kazakhstan TemirZholy JSC ECh – 6, 7, 8, 10, 11,14 Nur-Sultan	Power plant Ekibastuzskaya GRES-2 JSC, Soinechny	AES Shulbinsk HPP LLP Shulbinsk, KazZinc-TEC Tekeli (CHPP-2) Tekeli	AES Ust-Kamenogorsk cascade HPPs Ust-Kamenogorsk	Zhambyl GRES named after Baturov Taraz	T-Transit LLP Tekeli	
MAEC TPP MAEC-KazAtomProm LLP Aktau	ZhaiykTeploEnergo JSC (UrCHPP) Uralsk	LisakovskGorKommunEnergo PCG PHO Lisakovsk	CHPP 1, 2 Astana-Energo JSC Nur-Sultan	CHPP of Aluminium of Kazakhstan JSC (PCHPP-1) Pavlodar	Len.Cas. Company LLP Leninogorsk cascade HPPs Ust-Kamenogorsk	CHPP-1, 2 KazSpetsElektrod LLP Shymkent	Almaty CHPP-1, 2, 3 ALES JSC Almaty		
CHPP of Atyrau oil refinery JSC Atyrau	Uralskaya GTPP LLP Uralsk	CHPP SSGPO JSC (Rudny CHPP) Rudny	Stepnogorsk CHPP LLP Stepnogorsk	CHPP-2, PavlodarEnergo JSC (PCHPP-2) Pavlodar	AES Ust-Kamenogorsk CHPP LLP Ust-Kamenogorsk	3-Energo-Ortalyk (ShCHPP-3) Shymkent	ALES Kapshagay HPP Kapshagay		
TGCHPP-1 TengizChevroil LLP Karaton-1	GTPP KPO Aksay-2	CHPP PUE KTEC Kostanaiskiy CHPP Kostanay	SevKazEnergo JSC (PCHPP-2) Petropavlovsk	CHPP-3, PavlodarEnergo JSC (PCHPP-3) Pavlodar	AES Sogirinsk CHPP LLP Ust-Kamenogorsk	Shardara HPP JSC Shardara	Cascade HPP ALES JSC (Alm. cascade HPPs) Almaty		
TGTPP-2 TengizChevroil LLP Karaton-1	ZHGTPP AktobeMunay-finance Zhanazhol	CHPP PUE ATEC Arkalyk	First Wind Power Station LLP Yereymentau	Ek CHPP Ekibastuzteploenergo JSC Ekibastuz	Ridder CHPP JSC Ridder	Taraz-EnergoCentre JSC (ZhCHPP-4) Taraz	Moinak HPP JSC Moinak Hydropower Plant		
TGTPP-3 TengizChevroil LLP Karaton-1	SNPS AktobeMunayGaz JSC (GTPP 45) Zhanazhol		TsATEK Green Energy LLP Wind Astana – Expo 2017	UPNK-PV LLP Pavlodar	TeplokommunEnergo (Sem. CHPP) Semipalatinsk	Kentau Service PUC (CHPP-5) Taraz	KazZinc-TEC LLP (Tekeli CHPP-2 and Karatal HPP) Tekeli		
Kashagan ES AGIP KCO Karabatan	AMK-Munai LLP GPPP South Karatobe, GPPP, Bashenkol		Golden Energy WPP			KyzylordaTeploElektroCentre PUE (KOCHPP-6, COTPP) Kyzylorda	Issyk HPP-2, 3 EnergoAlem LLP		
Kalamkas power plant MMG Karazhanbas	GPPP ARBZ LLP		Nura PVPP	Akshabulak GTPP Crystal Management LLP		Burnoye Solar-1, 2 LLP Taraz	Karatal Cascade HPPs LLP (Karatal HPP-2, 3, 4) Karatal		
Sagat Energy ES	GTPP-200, BatysPower LLP			Intumak mini HPP KazModKhoz		SKZ-U LLP Zhana-Kurgan	Taldykorgan energy centre		
KazAzot JSC power station Aktau	Voskhod – Oriol LLP Voskhod GPPP			AgroFirm Kurma biogas power plant		Nomad Solar LLP, Kyzylorda Zhana-Kurgan	Kapshagay-100 PVPP ENEVERSE KUNKUAT LLP		
Taiman-2 wind farm Isatai district Atyrau oblast	Zhaikmunai LLP Chinarevo GPPP			KPM Delta LLP Gulshat PVPP		Baikonyr solar LLP, Kyzylorda Zhana-Kurgan	PVPP Shu-100 M-KAT GREEN LLP		
GTPP KUS Karabatan	KazakhTurkMunai LLP Yuzh. Karatobe GPES Aktobe Oblast			Kengir PVPP SES Saran LLP Kengir		EcoProTech-Astana LLP Turkestan	MISTRAL ENERGY LLP Kaskelen 50 PVPP		
Akshukur WPP Tupkaragan district Mangistau oblast	Arm Wind LLP WPP Badamsha-1 Aktobe Oblast			Agadyr-12 PVPP KazSolar 50 LLP Agadyr		Zhanatas Wind Power Plant LLP Zhanatas			
RMK WPP Tupkaragan district Mangistau oblast						HEVEL Kazakhstan LLP Kentau			
Batyr PVPP Mangistau Oblast									
Service WPP Mangistau Oblast									
Zhangiz WPP Mangistau Oblast									
Zhanaozen GPPP Mangistau Oblast									

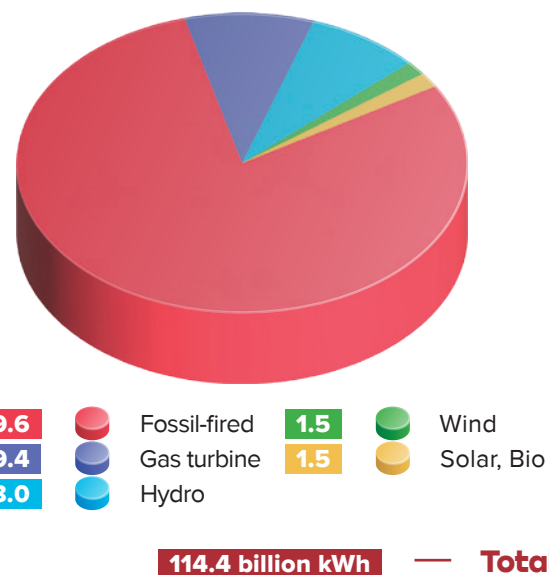
The centralised purchase and sale of electricity produced by RES facilities and supplied to the power grids of the unified power system of Kazakhstan is the responsibility of FSC RES LLP.

ELECTRICITY BALANCE

Electricity generation for Kazakhstan in 2021 amounted to 114,447.9 million kWh, including

	Generation, million kWh
Thermal power plants total	91,164.2
steam turbines	
▪ pulverized coal	78,981.2
▪ on gas and fuel oil	12,183.0
gas turbines	10,701.8
Hydro power plants	9,184.9
Wind farms	1,758.0
Solar power plants	1,636.5
Biogas plants	2.5

Structure of electricity generation in the unified power system of Kazakhstan in 2021



Electricity generation in 2021 increased by 6,362.1 million kWh or 5.9% compared to 2020.

In particular:

The following large power plants saw an increase in generation:

Power plants	Increase in electricity generation	
	million kWh	%
Ekibastuz GRES-1	3,322.0	17.1
EEC JSC	1,139.9	8.1
Ekibastuz GRES-2 Station JSC	1,459.2	29.3
CHPP-2, Astana-Energia JSC	569.1	17.7
CHPP-3 Karaganda Energocenter LLP	225.1	5.5
3-EnergoOrtalyk JSC (ShCHPP-3)	67.0	8.7
CHPP, Arcelor Mittal Temirtau JSC	36.1	6.3

The following large power plants saw a decrease in generation:

Power plants	Decrease in electricity generation	
	million kWh	%
Zhezkazgan CHPP, Kazakhmys Energy LLP	-236.8	15.8
PCHPP-2, SevKazEnergo Petropavlovsk LLP	-628.7	18.9
CHPP, SSGPO JSC	-119.4	11.9
ALES JSC, Almaty CHPP-2	-109.2	4.2
Ayrau Thermal Power Plant JSC	-174.6	8.4
CHPP-2, Arcelor Mittal Temirtau JSC	-108.0	4.8
GRES, Topar LLP	-372.4	8.0

The power generation by Zhambyl GRES in the Zone South of Kazakhstan amounted to 2,139.4 million kWh, which is 330.3 million kWh more than in 2020. Zhambyl GRES JSC operated in 2021 in a two-unit mode from January to March, and from 1 April it had operated in a single-unit mode. On 31 August 2021, the power plant was shut down for maintenance of the gas pipeline. The station had operated in a single unit since 6 September 2021. The second unit was put into operation on 1 October 2021, and the third unit was put into operation on 11 November 2021.

Power generation at Kazakhstan HPPs decreased by 360.9 million kWh (3.8%) compared to the same period in 2020. The plants' operating regime was determined by the water balance and hydro-logical conditions.

Electricity generation at TPPs increased by 4,501.6 million kWh (5.2%).

There was an increase of 1,174.1 million kWh (12.3%) in electricity generation by GTPP and 1,047.3 million kWh by RES (PV, wind, bio).

Kazakhstan experiences shortage of flexible generation mainly because the most of electricity in the UPS of Kazakhstan (about 80%) is generated by non-flexible thermal power plants and about half of all hydropower plants are tightly regulated by hydrological conditions.

To enhance the availability of the UPS of Kazakhstan KEGOC, as a part Digital Kazakhstan State Programme, has completed Automation of Operation Mode Control in the UPS of Kazakhstan project. One of the three components of this project is a centralised automatic frequency and power control system (AFPC).

The project has a synergetic effect as it requires integration of the power plant reserves at Kazakhstan into the system. To this end large power plants in Kazakhstan are implementing their own AFPC projects in parallel:

- Samruk-Energy JSC put in a considerable effort at Ekibastuz GRES-1 and Moinak HPP to integrate them into AFPC according to the joint synchronization plan of Samruk-Energy JSC and KEGOC JSC;
- integration of Bukhtarma and Ust-Kamenogorsk HPPs with the AFPC have been completed.
- at Shulbinsk HPP the AFPC integration is still in progress.

AFPC reduces the time required to set off the imbalances in the grid. However, the five power plants in the Kazakhstan power system integrated into AFPC are not sufficient to fully set off the imbalances and KEGOC continues the efforts to integrate more power plants with a high degree of availability into the system.

In 2021, Kazakhstan's electricity consumption increased by 6,545.5 million kWh or 6.1% to 113,890.3 million kWh compared to 2020.

Consumption increased in all zones of Kazakhstan: by 3,331.7 million kWh (4.7%) in Zone North, by 1,013.0 million kWh (7.5%) in Zone West, and by 2,200.8 million kWh (9.5%) in Sone South.

Increased consumption:

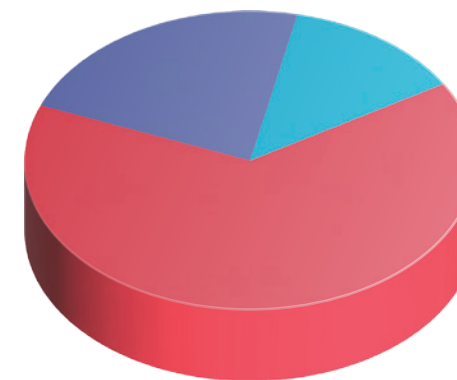
Consumers	Increase in electricity consumption	
	million kWh	%
Taraz Metallurgical Plant LLP	16.7	6.0
The Satpayev Canal RSE	121.9	44.9
KazChrome TNC JSC (Aktobe Ferroalloys Plant)	36.9	1.1
Kazakhmys Corporation LLC	10.4	0.8
Arcelor Mittal Temirtau JSC	63.5	1.7
UKTMP JSC	46.8	7.3

Reduced consumption, compared to 2020:

Consumers	Reduction in electricity consumption	
	million kWh	%
TNC KazChrome JSC (Aksu Ferroalloys Plant)	-647.7	11.1
Sokolovsko-Sarbaiskoye GPO JSC	-110.3	6.4
KazPhosphate LLP	-109.9	5.0
Atyrau Refinery LLP	-23.6	3.1
Kashagan AGIP KCO NCOG	-13.4	1.2
KazZinc LLP	-70.8	2.5

Electricity consumption structure by zones

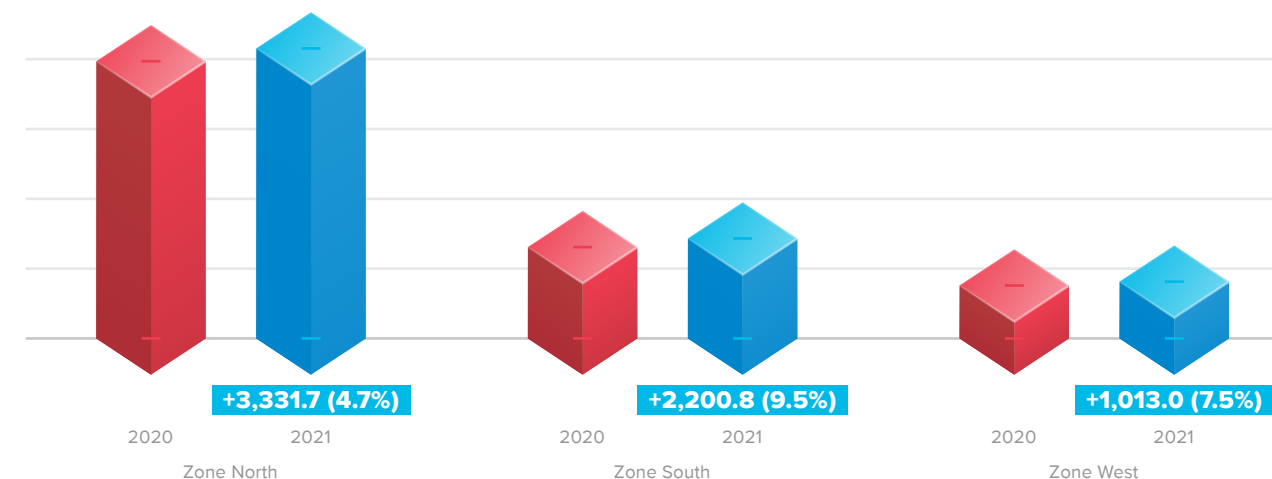
mln kWh



In 2021 compared to 2020 the most significant growth of electric power consumption was reported in East Kazakhstan oblast (by 432.2 million kWh or 4.7%), Karaganda oblast (by 540.6 million kWh or 2.9%), Pavlodar oblast (by 750.9 million kWh or 3.6%), Akmola oblast (by 1,108.4 million kWh or 12.1%), West Kazakhstan oblast (by 350.9 million kWh or 15.5%), Atyrau oblast (by 417.7 million kWh or 6.7%), Almaty oblast (by 1,085.1 million kWh or 9.5%), Zhambyl oblast (by 373.6 million kWh (7.6%), and Turkestan oblast (548.7 million kWh or 10.5%).

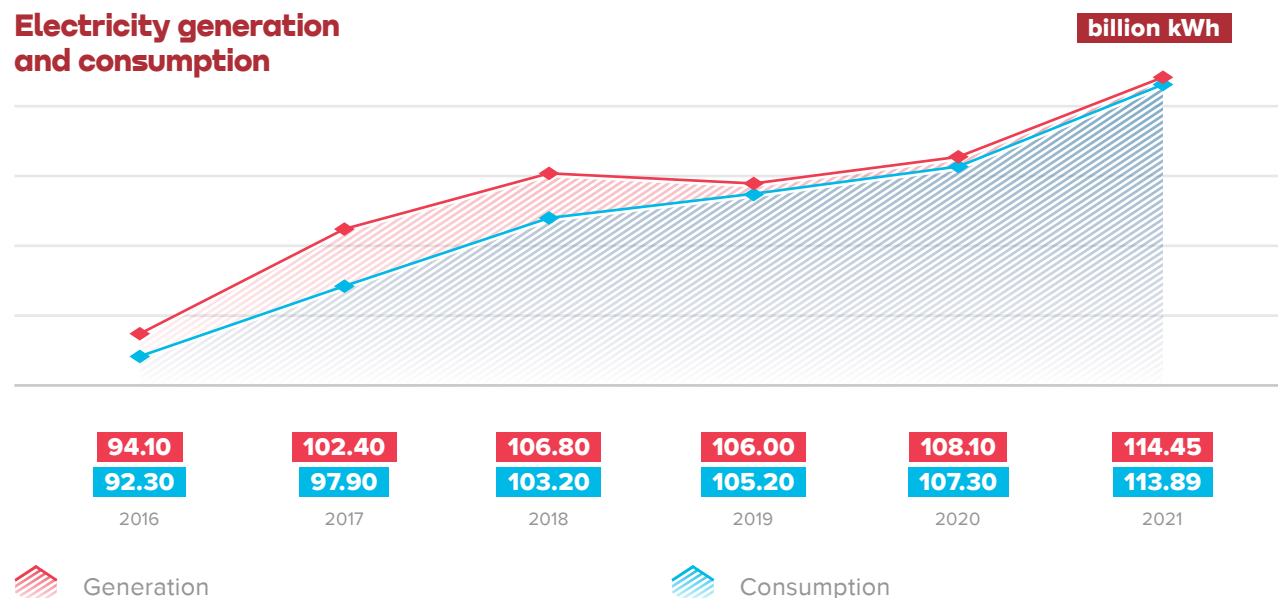
Electricity consumption

mln kWh



In 2021, electricity generation exceeded consumption by 557.6 million kWh.

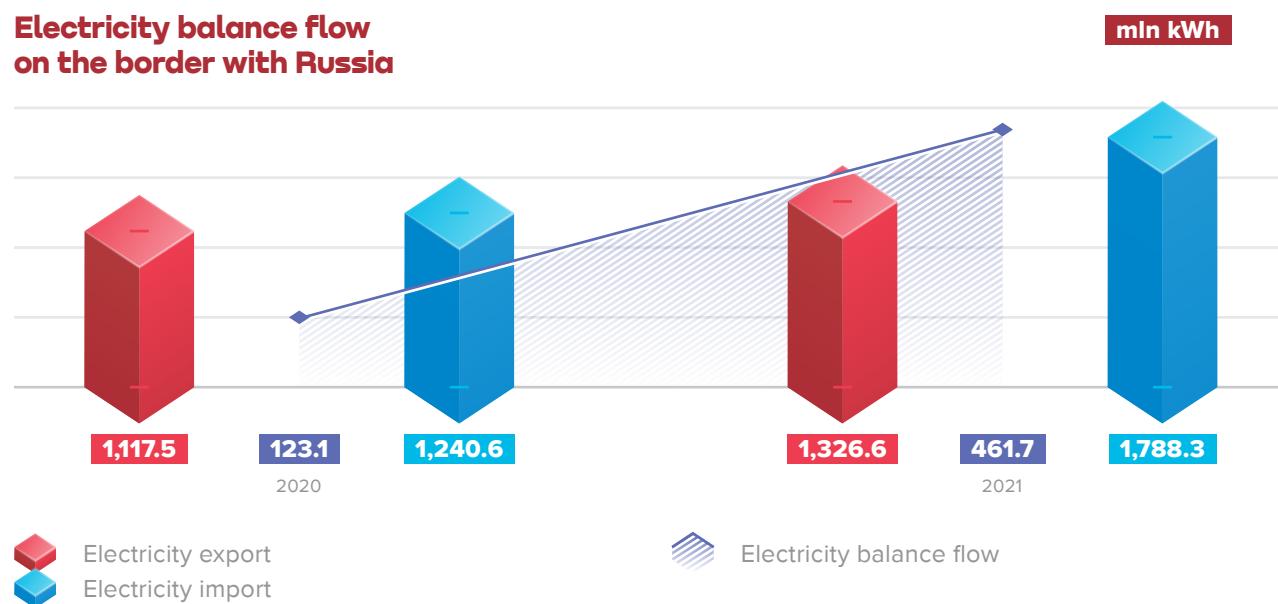
Electricity generation and consumption



During the reporting period, the balance electricity flow from/to Russia was 461.7 million kWh (123.1 million kWh in 2020) including 1,326.6 million kWh (1,117.5 million kWh in 2020) of electricity export to Russia, which is 209.1 million kWh

higher than in 2020 and 1,788.3 million kWh of electricity import from Russia, which is 547.7 million kWh higher than in 2020. The export and import are given taking into account power control services provided by the Russian counterpart.

Electricity balance flow on the border with Russia



Electricity export
Electricity import

Electricity balance flow

The balance flow from/to Central Asia amounted to 1,019.3 million kWh including 1,324.5 million kWh of electricity export to Central Asia:

- 637.7 million kWh to Uzbekistan (400.3 million kWh from Ekibastuz GRES-1 LLP, 45.6 million kWh from Topar GRES LLP, and 191.8 million kWh from EGRES-2 JSC);
- 686.8 million kWh to Kyrgyzstan (680.3 million kWh as interchange from Ekibastuz GRES-1 LLP, 0.7 million kWh from Topar GRES LLP, 5.8 million kWh from KEGOC JSC to NES of Kyrgyzstan JSC).

MINING DATA CENTRES

ONE OF THE REASONS FOR THE SHARP INCREASE IN ELECTRICITY CONSUMPTION IN KAZAKHSTAN IN 2021 IS THE MASS DEPLOYMENT OF MINING DATA CENTRES.

According to the System Operator, the consumption of digital miners in Kazakhstan is more than 1,000 MW, excluding the shadow mining consumption.

In order to preserve the energy supply to the households, the Ministry of Energy of Kazakhstan has adopted a number of amendments to the regulatory documentation concerning the limitation of energy supply to digital miners.

The amendments give the System Operator the right to limit or reduce the scheduled supply of electricity to digital miners when planning and implementing daily schedule of electricity generation and consumption, if there is a shortage of electricity or generation capacity units or an emergency situation. The amendments also

penalise power transmission, power generation, and power supplying organisations for failure to follow the instructions of the System Operator to limit the power supply to the digital mining consumers through penalty coefficients at the capacity market.

These coefficients also apply to power generating organisations for the sale of electricity to so-called “grey” miners. At the same time, if the electricity was found to be sold to “grey” miners in the past months, there is an arrangement to the return of income received by the energy supplying organisation through the electricity market for all the months when electricity was supplied to digital miners and not duly reported to the authorized information security body.

Non-compliance with the instructions of the System Operator within 7-8 days will nullify the income of an energy generating organisation in the capacity market and increase financial obligations of an energy supplying organisation in the capacity market by a factor of 28.

In accordance with the above-mentioned regulatory requirements and the minutes of the meeting that was held to consider the import of electricity and was chaired by the Deputy Minister of Energy of Kazakhstan on 01 October 2021, the System Operator shall limit the consumption of electricity by digital mining consumers in the event of a deficit of electricity and capacity and/or to prevent emergency situations.

The amount of digital mining electricity consumption limitations in 2021 was

- 83.259 million kWh in October
- 201.642 million kWh in November
- 200.036 million kWh in December.

Operations

IN ACCORDANCE WITH THE LAW OF KAZAKHSTAN “ON ELECTRICITY”, KEGOC, AS THE SYSTEM OPERATOR, SHALL PROVIDE FREE ACCESS TO THE ELECTRICITY MARKET FOR ALL MARKET PARTICIPANTS. CONNECTION TO THE NATIONAL POWER GRID SHALL BE PROVIDED IN ACCORDANCE WITH THE POWER GRID RULES AND THE RULES FOR USE OF ELECTRICITY. KEGOC ENSURES EQUAL CONDITIONS FOR ACCESS OF ALL ELECTRICITY MARKET PARTICIPANTS TO THE NATIONAL POWER GRID.

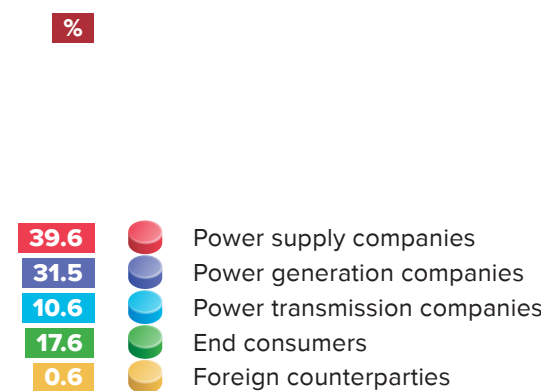
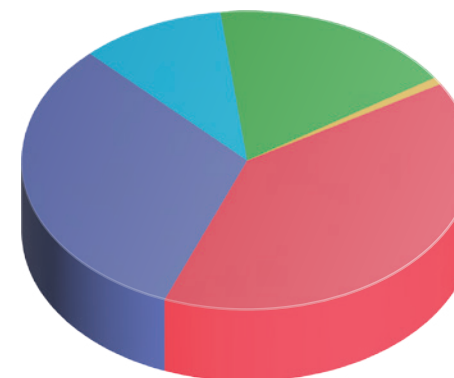
More information on how to access the NPG can be found in the “Our Activities” section of the Company’s official website.

Consumers of KEGOC’s services are legal entities: energy producing, energy transmitting, energy supplying organisations, industrial enterprises. 2-6

In 2021, system services to wholesale market participants were provided in full in accordance with the concluded contracts and applications of consumers. The total number of contracts and agreements for the provision of services to consumers of effective since 2020 and concluded in 2021 was as follows:

Contracts	Quantity
electricity transmission in the NPG	369
technical dispatching of generation and consumption of electricity in the grid	154
electricity production-consumption balancing	406
supply and transmission of reserve electricity	1
purchase of electricity to compensate technical losses and auxiliary consumption	8
purchase of power regulation services	5
purchase of electricity from Russia to compensate for unscheduled hourly deviations in the actual inter-state power balance	1
sale of electricity to Russia to compensate for unscheduled hourly deviations of in the actual inter-state power balance	1
provision of electricity transmission (transit) services for FGC UES PJSC	1
provision of power (frequency) regulation services for NES Uzbekistan JSC	1
purchase of electricity transmission services from Batys Transit JSC to compensate technical losses	1
purchase of unscheduled electricity	1
purchase of electricity to settle unscheduled cross-border power flows (from NES Kyrgyzstan JSC)	1
sale of electricity to settle unscheduled cross-border power flows (for NES Kyrgyzstan JSC)	1
TOTAL	951

Contracts by category

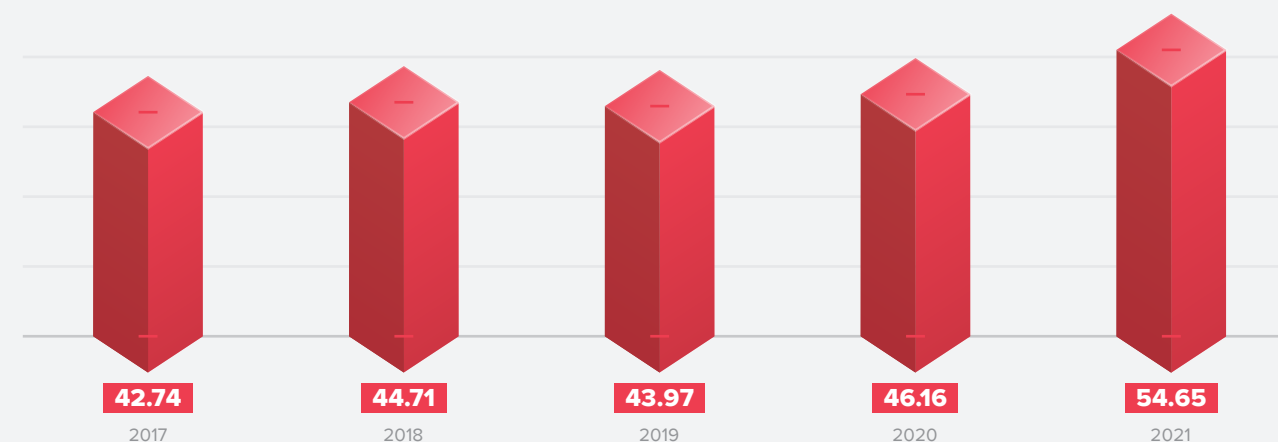


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ELECTRICITY TRANSMISSION

Electricity transmission in KEGOC’s networks

billion kWh



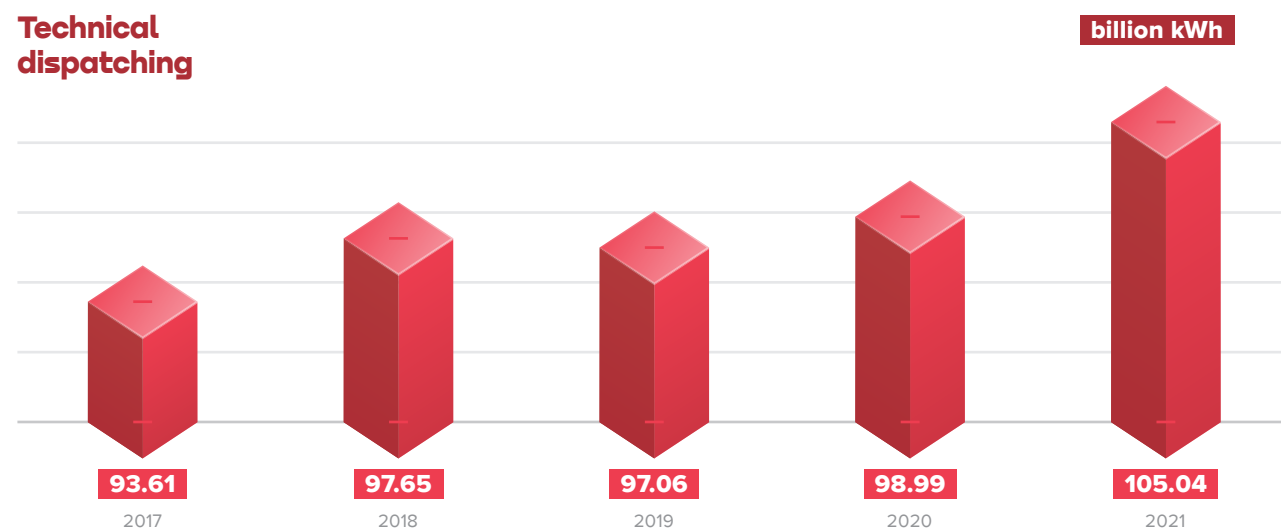
2-6

The actual volume of electricity transmission services in the national electricity grid in 2021 was 54.65 billion kWh, which is 8.5 billion kWh or 18.4% higher than in 2020. The main reasons for the increase are:

- increase in the volume of electricity transmission for the wholesale market participants in Kazakhstan by 8.55 billion kWh, or 20.9%, compared to 2020;
- an increase of 0.09 billion kWh or 7.7% in electricity exports compared to 2020.
- In 2021, KEGOC provided for FGC UES PJSC contractual electricity transmission (transit) through KEGOC's grids along Russia – Kazakhstan – Russia route to amount of 3,957.3 million kWh, which is 146.2 million kWh or 3.6% less than in 2020 (4,103.5 million kWh).

TECHNICAL DISPATCHING

Technical dispatching

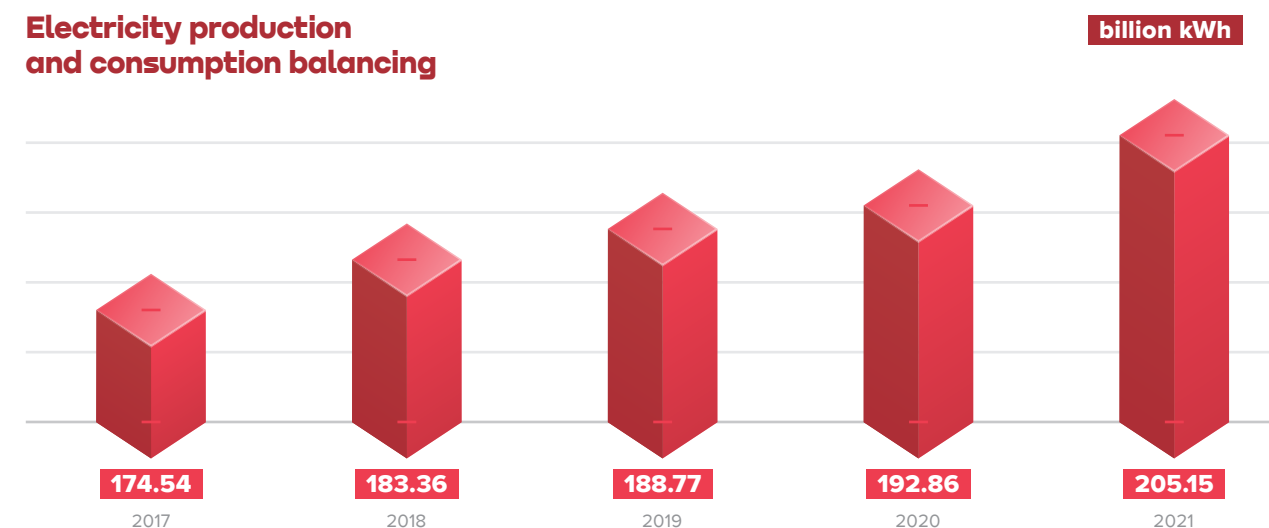


The actual volume of rendered technical dispatching of generation and consumption in the grid in 2021 was 105.04 billion kWh, which is 6.05 billion kWh or 6.11%

higher than in 2020 due to the increase in electric power generation by power generating organizations of Kazakhstan.

BALANCING ELECTRICITY PRODUCTION-CONSUMPTION

Electricity production and consumption balancing

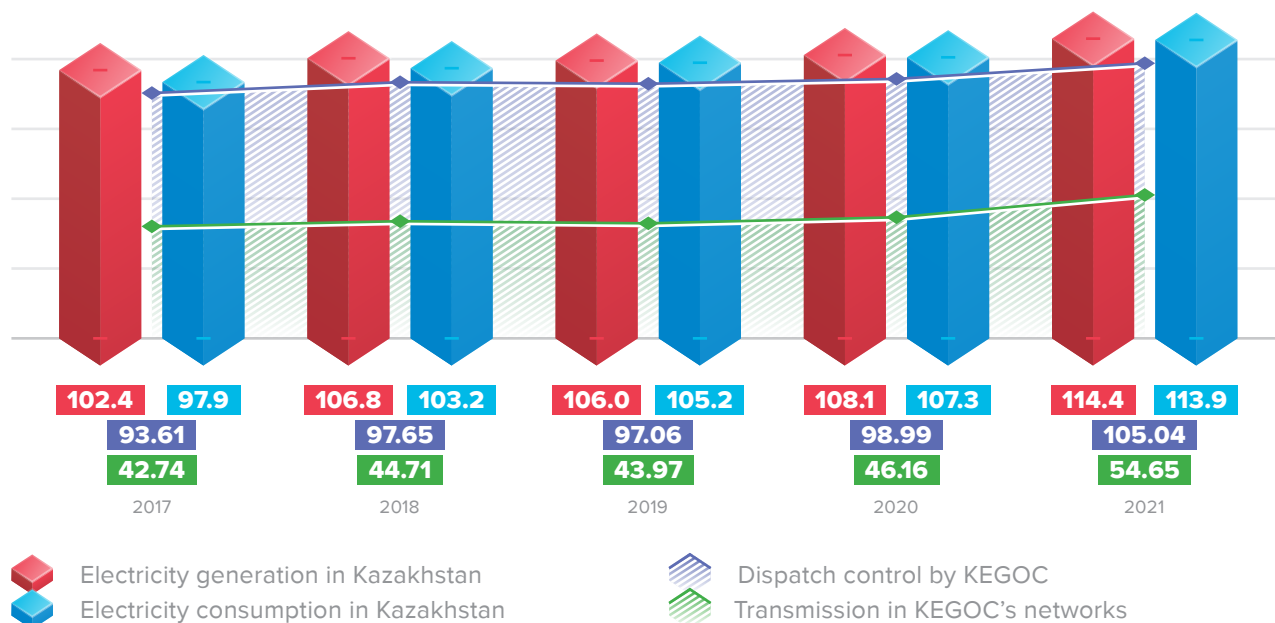


The actual volume of electricity production-consumption balancing services in 2021 was 205.15 billion kWh, which is 12.29 billion kWh or 6.37% higher than in 2020 due

to the growth of electricity generation-consumption in the wholesale market of Kazakhstan.

KEGOC in the industry

billion kWh



ELECTRICITY PURCHASE AND SALE TRANSACTIONS

IN ACCORDANCE WITH THE LAW OF KAZAKHSTAN ON ELECTRICITY, KEGOC PERFORMS THE FUNCTION OF THE SYSTEM OPERATOR OF THE UPS OF KAZAKHSTAN FOR INTERACTION WITH THE POWER SYSTEMS OF NEIGHBOURING STATES TO MANAGE AND ENSURE THE STABILITY OF PARALLEL OPERATION.

Electricity consumption in UPS of Kazakhstan during the day has a pronounced irregularity: consumption decreases at night, increases at the beginning of the working day and reaches peak (maximum) values in the evening hours. At the same time, the UPS of Kazakhstan with the prevailing base load thermal power plants that cannot change their load quickly, cannot fully

cover the fluctuations of the consumption schedule with their own power plants. As a consequence, there are imbalances between electricity production and consumption in the UPS of Kazakhstan. This shortage of flexible generation in the UPS of Kazakhstan is also aggravated by emergency shutdowns of equipment at the operating power plants and high rates of penetration of renewable energy, which is notorious for its intermittency. In this regard, maintenance of power frequency and coverage of emerging imbalances in the UPS of Kazakhstan is provided, among other things, through interaction within the framework of parallel operation with UES of Russia.

In accordance with the parallel operation agreement between the Governments of Kazakhstan and Russia dated 20 November 2009, KEGOC and Inter RAO PJSC shall annually conclude electricity sale and purchase agreements to compensate hourly unscheduled deviations of the actual interstate electricity balance at the border of UPS of Kazakhstan and UES of Russia. In accordance with this agreement, the financial outcome of the purchase and sale of the electricity deviations is a fair payment for the physical settlement of deviations by the energy system of Russia in the UPS of Kazakhstan.

In 2021, KEGOC purchased 1,267.7 million kWh of electricity to compensate for the hourly unscheduled deviations of the interstate electricity at the border of UPS of Kazakhstan and UES of the Russia the amount of KZT 22,157.8 million (17.48 KZT/kWh).

KEGOC sold 1,267.7 million kWh of electricity to compensate for the hourly unscheduled deviations of the actual interstate balance of power at the border of UPS of Kazakhstan and UPS of Russia in the amount of KZT 7,067.8 million (5.58 KZT/kWh).

Strategic Development Plan of Kazakhstan until 2025, the penetration of RES in total electricity generation should be: 3% by 2020, 6% by 2025, 10% by 2030 and 50% (alternative + RES) in 2050.

At the end of 2021, 134 RES facilities with a total installed capacity of 2,010 MW were in operation in Kazakhstan:

- 40 wind farms, 684 MW;
- 49 solar power plants, 1,038 MW;
- 40 hydropower facilities, 280 MW;
- 5 biomass power plants, 8 MW.

In 2021, 19 facilities with a total capacity of 393 MW were commissioned.

In 2021, the amount of electricity generated by renewable energy facilities was 4.2 billion kWh (1,776.41 million kWh by wind; 1,641.09 million kWh by solar; 799.74 million kWh by hydro; and 3.04 million kWh by bio) or 3.69% of total electricity generation, which is a 30% increase compared to 2020.

RENEWABLE ENERGY SOURCES (RES) DEVELOPMENT

TODAY, THE RES IS A FAST-GROWING SECTOR IN KAZAKHSTAN'S ELECTRICITY PRODUCTION. IT INCREASES EVERY YEAR THANKS TO RES DEVELOPMENT PROGRAMMES IN KAZAKHSTAN.

Following international trends in low-carbon development, in May 2013 Kazakhstan adopted a Concept for the country's transition to a green economy and approved an ambitious goal to reach 50% of alternative and renewable energy sources in the total energy mix by 2050. According to the Green Economy Transition Concept and the

Information on RES electricity production in 2021

Parameters	Units of measure	2021
Installed capacity including:	MW	2,010.32
wind power plants	MW	683.95
small hydropower plants	MW	280.98
solar power plants	MW	1,037.61
bio power plants	MW	7.82
Electricity generation including:	million kWh	4,220.29
wind power plants	million kWh	1,776.41
small hydropower plants	million kWh	799.74
solar power plants	million kWh	1,641.09
bio power plants	million kWh	3.04
RES-generated electricity in total electricity production	%	3.69

The increase in electricity generation by renewable energy facilities in 2021 compared to 2020 is 30%

CONSUMER RELATIONS

2-29

IN ORDER TO IMPROVE THE QUALITY OF SERVICES PROVIDED, KEGOC HAS DEVELOPED MANAGEMENT OF SYSTEM SERVICES AND CUSTOMER CLAIMS INTERNAL STANDARD. ACCORDING TO THIS STANDARD, QUESTIONNAIRES ARE SENT TO ALL CONSUMERS OF SYSTEM SERVICES AT LEAST ONCE EVERY SIX MONTHS. THE QUESTIONNAIRES INCLUDE, INTER ALIA, A REQUEST TO ASSESS THE WORK OF THE COMPANY'S PERSONNEL, RELIABILITY OF THE PROVIDED BUSINESS AND TECHNICAL INFORMATION, PROMPTNESS OF RESPOND TO CUSTOMER COMPLAINTS, QUALITY OF SYSTEM SERVICES, QUALITY OF WORK OF THE RDCS IN TERMS OF OPERATIONAL DISPATCH MANAGEMENT AND GIVE PROPOSALS ON HOW TO IMPROVE KEGOC'S SERVICE QUALITY. RESPONSES RECEIVED ARE ANALYSED TO IMPROVE THE QUALITY OF SERVICES PROVIDED.

In 2021, the average annual customer satisfaction score was 4.73 on a five-point scale, which is a reasonably good level. The criteria requiring improvement are being acted upon.

There were no significant fines imposed on the Company for non-compliance with laws and regulations concerning the provision of services in 2021.

2-27

NETWORK RELIABILITY

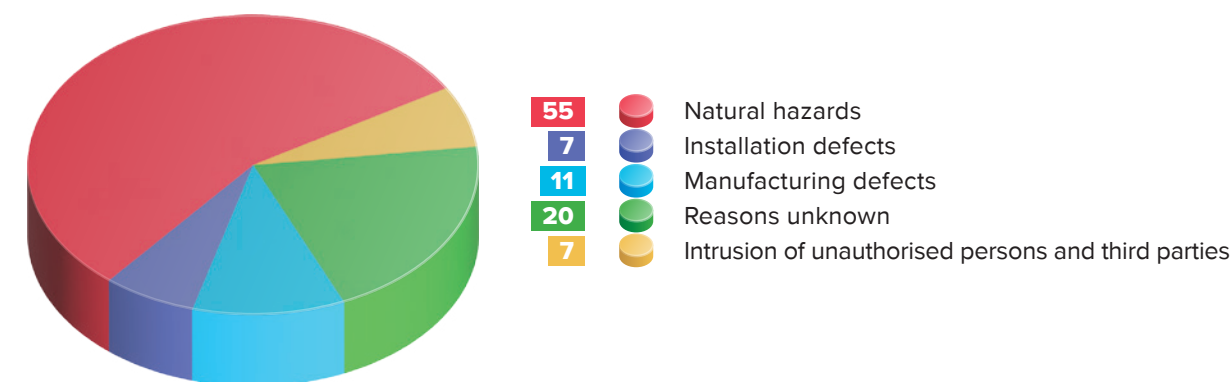
THE ELECTRICITY SECTOR IS VERY IMPORTANT FOR KAZAKHSTAN'S KEY ENERGY INTENSIVE INDUSTRIES, SUCH AS METALLURGY, OIL AND GAS EXTRACTION. THE COMPETITIVENESS OF KAZAKHSTAN'S INDUSTRY AND THE QUALITY OF LIFE OF THE POPULATION LARGELY DEPEND ON RELIABLE AND HIGH-QUALITY ENERGY SUPPLY TO CONSUMERS.

In 2021, 309 emergency outages occurred in KEGOC power grids (25% more than in 2020): in 129 cases the stable network operation was preserved by successful autoreclosing action, and in 180 cases the autreclosing was unsuccessful.

In 2021, the Company recorded and investigated 74 process failures, of which 2 emergencies, 4 failures class 1 and 68 failures class 2, which overall 54% higher than in 2020.

Technical disturbances by classes

%



In 2021, 48 technological failures occurred on power transmission lines including 14 with damage to the elements of the overhead lines.

Last year there were 26 technological failures at substations including 7 with damage to the primary equipment.

International best practice applies the following performance indicators to assess network reliability:

SAIDI

(System Average Interruption Duration Index) describes the average duration per system outage per year in minutes.



EU29

SAIFI

(System Average Interruption Frequency Index) describes the average frequency of power outages for consumers.



EU28

The growth in the number of emergency shutdowns and technological failures is due to the adverse weather conditions of 2021 and cannot be controlled by the Company.

- lightning overvoltages;
- icing deposits on conductors and earthing wires of overhead power lines.

41 technological failures (55% of the total) were caused by natural phenomena.

Emergency shutdowns of generating equipment significantly reduce the reliability of the UPS of Kazakhstan and lead to overloading in the sections controlled by the System Operator and occurrence of emergencies in the unified power system of Kazakhstan.

Major adverse meteorological factors:

- strong winds;

In 2021, for example, TPP boilers were stopped 1,073 times for 63,062 hours (1,104 times for 61,811 hours in 2020), which is 31 stops less and 1,251 hours more than in 2020.

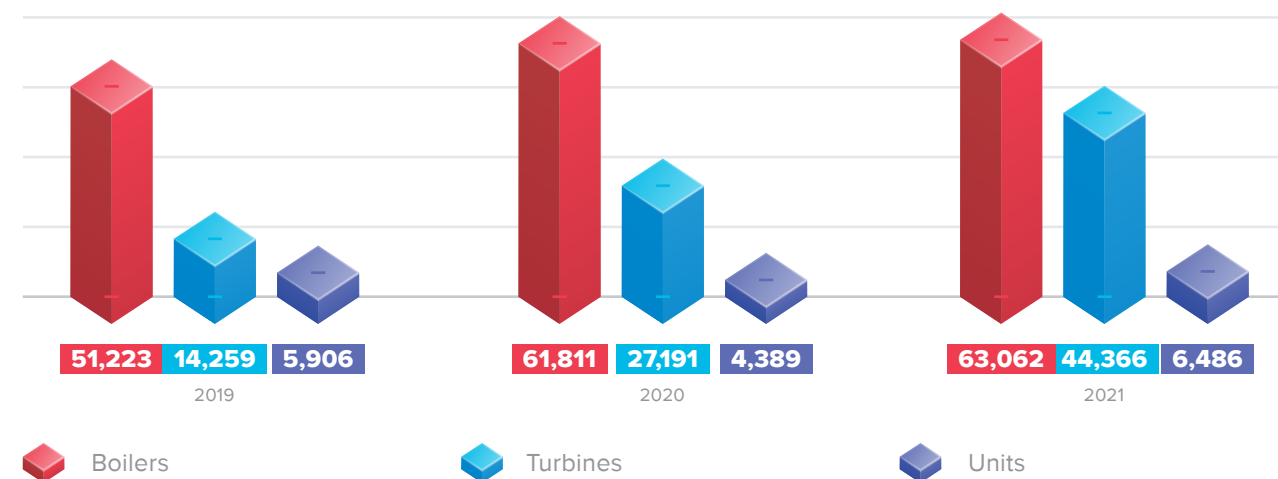
which is 14 stops and 17,175 hours more than in the previous year.

Turbines in 2021 had 276 emergency stops for 44,366 hours (262 emergency stops for 27,191 hours in 2020),

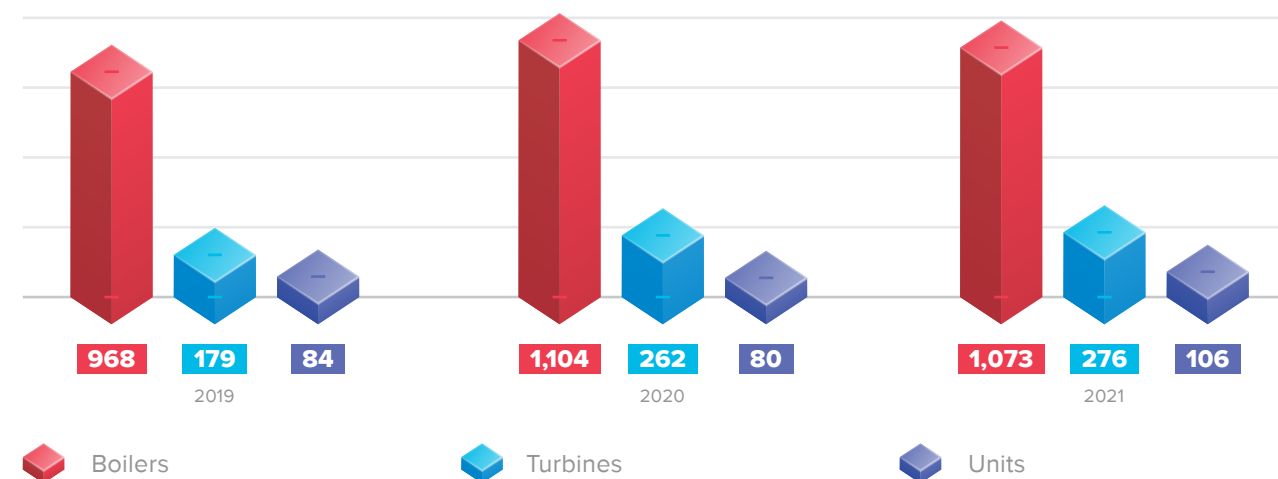
Power units in 2021 had 106 emergency stops for 6,486 hours (80 emergency stops for 4,389 hours in 2020) or 26 stops and 2,097 hours higher than in 2020.

Duration of emergency shutdowns in 2019–2021

hours



Number of emergency shutdowns in 2019–2021



To assess the level of reliability of the network, the Company uses SML (System Minutes Lost) and WWP (Percentage of Work Without Problems). The SML for 2021 was 4.46 minutes (5.21 in 2020) and the WWP was 98.60% (98.64% in 2020).

Investments

KEGOC CONTINUES TO SUCCESSFULLY IMPLEMENT LARGE-SCALE STRATEGIC PROJECTS.

2021 in Kazakhstan, like the rest of the world, was marked by the Covid-19 pandemic and the work in quarantine conditions.

However, the Company's employees did their best to meet the planned level of investment. Despite the quarantine restrictions, the Company managed to meet the 2021 investment programme targets: the actual investments amounted to KZT 44.221 billion (excluding VAT), or 93% of the plan or KZT 47.723 billion (excluding VAT).

STATUS OF WORK ON ONGOING PROJECTS:

Rehabilitation of 220-500 kV overhead lines in Aktyubinskiye MES, Zapadnye MES, and Sarbaiskiye MES branches of KEGOC. Stage I

Since the start of the project, construction and installation work has been carried out on 20 of the 24 overhead lines. The work has been completed on 12 overhead lines, of which 10 have been commissioned and an acceptance commission is working on the other two. Work is still in progress on the remaining 8 overhead lines. In total, since the beginning of the project, 1,306.7 km of 2,029

km of lines have been rehabilitated, including 456.7 km of overhead lines in 2021: 161.5 km of 500 kV and 295.2 km of 220 kV overhead lines.

Capital expenditure in 2021

Actual KZT 14.1 billion, vs planned KZT 12.3 billion.

West Kazakhstan Electricity Transmission Reinforcement Project

In 2021, construction and installation works were started at all five 220 kV lines: Uralskaya – Pravoberezhnaya, Pravoberezhnaya – Inder, Inder – Karabatan, Karabatan – Kulsary, and Kulsary – Tengiz.

In 2021, 1,227 out of 4,182 transmission towers were installed, which is 30% of the total number of towers. Equipment worth KZT 2.4 billion was supplied. Equipment for rehabilitation of 220 kV Uralskaya, Pravoberezhnaya, Inder, Kulsary, Tengiz substations and construction of 220 kV Karabatan substation was supplied in 2021.

Capital expenditure in 2021

Actual KZT 4.1 billion, vs planned KZT 3.2 billion.

Turkestan External Power Supply Reinforcement Project

The detail design for rehabilitation of 220 kV overhead lines: L-2439 GNPS-Kentau, L-2309 GNPS-Shymkent, and construction of 220 kV Ortalyk substation were completed in 2021, permits for construction and installation works have been received.

Construction of the cross-connection lines for connection of 220 kV Ortalyk substation have been completed, the earthwork for the access road and installation of foundations for the open switchgear gantry posts have been completed.

220 kV autotransformers, 110, 220 kV current and voltage transformers, 110, 220 kV disconnectors, 110, 220 kV bus supports, 10, 110, 220 kV surge arresters, protective relay equipment (cabinets) and materials (reinforced concrete products, metal) were supplied.

Capital expenditure in 2021

Actual KZT 4.4 billion vs planned KZT 4.3 billion.

FUTURE PROJECTS BEING DEVELOPED IN 2021:

North-South HVDC Electricity Transmission Construction Project.

In 2021 a pre-feasibility study for the project was completed by the contractor as the first part of a two-stage feasibility study. The results of the pre-feasibility study were preliminarily approved by the Scientific and Technical Council and the Management Board of KEGOC. The results of the feasibility study are being coordinated with Samruk-Kazyna to move the project to the next stage in view of the approval of the Energy Balance until 2035.

South Kazakhstan Electricity Transmission Reinforcement Project. Construction of power grid facilities.

Reinforcement of the backbone 500-220 kV power network to enhance power supply reliability for consumers in Zhambyl, Kyzylorda, Turkestan and Almaty oblasts.

Based on the results of an open tender, a contract for a feasibility study was concluded with KazSelEnergoProyekt Institute LLP. A feasibility study is under development and will determine the parameters and timing of the project.

West Kazakhstan Electricity Transmission Interconnection Project.

Engagement of Zone West power system in the overall energy balance of the country's energy system and generally improving the reliability of power supply to consumers in Zone West through construction of backbone power lines connecting it with the main part of the UPS of Kazakhstan across the inland territory of Kazakhstan.

In order to make an optimal decision on interconnection of Zone West with the UPS of Kazakhstan (length of overhead transmission line, route, AC or DC), KEGOC, following an open tender, concluded a contract for a pre-feasibility study of the project with AUPET NJSC. The pre-feasibility study is under development.

Ekibastuz Industrial Zone External Power Supply Project. Construction of Power Grid Facilities.

Earlier, the akimat administration of the Pavlodar oblast initiated the construction of the Ekibastuz Industrial Zone (with an electricity load of over 500 MW). This project shall provide external power supply to the Industrial Zone.

The project involves construction of a new 500 kV substation and 500 kV interconnection with 1,150 kV Ekibastuz substation. The project will provide for power supply to the Industrial Zone of Ekibastuz from 220 kV buses of the new 500 kV substation.

A contract has been concluded between KEGOC and KazNIPITES Energy for the development of the feasibility study of the project. The feasibility study is under development.

The current capital investment for local and pilot projects amounted to KZT 2,082.637 million vs a plan of KZT 2,903.923 million. Segmentation of internal networks, development of a feasibility study of modernisation of SCADA/EMS system and introduction of automated information and management system of the enterprise (extended business processes) are in progress. Modernisation of automatic frequency and power cross-flow regulation system and WACS control system based on WAMS synchrophasor measurements have been completed.

The actual capital expenditure to maintain the operations amounted to KZT 19,518.043 million (excluding VAT) vs the plan of KZT 22,694.422 million (excluding VAT).

KEGOC will continue to implement projects in 2022:

- Rehabilitation of 220-500 kV overhead lines in Aktyubinskiye MES, Zapadnye MES, and Sarbaiskiye MES branches of KEGOC. Stage I;
- West Kazakhstan Electricity Transmission Reinforcement Project;
- Turkestan External Power Supply Reinforcement Project.

Research and Development

THE COMPANY'S R&D ACTIVITIES ARE GOVERNED BY THE RELEVANT INTERNAL DOCUMENTS, WHICH ESTABLISH UNIFORM REQUIREMENTS FOR THE MANAGEMENT, PLANNING, ACCOUNTING, FOLLOW-UP AND ACCEPTANCE OF R&D CONTRACTED BY KEGOC. R&D IS CONSIDERED AS A PROCESS THAT COVERS THE ENTIRE LIFE CYCLE FROM OBJECTIVE DEFINITION TO ASSESSMENT OF THE ACTUAL IMPACT ON THE COMPANY'S OPERATIONS.

The current R&D: Study of the effectiveness of generator automatic excitation control settings at electric power plants of national importance to ensure static and dynamic

stability of 500-220 kV intersystem electric grids of UPS of Kazakhstan, is contracted to Almaty University of Power Engineering and Telecommunication and is at the stage of completion.

The Company has commenced feasibility study to select FACTS devices for reactive power compensation and capacity increase in the UPS of Kazakhstan in accordance with the Memorandum of Cooperation between KEGOC, FSC RES LLP, and Tetra Tech ES Inc.

Business Transformation Programme

In 2021, the Company successfully completed implementation of KEGOC's Business Transformation Programme. From 2016 to 2021, the Company received KZT 26.5 billion of net benefits from the programme initiatives for an investment of KZT 10.5 billion.

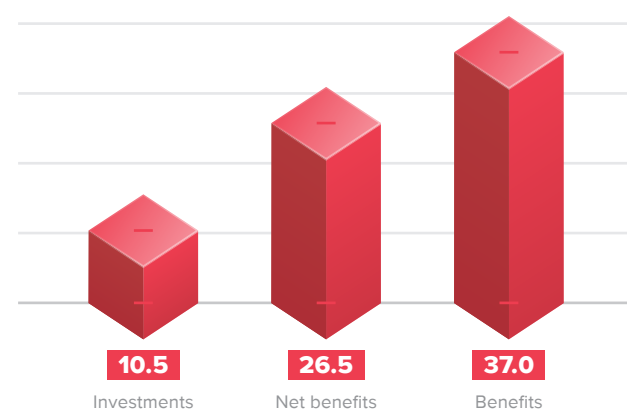
Projects – 9

Initiatives – 16

IT systems – 16

KEGOC's Business Transformation Programme

2016–2021



An important factor in the success of the programme was the high level of employee discipline and the stability of the company's management and the Transformation Centre team. The Company's managers, as sponsors of the initiatives, were actively involved in their implementation, provided substantial support to the project teams, demonstrated loyalty to the changes and enthused their subordinates with it. Initiatives and proposals were collected to form the first project portfolio of the transformation programme. It included projects aimed at improving efficiency in significant areas of KEGOC's activities.

MAIN AREAS OF THE TRANSFORMATION PROGRAMME

Processes

1. The Map of the Company's operations has been approved: all processes in the ARIS system have been described, roles and responsibilities for processes have been distributed, KPIs and PPAs have been determined.

Total (business processes) BP – 7,037:

- BP, Level 1 – 40;
- BP, Level 2 – 154;
- BP, Level 3 – 6,840.

2. Corporate project management system has been implemented: internal regulatory documents have been approved and document templates have been designed, training and communication process have been established.

Technologies

Corporate IT systems:

- **SAP ERP:** processes of financial and tax accounting, treasury, consolidation of financial statements, personnel records and payroll, production asset management, procurement, sales and risk management processes have been automated;
- **ARIS:** a business and IT architecture management system that facilitates automation of the management of individual business processes;
- **ITSM:** IT management process automation system;
- **ECM:** centralized electronic document storage system;
- **Cloud printing:** reduction of the cost of equipment, intangible assets, materials, repairs, IT services, communication channels, technical support.

Operational IT systems:

- **Centralised Emergency Control System:** automatically secure stability of the power system operations in the event of abnormal operation;
- **Automatic Frequency and Power Control:** automatically maintain the balance of generation and consumption of electricity in the power system;
- **WAMS/WACS:** real-time network transmission capacity management;
- **Billing system:** automatic calculation of actual volumes of system services rendered and respective billing processes;
- **Cybersecurity:** prevention and reduction of losses from cyber attacks;
- **Industrial network perimeter protection system: next generation firewalls;**
- **Operational data network anomaly detection system;**
- **Access management system.**

People

Change management experience:

1. Expectation management and stakeholder satisfaction assessment contributed to the success of ongoing projects
2. Training of key (internal trainers) and end users of implemented systems
More than 5,500 employees have passed the training.
3. Information support of projects, drafting Media plans, Project communication plans, quarterly detailed plans for promoting the programme.
About 1,100 communications via internal and external communication channels.
4. Change Agent Pool has been established, a channel for promoting new ideas, news and documents of the Company in the regions and receiving feedback on the implementation of new initiatives

It all started with the re-engineering of business processes followed by the efforts of their automation. The most resource-intensive and complex project was the project to automate business processes based on SAP ERP. The project was implemented in two stages: introduction of basic functionality and subsequent introduction of advanced processes. The basic functionality were completed in 2019, while the implementation of advanced processes is ongoing.

The system services rendered by KEGOC are very valuable for the society and must be provided without failures

and interruptions. To this end KEGOC completed three projects: Automatic Frequency and Power Control (AFPC), Centralised Emergency Control System (CECS) and Synchrophasor-based Monitoring and Control System (WAMS/WACS), which shall enhance the reliability and efficiency of the National Power Grid.

The implemented system services enhancement project and billing system project has received positive feedback from energy market participants. The projects introduced customer relation process, automated customer settlement process, and digitised the contractual and financial documents. In addition, higher customer satisfaction, the Company's costs for courier and postal services were reduced. With the launch of the capacity market, the billing system will evolve, leading to the expansion and development of the system's functionality.

The massive introduction of IT solutions naturally generates information security issues. To address them, the Cyber Shield project was initiated jointly with Samruk-Kazyna JSC, the major shareholder. The implementation of the project enhanced the cybersecurity of KEGOC's operational process network, including through connection to the unified analytical centre, which protects both the corporate and operational network infrastructure from internal and external threats.

The main achievement of the transformation programme was the change of people mindsets. The programme has not only spurred the development of processes and technologies, but has also unlocked the potential of employees and increased their competences and general outlook. It has enabled a process of continuous improvement, a constant search for and analysis of new ideas to improve the company's performance.

Tariff Policy

KEGOC'S OPERATIONS ARE GOVERNED BY THE LAW OF KAZAKHSTAN "ON NATURAL MONOPOLIES", WHICH RESPECT TO PROVISION OF ITS MONOPOLY SERVICES:

- electricity transmission in the NPG;
- technical dispatching of generation and consumption of electricity in the grid;
- balancing of electricity production and consumption.

Since its establishment, KEGOC has consistently worked to improve the tariff policy for regulated services and has actively participated in the work of the relevant organisations to improve it.

In accordance with the legislation in Kazakhstan, KEGOC, as a natural monopoly, shall approve (revise) the tariffs for regulated services with the Committee for Regulation of Natural Monopolies (CRNM).

The Company's tariffs are set on a cost-plus-fixed return basis for a specific period based on appropriate estimates of operating and financing costs and a fair rate of return on capital.

In 2013, KEGOC switched to the approval of the cap tariff. The principles for setting the cap tariffs are similar to those of

the annual tariffs, except that the cap tariffs are approved for several consecutive years. The cap tariffs allow the Company to plan its capacity over long periods, and shareholders have the opportunity to be better informed about the Company.

From 1 January 2021 until the approval of the new tariffs KEGOC had been providing the regulated services as follows:

- electricity transmission at 2.448 KZT/kWh;
- technical dispatching of generation and consumption of electricity in the grid at 0.264 KZT/kWh;
- electricity production-consumption balancing at 0.086 KZT/kWh.

These tariffs were set in accordance with paragraph 3 of Article 15 of the Law of Kazakhstan "On Natural Monopolies", which excluded from then-current tariff for 2020 the investment programme funds (depreciation and profit), except for repayment of principal debt on loans used for the approved investment programme.

Order No.79-OD of CRNM dated 16 August 2021 approved tariffs and tariff estimates for regulated services of KEGOC for 2021–2026 effective from 1 October 2021 to 30 September 2026 as follows:

KZT/kWh	01.10.2021– 30.09.2022	01.10.2022– 30.09.2023	01.10.2023– 30.09.2024	01.10.2024– 30.09.2025	01.10.2025– 30.09.2026
Electricity transmission in the NPG	2.797	2.848	3.004	3.106	3.134
Technical dispatching of generation and consumption of electricity in the grid	0.306	0.314	0.333	0.348	0.355
Balancing of electricity production-consumption	0.098	0.102	0.105	0.108	0.110

As required by the regulations, KEGOC holds annual report hearings on the provision of regulated services with the aim of strengthening the consumer right protection system and ensuring transparency to consumers and other interested parties.

However, during the period of COVID-19 quarantine restrictions in 2020–2021 the public offline events, meetings and hearings were prohibited by the regulatory authorities. Accordingly, the Company posted the hearing materials on the official website of KEGOC, as required, and noticed the consumers and other stakeholders that the Company was available for any further questions.

Procurement Practices

THE COMPANY HAS BUILT AN EFFECTIVE PROCUREMENT SYSTEM BASED ON THE PRINCIPLES OF INFORMATION OPENNESS, TRANSPARENCY, EQUALITY AND THE DEVELOPMENT OF FAIR COMPETITION.

In 2021, the procurement activities in KEGOC were carried out in accordance with the Procurement Management Standard of Samruk-Kazyna Sovereign Wealth Fund Joint-Stock Company and the organizations, fifty and more percent of the voting shares (participatory interest) of which are directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management, approved by the Management Board of Samruk-Kazyna JSC (Minutes No. 31/19 dated September 9, 2019) and the Procedure for Procurement by Samruk-Kazyna Sovereign Wealth Fund Joint Stock Company and organizations, fifty and more percent of voting shares (participatory interest) of which are directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management, approved by the Board of Directors of

Samruk-Kazyna JSC (Minutes No. 161 dated July 3, 2019).

Procurement priorities are:

- purchase of goods, works and services from organisations of the disabled, which are members of the Samruk-Kazyna Group of Companies' Register of Disabled People's Organisations;
- purchase of goods from the manufacturers, who are included in the Register of Manufacturers of Samruk-Kazyna Group of Companies;
- procurement from qualified potential suppliers.

The procurement applies pre-qualification model of potential suppliers i.e., the process of evaluation of potential suppliers for compliance with the qualification requirements defined in accordance with the above-mentioned standard through questionnaires and audits. During the pre-qualification process, potential suppliers are evaluated against such criteria as: legal component; contract management at the potential supplier; resources of the potential supplier; quality assurance of goods, works, services; project and risk management; health and safety; environmental protection, etc.

Potential suppliers may not participate in procurements announced by the Company if

1. a potential supplier or its subcontractor (co-contractor) or a legal entity in the consortium is on the List of unreliable potential suppliers (vendors) of the Holding and/or on the List of unscrupulous participants of public procurement and (or) on the List of false enterprises and (or) on the list of unscrupulous participants of procurement as specified by the laws of Kazakhstan on state property, and (or) on the List of bankrupts, in respect of which the court decisions on recognition of their bankruptcy came into legal force;

2. a potential supplier and (or) subcontractor (co-contractor) engaged by it, and (or) their manager and (or) founders (shareholders) are included in the list of organisations and persons associated with the financing of terrorism and extremism as specified by the laws of Kazakhstan;
3. a potential supplier is a legal entity whose place of incorporation is a state or territory included in the list of tax havens (offshore zones) approved by the competent authority responsible for collection of tax revenues and payments to the budget.

Therefore, potential suppliers are screened during procurement procedures. KEGOC took measures stipulated in the Standard to support the producers of the goods to be procured.

For the convenience of communication with suppliers, procurement procedures are conducted through Samruk-Kazyna's e-procurement portal (www.zakup.sk.kz), which facilitates involvement of a greater number of suppliers of goods, works and services and establishes a competitive environment that contributes to the efficiency of procurement.

The current Annual Procurement Plan for goods, works and services and the Long-term Procurement Plan for goods, works and services of KEGOC are published on Samruk-Kazyna's procurement portal (www.zakup.sk.kz), as well as on the Company's website (www.kegoc.kz) in "Procurement" section.

Procurement in 2021

KZT million	KEGOC	Energoinform JSC	Total
Total goods	40,283	1,120.67	41,403.67
▪ incl. goods (excluding electricity from neighbouring countries, including Russia and Kyrgyzstan)	23,789	–	
Works	24,688	13.08	24,701.08
Services	12,027	282.89	12,309.89
Total	76,998	1,416.64	78,414.64

KEGOC continues to develop and implement procurement category strategies (PCS) aimed at optimising procurement approaches for goods, works and services on the basis

of maximising benefits in the long or short term and incorporating the results of analyses of the past expenditure, future needs, supply market, and business requirements.

In 2021, the following PCSs were implemented at KEGOC level: Car tyres, High-voltage bushings, Reinforced concrete and steel structures, Line hardware and glass insulators.

At the level of the Fund, the implemented PCSs included: Cable and wire products, Special clothing, Special footwear, Trucks and special vehicles, Fuel, IT and communication equipment, IT software, Cars and buses.

At the end of 2021, KEGOC's procurements amounted to KZT 2.462 billion. The benefits of the Category

Management project amounted to KZT 0.117 billion or 4.75%.

Thus, the planned economic benefits of the PCSs were exceeded at 115%.

The Company always pays special attention to the local content in procurements. In 2021 it (excluding electricity from the neighbouring countries) accounted to 83.66% in the procured goods and 67.38% in works and services. In Energoinform JSC the local content accounted for 7.67% and 91.81% respectively.

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Analysis of Financial and Economic Performance

Plan vs Actual Analysis

KZT million	2021 plan	2021 actual	Deviation	Rationale
Consolidated revenues	384,864.0	199,424.1	-48.2%	
operating income	377,343.3	186,443.1	-50.6%	The decrease was mainly due to the alienation (donation) of FSC RES LLP in December 2021 into state ownership, as a result of which revenue from the sale of purchased electricity generated by renewable energy sources and the provision of services of electric capacity readiness to bear the load was reclassified to income from discontinued operations. In addition, the provision of services at tariffs without an investment component had a negative impact, which was offset by an increase in the amount of provided services.
Consolidated costs	340,015.5	152,651.8	-55.1%	

cost of services	317,100.5	120,682.9	-61.9%	The decrease is mainly due to the reclassification of costs for the purchase of renewable electricity and the purchase of electricity capacity availability services as a result of discontinued operations. In addition, property tax costs have decreased compared to the planned ones as a result of a lower property tax base due to changes in the fixed asset classifier. Also, the costs decreased for: electricity purchased to compensate for non-contractual consumption as a result of unscheduled power flows to Central Asia; transmission services (during repairs) and other operating expenses as a result of ongoing cost optimisation measures. At the same time, expenses increased for purchase of electricity to compensate for unscheduled hourly deviations in the actual interstate electricity flow as a result of higher actual purchase amount; for compensation of technical losses as a result of increase in electricity purchase price, for repair of power grid assets mainly as a result of emergency recovery works in the South Kazakhstan oblast.
general and administrative costs	9,963.5	8,539.8	-14.3%	The decrease was mainly due to the alienation of FSC RES LLP.
sales expense	422.7	381.2	-9.8%	The decrease is mainly the result of cost reduction.
Impairment loss/gain		-7,944.0		Property, plant and equipment under "Structures" class has been revaluated out as at 01 December 2021.
Operating profit	49,856.5	48,895.2	-1.9%	

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Analysis of Actual Income and Expenditure for 2021 vs 2020

KZT million	2020*	2021	Deviation	Rationale
Consolidated revenues	185,852.9	199,424.1	7.3%	
Operating income	179,097.6	186,443.1	4.1%	The increase is due to an increase in the amount of electricity transmission in the national power grid, as well as an increase in electricity sales to compensate for hourly deviations in the inter-state power flow balance.
Consolidated costs	127,253.8	152,651.8	20.0%	
Cost of services	101,920.9	120,682.9	18.4%	The increase is mainly due to higher expenses for the purchase of electricity to compensate for the hourly unscheduled deviations of the actual interstate balance of power flows and for technical losses of electricity, to an increase in costs of depreciation, repair and maintenance of electric grid assets. At the same time, there was a decrease in property tax expenses as a result of a reduction in the property tax base due to changes in the fixed asset classifier.
General and administrative costs	7,817.1	8,539.8	9.3%	The increase is mainly attributable to higher depreciation costs as well as increased costs for the purchase of information security services.
Sales expense	364.1	381.2	4.7%	Labour costs have increased due to salary indexation
Impairment loss/gain	-19.2	-7,944.0		Property, plant and equipment under "Structures" class has been revaluated out as at 01 December 2021.
Operating profit	68,976.2	48,895.2	-29.1%	

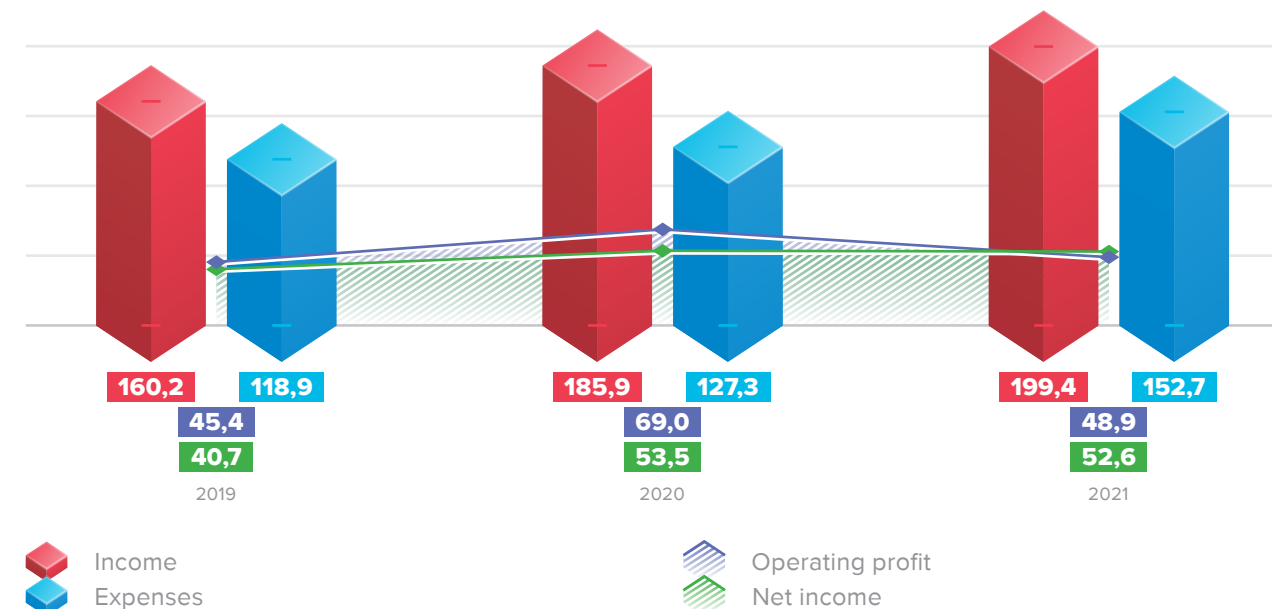
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* – Recalculated considering alienation of FSC RES LLP

The above factors influenced the operating profit and financial performance in 2021.

Financial and economic performance

KZT billion



RATIO ANALYSIS

Key indicators

Indicator	2019, actual	2020, actual	2021, actual
Strategic KPIs, level 1			
ROACE, %	7.47	9.48	7.70
EBITDA*, KZT million	80,221.7	103,391.9	93,865
Covenants laid down in loan agreements			
Current liquidity ratio, not less than 1	2.19	1.69	1.61
Covenants established by Samruk-Kazyna JSC			
Debt/EBITDA, not exceeding 3.80	1.70	1.49	1.82
Debt/Equity, not more than 1.40	0.31	0.32	0.23

* – Recalculated considering alienation of FSC RES LLP

During 2021, the standards for financial stability indicators and covenants have not been breached.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

The economic component of KEGOC's activities is of important strategic importance both for the Company itself and for the state economy and is aimed at increasing long-term value for KEGOC's shareholders and investors.

The procedures for formation and approval of the Business Plan and budgets (including the capital investment plan for implementation of investment projects for construction, reconstruction and upgrade of the Company's facilities)

are governed by the Rules for Development, Coordination, Approval, Adjustment, Execution and Monitoring of the Business Plan (Development Plan) and Budgets of KEGOC. The Business Plan is developed on a consolidated basis, i.e., including the plans of the subsidiaries, for a 5-year period on a rolling basis. An annual budget is approved to implement the Business Plan. Business Plan implementation is monitored by the Board of Directors of KEGOC on quarterly basis.

Economic value distribution

KZT million	2019	2020	2021
Total capitalisation	632,163.54	663,590.50	908,336.27
▪ equity	481,838.02	502,556.47	737,136.82
▪ borrowed capital	150,325.52	161,034.03	171,199.45
Funds received from the state	0	0	0
Economic value created *	160,158.80	185,852.94	199,424.10
▪ operating income *	154,629.42	179,097.56	186,443.14
▪ financial income *	3,581.81	5,480.24	5,368.22
▪ other income *	1,947.57	1,275.13	7,612.74
Allocated economic value *:	157,587.49	170,101.47	201,789.23
▪ labour costs *	20,167.09	21,101.73	23,672.49
▪ expenditure on taxes and levies to the state budget *	17,932.84	21,334.15	14,047.26
▪ payments to capital providers *	40,842.53	43,952.81	53,200.01
▪ charity and sponsorship *			
▪ other operating costs *	78,260.29	77,761.28	99,492.06
▪ other non-operating costs *	384.74	5,951.50	11,377.43
Profit after tax for the year from discontinued operations *	6,535.83	4,967.04	13,471.47
Economic value for distribution	9,107.14	20,718.50	11,106.33

* – recalculated considering alienation of FSC RES LLP

2-6, 201-1, 201-4

Stable financial performance allows the Company to meet its obligations to key stakeholders on time and in full to:

- pay workers' wages and social support;
- pay dividends to shareholders;

- implement investment projects and improve the quality and reliability of NPG operations;
- timely pay to suppliers;
- pay taxes.

BALANCE SHEET ANALYSIS

Indicator, KZT million	2018	2019	2020	2021	2021–2020
Non-current assets	698,081.7	659,175.9	695,192.5	1,019,820.4	46.70%
Current assets	57,769.0	97,111.0	116,820.1	73,396.9	-37.17%
Total assets	755,850.7	756,987.7	812,012.6	1,093,217.3	34.63%
Capital	472,693.8	481,838.0	502,556.5	737,136.8	46.68%
Non-current liabilities	236,958.6	230,808.2	239,766.9	310,396.6	29.46%
Short-term liabilities	46,198.3	44,341.5	69,689.2	45,683.9	-34.45%
Total liabilities	283,156.9	275,149.7	309,456.1	356,080.5	15.07%
Total equity and liabilities	755,850.7	756,987.7	812,012.6	1,093,217.3	34.63%

As of 31 December 2021, the Company's assets amounted to KZT 1,093,217.3 million and increased by 46.70% by 2020. The long-term assets account for 93.30% of the balance sheet structure, which are mostly represented by the fixed assets. As of the end of the year, the long-term assets grew by 46.70% (KZT 324.63 million) and amounted to KZT 1,019,820.4 million. The growth of long-term assets was mainly due to revaluation of the fixed assets.

The short-term assets account for 7% of the balance sheet. In 2021, they decreased by 37.2% (KZT 43,423.1 million) to KZT 73,396.9 million by the end of the year. The lower amount was due to decrease in trade receivables, financial assets, as well as cash and cash equivalents, due to transfer to state ownership of FSC RES LLP.

The equity at the end of 2021 amounted to KZT 737,136.8 million, which is 46.7% or KZT 234,580.3 million higher than in 2020. The growth is associated with an increase in the fixed assets revaluation allowance. The share of equity in the balance sheet structure was 67%.

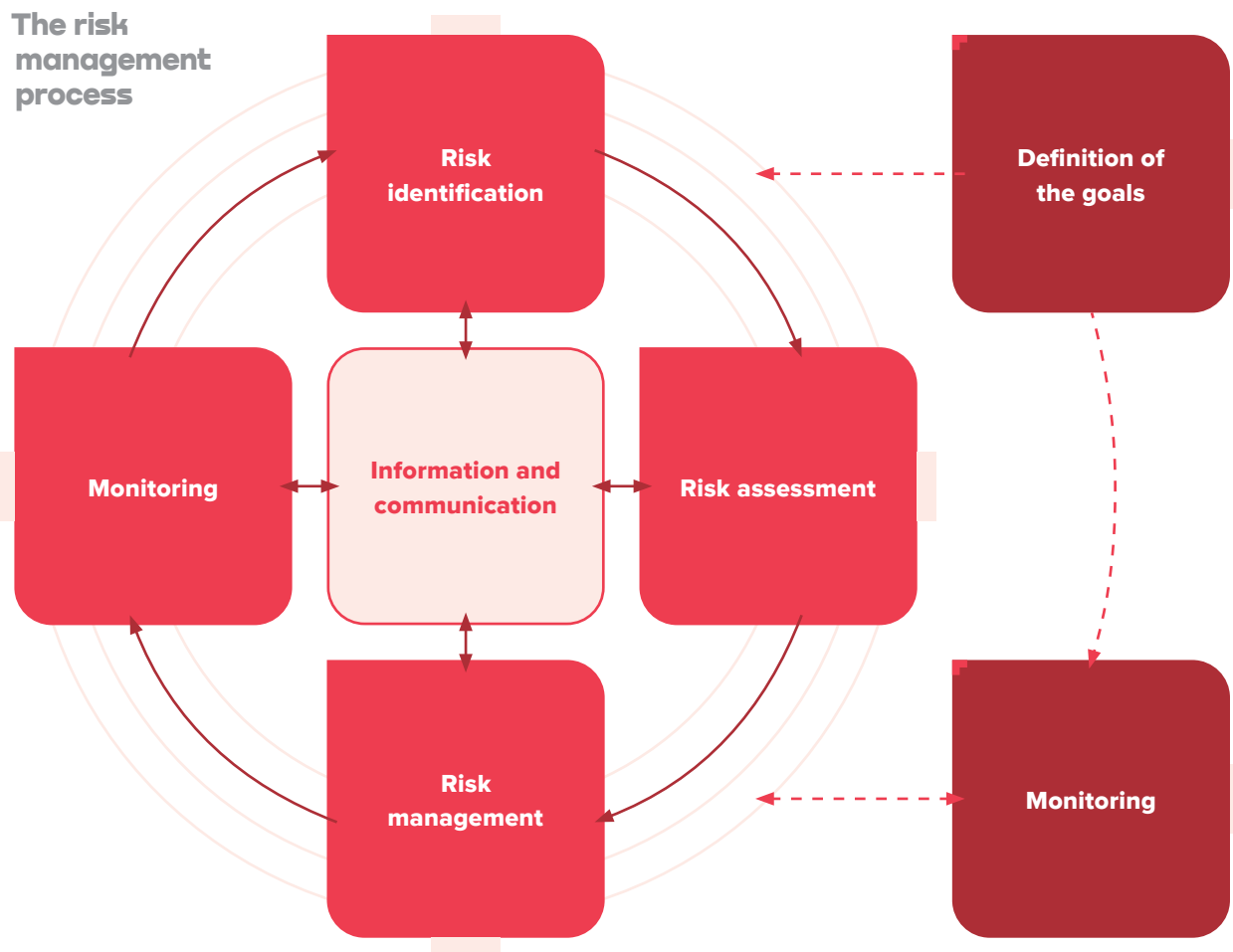
Liabilities at the end of the year amounted to 356,080.5 KZT million, an increase of 15.07% or 46,624.4 KZT million by 2021. 87% of liabilities are long-term and 13% are short-term. Long-term liabilities consist of loans (49.2%), deferred tax liabilities (48.8%), and accounts payable and other long-term liabilities (2%). 47% of short-term are trade and other payables

Risk Management and Internal Control

KEGOC HAS SUCCESSFULLY IMPLEMENTED AND OPERATED A RISK MANAGEMENT SYSTEM SINCE 2007, WHICH WAS BASED ON GENERALLY ACCEPTED CONCEPTUAL RISK MANAGEMENT MODELS OF THE COMMITTEE OF SPONSORING ORGANISATIONS OF THE TREADWAY COMMISSION: COSO ERM ENTERPRISE RISK MANAGEMENT. INTEGRATED MODEL AND REQUIREMENTS OF SAMRUK-KAZYNA JSC.

The Corporate Risk Management System (CRMS) is a key component of the corporate governance system that shall timely identify risks, assess them, and develop actions to manage the risks that may adversely affect the achievement of KEGOC's strategic and operational objectives.

The risk management process



THE PURPOSE OF THE CURRENT CRMS IS TO ENSURE BUSINESS CONTINUITY AND STABILITY BY MITIGATING INTERNAL AND EXTERNAL NEGATIVE IMPACTS ON KEGOC'S ACTIVITIES.

The basic principles of the risk management system are:

- involvement of the Company's executives in risk management;
- continuous enhancement of the risk management system;
- continuous training and knowledge sharing in risk management by the Company's employees;
- openness and honesty in reporting and escalating risks.

Risk management engages the Board of Directors, the Management Board, the Internal Audit Service, the structural units, risk owners, and the structural unit responsible for risk management.

The Board of Directors is responsible for the effective operation and development of the RMS as a whole, sets the tone for risk management, and is also responsible for implementing mechanisms to ensure that the tone is reflected throughout the Company and the subsidiaries.

The Risk Committee also operates to make decisions on KEGOC risk management issues, as well as prepare recommendations to KEGOC Management Board on the Company's risk management issues. 11 meetings were held in 2021.

KEGOC conducts its business operations taking into account a wide range of business-related risks: strategic risks, financial risks, operational risks, legal and compliance risks. Based on the results of risk identification and assessment, the Company's Risk Register for 2022 includes 50 risks. The risk management measures have been developed for each risk, and risk owners have been

identified. The dynamics of key risks and implementation of mitigation measures are continuously monitored through quarterly risk reporting to the Company's Board of Directors.

2-12, 403-2

KEGOC's most important and relevant risks

Risk of work-related accidents

In the Company's operations, personnel are exposed to the risk of work-related accidents due to violations of safety and traffic regulations. In order to prevent this risk, KEGOC trains the persons responsible for occupational health and safety, trains drivers in safe driving under critical conditions, takes video of the process of operational switching and repair work, conducts inspections of technical condition, manages the operation of electrical networks, occupational health and fire safety including development of measures to prevent the reported violations, conducts certification by a specialised organisation

Foreign exchange risk

Fluctuations in the USD to KZT exchange rate could adversely affect the Company's business, financial condition and operational performance. The Company's revenues are denominated in KZT, while most of the Company's debt capital and interest expenses are denominated in USD and EUR. Therefore, an appreciation in the market exchange rate of the USD and/or EUR to KZT may reduce the Company's profits relative to its costs and affect its operational performance.

KEGOC deposits cash in foreign currencies to manage currency risk.

Counterparty bank credit risk

This risk can occur due to defaults of the counterparty banks, lack of or poor credit risk assessment of the counterparty banks.

To manage this risk, KEGOC monitors the financial condition of the counterparty banks on a monthly basis (credit ratings, financial ratios, sharply negative information) and reallocates funds to the most reliable counterparty banks or other financial instruments.

Coronavirus risk

The Company's employees are exposed to the coronavirus risk. In order to reduce this risk, KEGOC has a preventive work and monitoring commission in place; some KEGOC employees have been transferred to remote work; employees' body temperatures are measured daily; work meetings/training are conducted online; compliance with sanitary standards in catering areas is monitored daily; the Company issued an order "On further measures to prevent the spread of coronavirus infection among KEGOC employees".

Non-payment by counterparties for system services provided

This risk may occur due to late payments by consumers for system services provided.

The following activities are carried out at KEGOC in order to manage the risk:

- written reminders about the need to repay debts;

- on-site meetings, video conferences with defaulters on debt repayment, payment schedules negotiation, debt repayment negotiations;
- notification/notice to state and local executive bodies (akimats, committees, emergency authorities) about services terminated or temporarily suspended for a debtor including request to take appropriate measures;
- application of staged technical restrictions: rejection of the consumer bids when drafting the daily schedule, cancellation of the allowed range of deviations in the agreed daily schedule, partial or complete termination of system services (isolated operation).

Reduction by CRNM of approved cap tariffs, including introduction of a compensatory tariff

This risk may occur if the tariff estimates for regulated services and the investment programme used as the basis for approval of the tariffs have not been implemented.

For risk management purposes, KEGOC monitors and analyses the implementation of the approved tariff estimates and investment programme throughout the year. At the same time, if necessary, proposals on adjustment of tariff estimates for regulated services and investment programme are prepared and submitted to the CRNM taking into account, among others, information from the Company's structural subdivisions.

Failure of operational assets

This risk can occur on substation equipment and transmission lines due to damage, wear and tear, factory defects, defects made during construction and installation work, the impact of natural phenomena, unauthorised intrusion, low qualifications of employees, erroneous actions of maintenance personnel, poor organisation of operations.

In order to regulate the risk in KEGOC's electricity networks, the following measures are taken:

- periodic inspections;
- technical repair;
- preventive maintenance on substations and maintenance on transmission lines;
- technical inspection;
- technical examination of the condition of the substation and transmission line equipment by third parties;
- replacement of high-voltage bushings of the power equipment;
- modernisation and rehabilitation of assets;
- incoming inspection of equipment on arrival at the warehouse;
- monitoring the progress of construction and installation work;
- timely rectification of the reported defects and factors;
- informing individuals and legal entities about prohibition of works in the buffer zones of power lines without the consent of the owner of the assets;
- training of personnel in emergency and recovery operations;
- ensuring that vehicles and special equipment are ready for emergency and recovery work;
- staffing the branches with emergency supplies;
- insurance coverage for substation equipment;
- emergency drills;
- training of staff by equipment manufacturers;
- staff training in advanced training courses;
- repeated briefings on safety rules, safety instructions, process and work instructions;
- checking knowledge of the Technical Operating Rules, Safety Regulations;
- control over the quality of maintenance and repair work;
- control over the qualitative development of measures following technological failures and their implementation;
- monitoring the quality of repair completed by contractors.

Risk of capacity shortages in Kazakhstan's UPS

This risk may occur due to delays in the commissioning of new generating capacities included in the seven-year forecast balance, growth of capacity consumption in UPS of Kazakhstan above that envisaged in the seven-year forecast balance (including due to commissioning of the data centre), unplanned outages of the existing generating capacities (emergency, unscheduled maintenance), reduction of installed capacity of existing power plants due to decommissioning of the main generating equipment.

The following activities are carried out at KEGOC in order to manage the risk:

- development and submission of a draft projected electricity and capacity balance for the coming seven-year period to the Ministry of Energy of Kazakhstan for approval in accordance with the Electricity Law;
- settlement of deviations in the UPS of Kazakhstan as part of the parallel operation;
- informing the authorised body about emergencies at power plants and the need to take measures to normalise the condition of the main generating equipment;
- development of the arrangements to replace missing or retired capacity;
- settlement with wholesale market participants of their electricity and capacity deviations committed in violations of the terms of a contract or a law;
- maximising the regulation capacity of power plants in Kazakhstan;
- informing the authorised body of a reduction in the installed capacity of existing power plants by more than 100 MW due to the decommissioning of the main generating equipment;
- optimisation of the maintenance schedule of generating capacities in the UPS of Kazakhstan to maximise the coverage of electricity and capacity needs of consumers in Kazakhstan;
- limiting electricity exports in case of shortages;

- load sheddings in the UPS of Kazakhstan;
- suspension of the issuance or approval of technical conditions, approval of external power supply design for the connection of digital mining data centres to the electricity grid until the new generation in the UPS of Kazakhstan is commissioned to provide them with sufficient power supply.

Also, there is a risk of “Incorrect information in the financial statements” which is not a key risk, but it is important for the effective operation of KEGOC. Factors contributing to this risk include:

- inadequate qualifications of the staff in the Company;
- lack of control over IFRS or regulatory changes;
- manual data entry errors;
- unethical behaviour of employees;
- provision of inaccurate primary documents by structural units.

In order to minimise this risk, the Company conducts

- employee training;
- monitoring of the legal information database;
- audit of the financial statements;
- multi-level control over data entry into the accounting system;
- control over the provision of reliable primary information by KEGOC’s structural units and subsidiaries.

In addition, the auditor, when auditing the financial statements:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error;
- design and implement audit procedures in response to these risks;
- examine internal controls in order to design audit procedures;

- assesses the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- make a conclusion on the appropriateness of management’s use of the going concern assumption;
- 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 their fair presentation;
- gathers sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the consolidated financial statements.

KEGOC’s Internal Audit Service assesses the effectiveness of the CRMS on an annual basis.

KEGOC’s internal control system (ICS) is a management system capable of responding quickly to process risks, controlling the core and supporting business processes and daily operations, and immediately informing the appropriate level of management of any significant deficiencies and areas for improvement.

In accordance with KEGOC’s Internal Control System Regulations, the competence of the bodies that make up the ICS is delineated according to their role in the processes of development, approval, application and evaluation of the ICS efficiency. The operation of the Board of Directors and the Management Board of the Company is based on the Three Lines of Defence model. The ICS participants are the Board of Directors, the Management Board, the Audit Committee, the Internal Audit Service, business process owners, control procedure performers, and the structural subdivision responsible for risk management.

CORPORATE GOVERNANCE REPORT

The Company systematically and constantly enhances the corporate governance



BBB

Corporate governance rating



84.72

for H1 of 2021

Paid dividends for 1 share



1,885

KZT

Cost of one share as of 31 December 2021



PRINCIPLES OF CORPORATE GOVERNANCE

KEGOC's corporate governance principles are

- effective system of corporate governance, based on a clear division of responsibilities between bodies;
- protecting and enforcing shareholders' rights;
- a level playing field for shareholders;
- sustainable development and the role of stakeholders in corporate governance;
- disclosure and transparency;
- the effectiveness of the Board of Directors of KEGOC and Management Board.

The Company systematically and continuously enhances corporate governance by increasing the efficiency of the Board of Directors, its Committees and the Executive Body; enhancing risk management, internal control and sustainable development systems; and increasing transparency and observance of shareholders' rights. As a result of this work, KEGOC's corporate governance rating was upgraded from "BB" to "BBB" based on the results of diagnostics conducted by Samruk-Kazyna jointly with an independent consultant in 2021.

In particular, under the "Effectiveness of the Board of Directors and Executive Body" section, in 2021 the Company continued the practice of CEO and CFO reports at Board of Directors meetings, held meetings with the Company's pool of talents. Also reports of committee chairmen are regularly presented at the Board of Directors meetings, including on sustainable

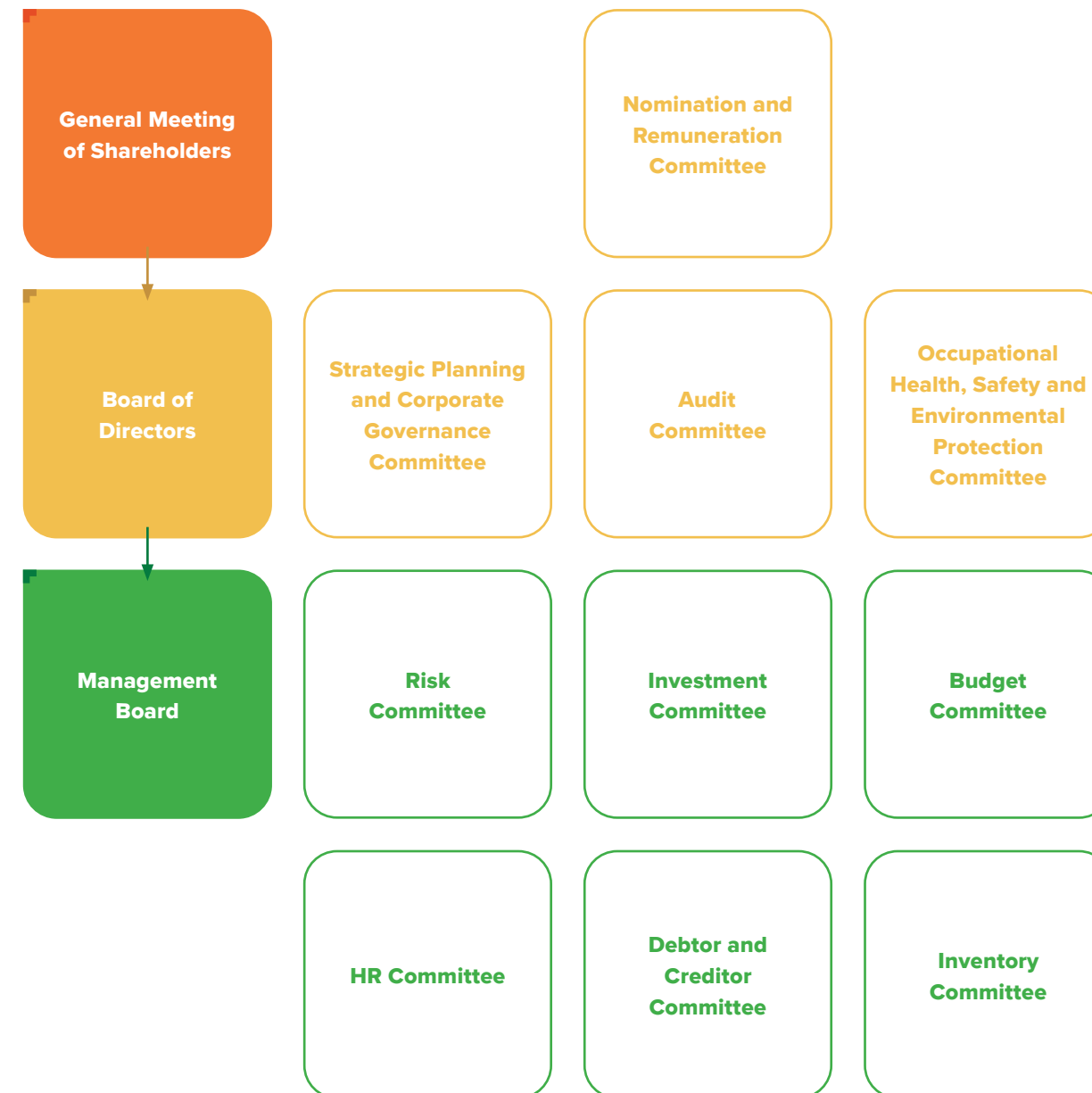
development issues. It holds regular strategic sessions and monitor the progress of the investment projects. The Board of Directors has approved comprehensive Rules of Procedure for submitting materials and reports to the Board of Directors and committees.

According to "Risk management, internal control and audit" section, the Company enhanced the processes related to: the professional development plans of the Company's employees in risk management; the monitoring of limits on counterparty banks; and the identification of key risk indicators. In the area of internal audit, the processes for audits, writing audit reports and recommendations, and monitoring recommendations have been enhanced.

In "Shareholder Rights" sections, the Company has introduced the practice of paying dividends earlier than the statutory deadlines, thereby achieving high rating for the component in this section.

Based on the results of the independent diagnostics, KEGOC will continue systematic efforts to enhance corporate governance, efficiency of the Board of Directors in managing the implementation of the Company's updated Development Strategy, risk management and internal control systems, as well as implementing the set ambitious sustainable development goals, taking into account global trends and environmental, economic and social commitments undertaken by Kazakhstan.

COMPANY MANAGEMENT STRUCTURE



SHARE CAPITAL

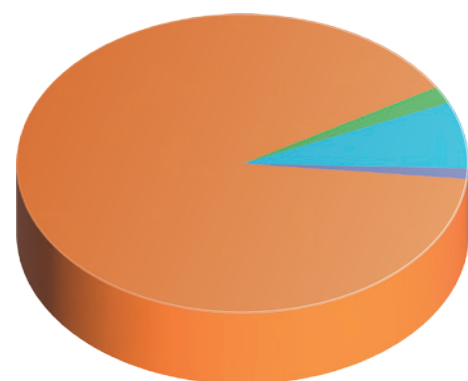
As at 31 December 2021 the number of authorised and outstanding ordinary shares of the Company is 260,000,000 of which 234,000,001 shares (90% plus one

share) are owned by Samruk-Kazyna, 25,998,609 shares (9.9995%) are owned by minority shareholders and the remaining 1,390 shares (0.0006%) are held by KEGOC.

2-1

Shareholder structure of KEGOC as of 31 December 2021

%



- 1.9 33,451 individuals
- 7.2 Accumulative Pension Fund JSC
- 0.9 13 legal entities
- 90 Samruk-Kazyna Sovereign Wealth Fund JSC

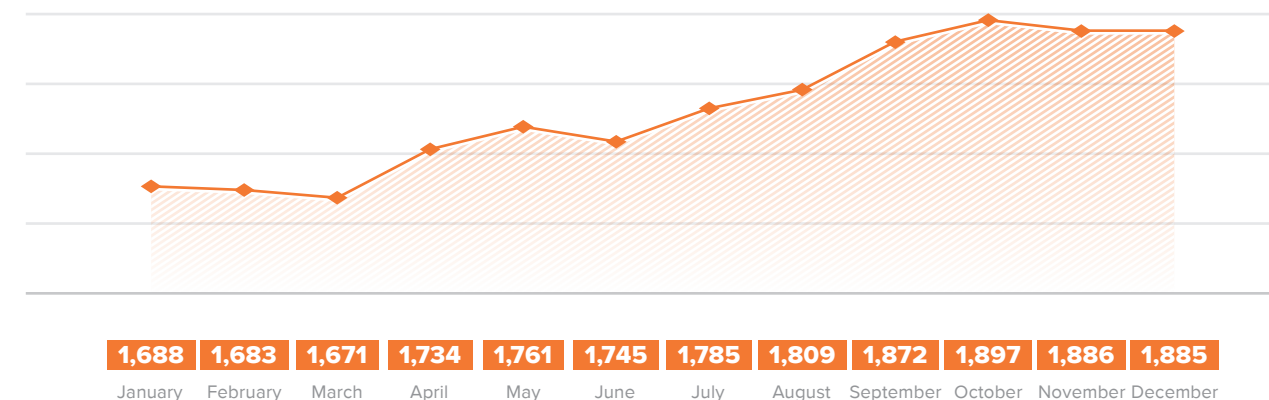
+1 share

There were no material transactions or changes in the shares and shareholders holding five per cent or more of the Company's outstanding shares in 2021.

2-6

Market valuation of KEGOC's shares in 2021

KZT



Data source – Kazakhstan Stock Exchange (<https://kase.kz>).

General Meeting of Shareholders

THE GENERAL SHAREHOLDERS' MEETING AS THE SUPREME BODY OF KEGOC, SHALL OPERATE AND EXERCISE ITS RIGHTS IN ACCORDANCE WITH THE LAW OF KAZAKHSTAN "ON JOINT-STOCK COMPANIES", THE CHARTER AND THE REGULATIONS ON THE GENERAL SHAREHOLDERS' MEETING OF KEGOC.

In 2021, the Board of Directors initiated a General Meeting of Shareholders six (6) times:

1. **An Extraordinary General Meeting of Shareholders was held on 23 February 2021** to decide on "Determination of the term of office of the Chairman of the Management Board of KEGOC".

2. **The Annual General Meeting of Shareholders was held on 27 April 2021**, at which resolutions were passed on the following agenda items:
 - "Approval of the annual financial statements, net income distribution procedure, decision making on payment of dividends on ordinary shares and approval of the amount of dividends per one ordinary share of KEGOC for 2020";
 - "Determination of the composition, term of powers of the Board of Directors of KEGOC, election of its members and Chairman, as well as determination of the amount and terms of remuneration and compensation of expenses to the Board of Directors of KEGOC members for execution of their duties";

- “Shareholders’ claims with regard to actions of KEGOC and its officials and the results of consideration of such claims”.
- 3. **An Extraordinary General Meeting of Shareholders was held on 31 May 2021** to decide on the issue “Selection of the auditing company for KEGOC and the amount of payment for its services”.
- 4. **An Extraordinary General Meeting of Shareholders was held on 30 July 2021**, at which resolutions were passed on “Certain issues of the Board of Directors of KEGOC”.
- 5. **An Extraordinary General Shareholders’ Meeting was held on 29 October 2021** to decide on “Approval of KEGOC semi-annual financial statements as at and for the six months ended 30 June 2021, distribution of net income, decision-making on payment of dividends on ordinary shares and approval of amount of dividend per one ordinary share for the first half-year of 2021”.
- 6. **An Extraordinary General Meeting of Shareholders was held on 24 November 2021**, at which resolutions were passed on “Certain Issues of KEGOC”.

All decisions of the General Meeting of Shareholders have been passed to the Board of Directors of KEGOC, Management Board and the instructions have been executed in full and on time.

Dividend Policy

THE DIVIDEND POLICY OF KEGOC IS DESIGNED TO OBSERVE THE INTERESTS OF SHAREHOLDERS IN RESPECT TO THE AMOUNT OF

DIVIDEND PAYMENTS, ENHANCE THE COMPANY’S INVESTMENT APPEAL AND CAPITALIZATION, RESPECT AND STRICTLY OBSERVE THE RIGHTS OF SHAREHOLDERS STIPULATED BY THE LAWS OF KAZAKHSTAN. THE DIVIDENDS SHALL BE PAID ON THE FOLLOWING CONDITIONS: THE AVAILABILITY OF NET PROFIT OF THE COMPANY FOR A REPORTING PERIOD, OR RETAINED PROFITS; THE ABSENCE OF RESTRICTIONS ON PAYMENT OF DIVIDENDS ENVISAGED BY THE LAWS OF THE REPUBLIC OF KAZAKHSTAN, AND GIVEN THE DECISION OF THE GENERAL MEETING OF SHAREHOLDERS.

The source of dividends is the net income for the appropriate financial year or half-year, or retained profits accrued on the basis of the consolidated financial statements of KEGOC prepared in accordance with the IFRS. A proposal on allocation of the net income for the fiscal year or half-year shall be prepared by the Company’s Board of Directors. The amount allocated for payment of dividends shall be at least 40% of the net income. The decision to pay dividends on KEGOC’s ordinary shares based on the results of the year is made by the annual General Meeting of Shareholders after the Company’s annual financial statements have been approved. The decision to pay dividends on ordinary shares based on the results of the half-year shall be made by the extraordinary general meeting within three (3) months after the Company’s annual financial statements have been audited for the corresponding period.

The General Meeting of Shareholders, having reviewed proposals of the Board of Directors, at its discretion, makes a decision to pay dividends on KEGOC’s ordinary shares, approves the amount of dividend per KEGOC’s ordinary share, and defines a date of dividend payment.

Dividend history

Period for which dividends were accrued	2019		2020		2021
	first half of the year	the year	first half of the year	the year	first half of the year
Dividend per share, KZT	67.17	48.86	77.09	75.01	84.72
Total amount of accrued dividends, In thousands of Tenge	30,167,638		39,545,788		22,027,082
IFRS net profit allocated to dividends, %	77.3%	74.03%	70%	73.9%	80%
Name of the issuer’s governing body that took the decision to pay the dividend	General Meeting of Shareholders				
Date of the meeting of the issuer’s governing body at which the decision to pay dividends was taken, date and ref. number of the minutes	25 October 2019 No. 14	29 May 2020 No. 17	23 October 2020 No. 19	27 April 2021 No. 21	29 October 2021 No. 24
Date of compilation of the list of persons entitled to receive dividends	4 November 2019	8 June 2020	29 October 2020	11 May 2021	8 November 2021

MINORITY SHAREHOLDERS’ RIGHTS

THE COMPANY’S CORPORATE GOVERNANCE IS STRUCTURED TO ENSURE EQUAL RIGHTS AND FAIR TREATMENT OF ALL SHAREHOLDERS. THE RIGHTS, DUTIES AND COMPETENCES OF SHAREHOLDERS ARE DETERMINED IN ACCORDANCE WITH THE APPLICABLE LAW AND ARE SET OUT IN THE COMPANY’S CHARTER. THE RIGHTS OF SHAREHOLDERS INCLUDE, BUT ARE NOT LIMITED TO: TIMELY RECEIPT OF INFORMATION SUFFICIENT FOR MAKING DECISIONS IN ACCORDANCE WITH THE PROCEDURE ESTABLISHED BY THE LAWS IN KAZAKHSTAN, THE CHARTER AND INTERNAL DOCUMENTS OF THE COMPANY IN THE

FIELD OF INFORMATION DISCLOSURE; PARTICIPATION AT THE GENERAL MEETING OF SHAREHOLDERS AND VOTING ON ISSUES WITHIN THEIR COMPETENCE; PARTICIPATION IN DETERMINING THE NUMBER OF MEMBERS, TERM OF OFFICE, ELECTION AND TERMINATION OF THE BOARD OF DIRECTORS, AS WELL AS DETERMINING THE AMOUNT AND TERMS FOR PAYMENT OF REMUNERATION; RECEIVING DIVIDENDS IN AMOUNTS AND TERMS DETERMINED BY THE DECISION OF THE GENERAL MEETING OF SHAREHOLDERS ON THE BASIS OF A CLEAR AND TRANSPARENT DIVIDEND POLICY.

Board of Directors Performance Report

THE BOARD OF DIRECTORS SHALL BE ACCOUNTABLE TO THE GENERAL MEETING OF SHAREHOLDERS, SHALL ENSURE STRATEGIC AND GENERAL MANAGEMENT OF THE COMPANY AND CONTROL THE MANAGEMENT BOARD, EXCEPT FOR THE MATTERS REFERRED TO THE COMPETENCE OF THE GENERAL MEETING OF SHAREHOLDERS AND/OR THE MANAGEMENT BOARD BY THE LAWS OF KAZAKHSTAN AND/OR KEGOC'S CHARTER.

2-13

In accordance with the Company's Charter, the Board of Directors determines the areas of the Company's operations, approves the Development Strategies including setting of the goals, objectives, projects, as well as indicators of their achievement. E.g., in December 2021, the Board of Directors of KEGOC approved the updated Development Strategy of KEGOC for 2022-2031. It addresses the issues of the long-term sustainable development of the Company such as the global trends of energy transition and integration of renewables, and the emerging medium-term electricity and capacity shortages in Kazakhstan. It also includes the important issues of introduction of modern innovative and digital technologies, R&D, commitment to ESG principles, and covers processes related to decarbonisation of the economy and ensuring economic growth in the country. In the process of developing/updating the Development Strategy, the Board of Directors holds regular meetings and consultations with key stakeholder groups to understand their expectations and concerns. The Board of Directors monitors the implementation of the Company's Development Strategy, achievement of objectives and indicators, including in the area of sustainable development, on a quarterly basis through review of reports on Strategy implementation, reports on occupational safety, health and environmental protection, and risk reports.

2-12

Members of the Board of Directors are elected by the General Meeting of Shareholders on the basis of clear and transparent procedures, taking into account the competencies, skills, achievements, business reputation and professional experience of candidates. When re-electing individual members of the Board of Directors or the entire Board of Directors for a new term, their contribution to the effectiveness of the Board of Directors is taken into account.

Independent directors elected to the Board of Directors have sufficient professionalism and independence to make independent and objective decisions, free from the influence of individual shareholders, the Management Board and other stakeholders.

The members of the Board of Directors shall be elected for a term not exceeding three (3) years.

An independent director may not be re-elected to the Board of Directors for more than nine (9) consecutive years. In exceptional cases, election for a term longer than 9 (nine) years is allowed; in this case, the re-election of such an independent director to the Board of Directors should take place annually with a detailed substantiation of the election of this member of the Board of Directors and the impact of such factor on the independence of decision-making.

The Board of Directors was elected by the General Meeting of Shareholders (Minutes No. 8 dated 27 April 2018) for three years, in accordance with the Rules of Selection and Election of Members of the Board of Directors of KEGOC, based on the candidates' compliance with the selection criteria, qualification requirements and the benchmarking.

COMPOSITION OF THE BOARD OF DIRECTORS

Members of the Board of Directors as on the 1 January 2021

- **Almassadam Satkaliyev**, the Chairman of the Board of Directors, representative of Samruk-Kazyna JSC.
- **Suinshlik Tiyessov**, member of the Board of Directors, representative of Samruk-Kazyna;
- **Zhanna Yegimbayeva**, member of the Board of Directors, representative of Samruk-Kazyna;
- **Dominique Fache**, member of the Board of Directors, independent director.
- **Zhanbota Bekenov**, member of the Board of Directors, independent director.
- **Nurlan Akhanzaripov**, member of the Board of Directors, independent director.
- **Bakytzhan Kazhiyev**, member of the Board of Directors, Chairman of the Management Board of KEGOC.

On 27 April 2021, a new constitution of the Board of Directors was elected:

- **Kanysh Moldabayev**, the Chairman of the Board of Directors, representative of Samruk-Kazyna JSC.
- **Suinshlik Tiyessov**, representative of Samruk-Kazyna;
- **Zhanna Yegimbayeva**, representative of Samruk-Kazyna;
- **Nurlan Akhanzaripov**, independent director;
- **Zhanbota Bekenov**, independent director;
- **Bakytzhan Kazhiyev**, Chairman of Management Board, KEGOC.

On 30 July 2021 Ulf Wokurka was elected as an independent director, member of the Board of Directors of KEGOC by the General Meeting of KEGOC Shareholders (Minutes No. 23).

24 November 2021 the General Meeting of Shareholders of KEGOC elected the following constitution of the Board of Directors (Minutes No. 25):

- **Suinshlik Tiyessov**, Chairman of the Board of Directors, representative of Samruk-Kazyna;
- **Zhanna Yegimbayeva**, representative of Samruk-Kazyna;
- **Yernat Berdigulov**, representative of Samruk-Kazyna;
- **Nurlan Akhanzaripov**, independent director;
- **Zhanbota Bekenov**, independent director;
- **Ulf Wokurka**, independent director;
- **Kanysh Moldabayev**, the Chairman of the Management Board of KEGOC.

INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS

(Board composition as at 31 December 2021)

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SUINSHLIK TIYESSOV

Chairman of the Board of Directors KEGOC

Born in 1946, a citizen of Kazakhstan.

ELECTED ON 28 OCTOBER 2016 (MINUTES NO.5), 27 APRIL 2018 (MINUTES NO.8), 27 APRIL 2021 (MINUTES NO.21), AND 24 NOVEMBER 2021 (MINUTES NO.25) BY THE GENERAL MEETING OF KEGOC SHAREHOLDERS.

Shares owned in KEGOC or its subsidiaries: none.

Education:

Kazakh Polytechnic Institute, majoring in Mathematical and Calculating Instruments and Devices, Electrical Engineer qualification (1968); Centre for Business and Management, Carol Martin Gatton College of Business and Economics, University of Kentucky, USA, seminar on Public Policy and Management (1996).

Work experience

for the last five years:

- **2004–2016:** Chairman of the Management Board of KOREM JSC.

Author of “Establishment of the Electricity Market in Kazakhstan” monograph. Participant in the establishment of the NPG, construction of unique 1150–500 kV transmission lines and substations and the largest electricity generators: Aksuyskaya GRES and Ekibastuzskaya GRES. Participant in the development and implementation of the external power supply for Tengiz oil and gas field, implementation of the NPG modernisation programme, the electricity and capacity market

project in Kazakhstan, the first Law on Electricity in 1995, all regulatory documents relating to the functioning of the electricity market in Kazakhstan.

Academic degree, academic

rank:

Candidate of Technical Sciences



ZHANNA YEGIMBAYEVA

Member of the Board of Directors of KEGOC, representative of Samruk-Kazyna, member of the Nomination and Remuneration Committee and the Occupational Health, Safety, and Environmental Protection Committee of the Board of Directors of KEGOC

Born in 1953, a citizen of Kazakhstan.

ELECTED ON 28 OCTOBER 2016 (MINUTES NO. 5), 27 APRIL 2018 (MINUTES NO. 8) AND 27 APRIL 2021 (MINUTES NO. 21) BY THE GENERAL MEETING OF KEGOC SHAREHOLDERS.

Shares owned in KEGOC or its subsidiaries: none.

Education:

Kirov Kazakh State University, majoring in Law (1988).

Work experience

for the last five years:

- **2017 – present:** member of the Board of Directors of Kazakhstan Engineering NC JSC.
- **2016 – present:** member of the Board of Directors of KEGOC, representative of Samruk-Kazyna.
- **2016–2019:** Advisor at Baiterek National Management Holding JSC;
- **2016–2019:** Independent Director, member of the Board of Directors of KazAgro National Management Holding JSC.
- **2011–2016:** Deputy Head of the Office of the Prime Minister of Kazakhstan.

Participation in the governing bodies of other organisations:

Member of the Board of Directors of Kazakhstan Engineering NC JSC.

INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS

(Board composition as at 31 December 2021)



ZHANBOTA BEKENOV

Independent Director, Chairman of the Audit Committee, member of the Nomination and Remuneration Committee of the Board of Directors of KEGOC

Born in 1957, a citizen of Kazakhstan.

ELECTED ON 27 APRIL 2020 (MINUTES NO. 16) AND ON 27 APRIL 2021 (MINUTES NO. 21) BY EXTRAORDINARY GENERAL MEETING OF KEGOC SHAREHOLDERS.

Shares owned in KEGOC or its subsidiaries: none.

Education:

Alma-Ata Institute of National Economy, majoring in Finance and Credit (1985); Al-Farabi Kazakh State University, majoring in Mechanics and Applied Mathematics (1985).

Work experience for the last five years:

- **2018 – present:** member of the Board of Directors of Eurasian Bank JSC.
- **2016–2018:** co-managing partner of Grant Thornton LLP.
- **2002–2014:** senior advisor in the audit department PricewaterhouseCoopers LLP.

Participation in the governing bodies of other organisations:

- Member of the Chamber of Auditors of Kazakhstan (since 1994).
- Member of the Advisory Council under the Ministry of Finance of Kazakhstan (since 1994).



NURLAN AKHANZARIPOV

Independent Director, Chairman of the Nomination and Remuneration Committee, member of the Strategic Planning and Corporate Governance Committee, member of the Audit Committee the Board of Directors of KEGOC

Born in 1965, a citizen of Kazakhstan.

ELECTED ON 26 JUNE 2020 (MINUTES NO. 18), ON 27 APRIL 2021 (MINUTES NO. 21) BY

THE EXTRAORDINARY GENERAL MEETING OF KEGOC SHAREHOLDERS.

Shares owned in KEGOC or its subsidiaries: none.

Education:

KIMEP University, MBA (1995), Semipalatinsk Shakhirim University majoring in Accounting and Auditing (2009), Satpayev Kazakh National Technical University majoring in Geology and Mineral Exploration (2015).

Work experience for the last five years:

- **2021 (October) – present:** member of the Board of Directors, Independent Director of Kazakhstan Temir Zholy JSC from.
- **2019 – present:** member of the Board of Directors, Independent Director of AstanaGas KMG.
- **2017 – present:** member of the Board of Directors, Independent Director of IQS Engineering LLP.
- **2019–2020:** member of the Board of Directors of Engineering and

Technology Transfer Centre JSC, Baiterek National Management Holding Group;

- **2017–2018:** member of the Board of Directors, Independent Director of Kazakhstan Engineering NC JSC.
- **2010–2016:** member of the Board of Directors, Independent Director of Alfa-Bank Kazakhstan JSC.

Participation in the governing bodies of other organisations:

- **Since 2013:** a member of the Governing Council of the Association of Taxpayers of Kazakhstan.
- **Since 2013:** member of the Expert Council of the KazEnergy Association.
- Certified Independent Director (Cert IoD) by the Institute of Directors, UK, **since 2006.**

INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS

(Board composition as at 31 December 2021)



ULF WOKURKA

Independent Director, Chairman of the Strategic Planning and Corporate Governance Committee and the Occupational Health, Safety, and Environmental Protection Committee, member of the Audit Committee of the Board of Directors of KEGOC

Born in 1962, a citizen of Germany.

ELECTED ON 30 JULY 2021 (MINUTES NO. 22) BY THE GENERAL MEETING OF KEGOC SHAREHOLDERS.

Shares owned in KEGOC or its subsidiaries: none.

Education:

Martin Luther University of Halle, certificate of general education (1981); Moscow State Institute of International Relations under the USSR Ministry of Foreign Affairs (MGIMO), majoring in International Relations (1989).

Work experience

for the last five years:

- **2018–2019:** Chairman of the Management Board of Tsesnabank JSC, Astana.
- **2018–2018:** Chairman of the Supervisory Board of three stress asset management companies of Kazkommertsbank JSC.
- **2017–2018:** Chairman of the Management Board of Kazkommertsbank JSC, Almaty.

Participation in the governing bodies of other organisations:

- **2021 – present:** member of the Board of Directors of Kazakhstan Temir Zholy JSC.

- **2019 – present:** member of the Board of Directors of Nurbank JSC, Almaty, Chairman of the Strategic Planning Committee of the Board of Directors.
- **2016 – present:** member of the Board of Directors of AIFC Administration JSC, Nur-Sultan.
- **2015 – present:** member of the Board of Directors of KAZAKH INVEST JSC, Nur-Sultan (KAZNEX INVEST JSC until 04.2017), Chairman of the Audit Committee of the Board of Directors.



YERNAT BERDIGULOV

Member of the Board of Directors of KEGOC, representative of Samruk-Kazyna, member of the Strategic Planning and Corporate Governance Committee and the Occupational Health, Safety, and Environmental Protection Committee of the Board of Directors of KEGOC

Born in 1987, a citizen of Kazakhstan.

ELECTED ON 24 NOVEMBER 2021 (MINUTES NO. 25) BY THE GENERAL MEETING OF KEGOC SHAREHOLDERS.

Shares owned in KEGOC or its subsidiaries: none.

Education:

Marysville Pilchuck High School, Future Leaders Exchange Program (FLEX) (2005), Al-Farabi Kazakh National University, Regional Studies, Almaty (2007); University of Toronto, Public Policy and International Relations (International Economics) (2010); University of Warwick (UK), Master of Business Administration (2018).

Work experience

for the last five years:

- **2021 – present:** Co-Director for Strategy, Sustainable Development and Digital Transformation of Samruk-Kazyna JSC.
- **2019–2021:** Project Manager at Whiteshield Partners, an international consultancy (also in various years as senior analyst, consultant).
- **2018–2019:** analyst in the Asset Management Department of Samruk-Kazyna JSC.
- **2013–2018:** Advisor to the Chairman of the Management

Board of Samruk-Energy JSC on financial and economic issues. Also, in different years, he was Head of Analytical Support Department, Head of Strategic Development Department, and Head of Project Management Department.

Participation in the governing bodies of other organisations:

Member of on the Boards of Directors of other subsidiaries of Samruk-Kazyna.

INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS

(Board composition as at 31 December 2021)



KANYSH MOLDABAYEV

Chairman of the Management Board of KEGOC

Born in 1963, a citizen of Kazakhstan.

ELECTED ON 27 APRIL 2021 (MINUTES NO. 21) AND 24 NOVEMBER 2021 (MINUTES NO. 25) BY THE GENERAL MEETING OF KEGOC SHAREHOLDERS.

Shares owned in KEGOC or its subsidiaries: none.

Education:

Pavlodar Industrial Institute majoring in Electrical Engineering (1987); Karaganda State Technical University majoring in Economics and Law (2002); Academy of Public Service under the President of Kazakhstan majoring in Public Service Management (2004); Russian Academy of National Economy and Public Service under the President of the Russian Federation, Doctor of Business Administration (2020).

Work experience for the last five years:

- **2021–2021:** Director of the Directorate of Energy and Mining Assets of Samruk-Kazyna Sovereign Wealth Fund JSC.
- **2019–2021:** Head of the Energy Sector in Samruk-Kazyna Sovereign Wealth Fund JSC.
- **2018–2019:** Deputy General Director, Kazakhstan Nuclear Power Plants JSC.
- **2017–2018:** Managing Director for Development and Sales, Member of the Management Board of Samruk-Energy JSC.

- **2016–2017:** Managing Director for Strategy and Sales, Member of the Management Board of Samruk-Energy JSC.

Academic degree, academic rank:

IPMA Level B, International certificate

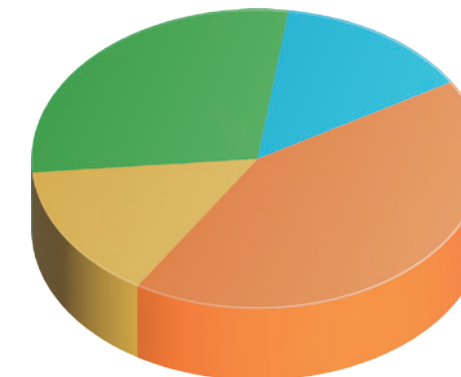
Participation in the governing bodies of other organisations:

- Chairman of the Board of Directors of KOREM JSC.
- Chairman of the Supervisory Board of MAEC-Kazatomprom LLP.

The term of office of each member of the Board of Directors of KEGOC expires with the term of office of the Board of Directors of KEGOC, in April 2024.

Independence of the Board of Directors

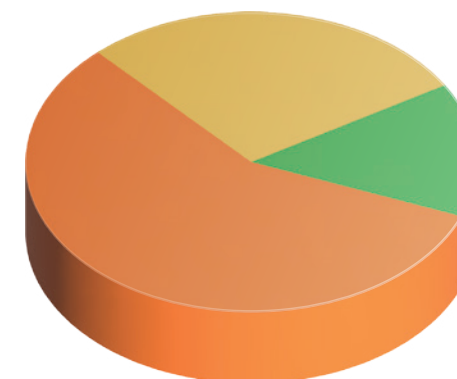
%



- 42.9 Independent directors
- 14.3 Executive directors
- 28.6 Non-executive directors
- 14.3 Chairman of the Board of Directors

Age diversity of the board of directors

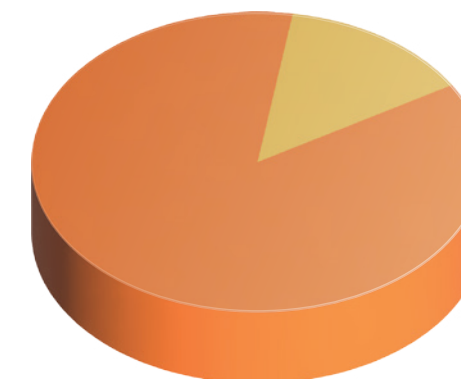
persons



- 1 30-35
- 4 55-65
- 2 65-75

Gender diversity of the board of directors

persons



- 6 Male
- 1 Female

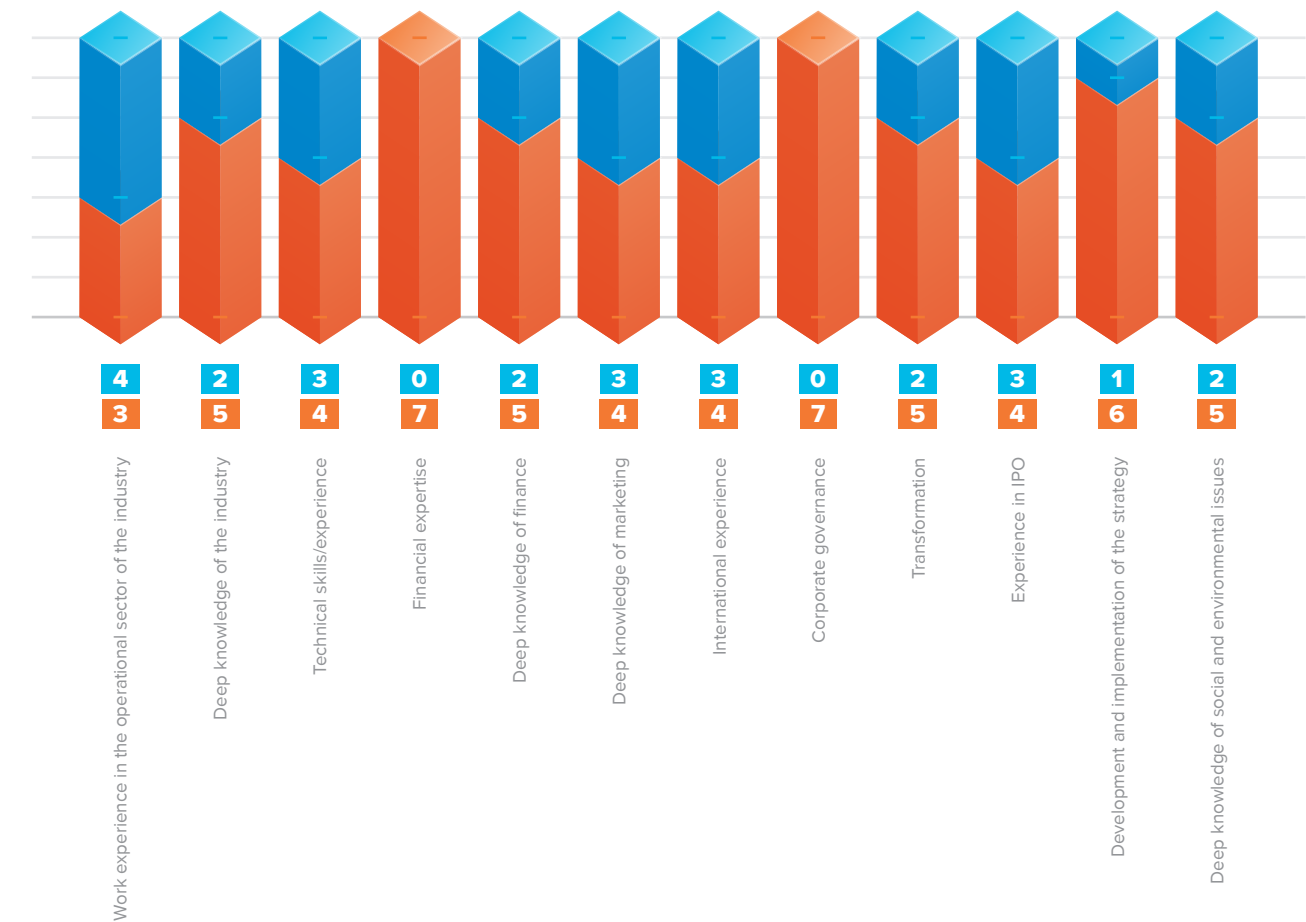
COMPETENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS

Members of the Board of Directors	Suinshik Tiyyessov	Zhanna Yegimbayeva	Zhanbota Bekenov	Nurlan Akhanzaripov	Ulf Wokurka	Yernat Berdigulov	Kanysh Moldabayev
Length of service in the industry/ total length of service, years	53/53	5/50	1.8/36	19/28	5 months/ 32	5/11	34/34
Key competences							
Knowledge of the industry							
Operational experience in the industry	■			■			■
In-depth knowledge of the industry	■	■		■		■	■
Technical skills/experience	■			■	■		■
Specific skills and experience							
Financial literacy	■	■	■	■	■	■	■
In-depth knowledge of finance			■	■	■	■	■
In-depth knowledge of marketing	■	■		■	■	■	■
In-depth knowledge on social and environmental issues	■	■	■	■			■
Management and legal experience							
Corporate governance	■	■	■	■	■	■	■
Transformation	■	■			■	■	■
IPO experience			■	■		■	■
Developing and implementing a strategy	■	■		■	■	■	■
International experience			■	■	■	■	

2-9, 2-10

Balance of competencies of the members of the Board of Directors, people

people



CRITERIA FOR THE SELECTION OF INDEPENDENT DIRECTORS

AN INDEPENDENT DIRECTOR SHALL HAVE SUFFICIENT PROFESSIONAL SKILLS AND BE INDEPENDENT SO THAT HE/SHE COULD MAKE INDEPENDENT AND OBJECTIVE DECISIONS NOT INFLUENCED BY INDIVIDUAL SHAREHOLDERS, MANAGEMENT BOARD OR OTHER INTERESTED PARTIES.

Independent directors comply with all legislative criteria of independence; their status, powers, rights and obligations are strictly regulated by the requirements of the Law of the Republic of Kazakhstan “On Joint Stock Companies”, the Charter of KEGOC, the Corporate Governance Code of KEGOC and the Rules for the selection and election of members of the Board of Directors of KEGOC.

According to global corporate governance practices and the requirements of paragraph 5 of Article 54 of the Law of the Republic of Kazakhstan “On Joint Stock Companies”, the number of members of the board of directors should be at least three people. At least thirty per cent of the Board of Directors of the Company shall be independent directors.

A director may be recognized as independent, if he/she was not:

- an affiliate of the Company within three years prior to his/her election to the Board of Directors (except for being an independent director of the Company);
- an affiliate of the affiliated persons of the Company;
- subordinated to officials of the Company or its affiliated companies within three years prior to his/her election to the Board of Directors;
- a participant to the audit of the Company as an auditor working for an auditing organisation and has not taken part in such audit during the three years previous to his/her election to the Board of Directors;
- a representative of the shareholder at the meetings of the Company’s bodies and has not been as such within three years preceding his/her election to the Board of Directors;
- a civil servant.

2-9, 2-10

Meetings of the Board of Directors of KEGOC

In 2021 the Board of Directors held 13 meetings in presentia and 1 meeting in absentia.

The total number of questions considered is 128.

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¹ – By the decision of the Extraordinary General Meeting of Shareholders dated 24 November 2021 (Minutes No. 25) he was elected as the Chairman of the Board of Directors of KEGOC JSC.

² – By the decision of the Extraordinary General Meeting of Shareholders dated 30 July 2021 (Minutes No.22) he was elected as a member of the Board of Directors of KEGOC JSC as an independent director.

Board member attendance at meetings in 2021

Members of the Board of Directors	19.01.2021	19.02.2021	19.03.2021	27.04.2021	17.05.2021	31.05.2021	25.06.2021	19.08.2021 absentee	20.08.2021	24.09.2021	22.10.2021	12.11.2021	30.11.2021	20.12.2021	%
Almassadam Satkaliyev Chairman of the Board of Directors	■	■	■	Powers terminated on 27 April 2021										100	
Kanysh Moldabayev Chairman of the Board of Directors	●	●	●	■	■	■	■	■	■	■	■	■	■	■	100
Bakytzhan Kazhiyev chairman of the Management Board	■	■	■	■	■	■	■	■	■	■	■	■	●	●	100
Suinshlik Tiyessov¹ Representative of Samruk-Kazyna JSC, Chairman of the Board of Directors	■	■	■	■	■	■	■	■	■	■	■	■	■	■	100
Zhanna Yegimbayeva Representative of Samruk-Kazyna JSC	■	■	■	■	■	■	■	■	■	■	■	■	■	■	100
Dominique Fache independent director	■	■	■	Powers terminated on 27 April 2021										100	
Zhanbota Bekenov independent director	■	■	■	■	■	■	■	■	■	■	■	■	■	■	100
Nurlan Akhanzaripov independent director	■	■	■	■	■	■	■	■	■	■	■	■	■	■	100
Ulf Wokurka² independent director	Not yet a member of the Board of Directors							■	■	■	■	■	■	■	100
Yernat Berdigulov Representative of Samruk-Kazyna JSC	Not yet a member of the Board of Directors											■	■	100	

● – Not yet a member of the Board of Directors

● – Powers terminated on 24 November 2021

Agenda items considered at Board meetings in 2021

%



- 15** Strategic, financial, economic and investment issues areas
- 23** Corporate governance and sustainability issues
- 16** Risk management, internal control and audit issues
- 22** HR policy issues
- 5** Health and safety, and transformation issues
- 12** Performance of subsidiaries issues
- 7** Other issues

2-13

COMMITTEES OF THE BOARD OF DIRECTORS

In order to create a platform for active discussion and detailed analysis of individual issues, the Board of Directors has four (4) committees:

Audit Committee

2-9

The Audit Committee (hereinafter referred to as the AC) is a consultancy and advisory body of the Board of Directors of the Company established for in-depth working out of issues falling within the competence of the Board of Directors or studied by the Board of Directors to control

activities of the Company's executive body and elaborating the required recommendations to the Board of Directors and executive body of the Company on the following items:

- establishment of effective control system for financial and economic activities of the Company (including the completeness and accuracy of financial statements);
- control over the internal control and risk management systems reliability and effectiveness and over execution of corporate governance documents;
- control over internal and external audit independence, and over the process ensuring enforcement of the laws of the Republic of Kazakhstan.

The Audit Committee operates in accordance with the Audit Regulations of KEGOC's Board of Directors approved by the updated decision of KEGOC's Board of Directors dated 30 November 2018 (Minutes No. 12).

The AC in its operation is completely accountable to the Board of Directors. The members of the AC are elected by majority votes of the Board of Directors members. The chair and the members of the AC are the

independent directors and have sufficient knowledge and extensive experience including practical one. The AC also includes a non-voting expert who submits to the AC the recommendations based on the policies and visions of Samruk-Kazyna as a major shareholder of the Company.

The AC consists of four (4) members including three (3) independent directors and an expert without the right to vote.

Composition and participation of AC members in meetings in 2021

	01	02	03	04	05	06	07	08	09	10	11	12	13	
	18.01.2021	18.02.2021	17.03.2021	26.04.2021	28.05.2021	24.06.2021	19.08.2021	22.09.2021	21.10.2021	29.10.2021	12.11.2021	29.11.2021	20.12.2021	%
Members of the Audit Committee														
Zhanbota Bekenov independent director	■	■	■	■	■	■	■	■	■	■	■	■	■	100
Dominique Fache independent director	■	■	■	■	Powers early terminated on 27 April 2021								75	
Nurlan Akhanzaripov independent director	■	■	■	■	■	■	■	■	■	■	■	■	■	100
Ulf Wokurka independent director	Not yet a member of the Committee						■	■	■	■	■	■	■	100
Serik Pirmakhanov Expert without the right to vote	■	■	■	■	■	■	■	■	■	■	■	■	■	100

During the reporting period, the Committee held 13 meetings praesentia and considered 62 agenda items.

2-13

In addition, in 2021, members of the Committee took part in three praesentia meetings of the Nomination Commission for the vacant positions of Compliance Officer and Auditor of the Operational and Financial Audit Department of the Internal Audit Service of KEGOC, as well as in two praesentia meetings of the Unified Commission for the auditor selection procedure for KEGOC's group of companies.

In addition, as instructed by the Audit Committee, Samruk-Kazyna has been provided relevant information on the actions taken and the status of implementation of the recommendations reflected in the management letters from the external auditor upon the audit of the financial statements for 2018, 2019 and 2020.

In 2021, the AC considered and made appropriate recommendations on the following issues:

Internal audit

- review of the Goal Map of the Head of the Internal Audit Service for 2021;
- review of the annual and quarterly performance reports of the Internal Audit Service;
- review of assessment of employees' performance and the salaries of employees of the Internal Audit Service;
- review of the 2021 Annual Audit Plan of the Internal Audit Service.

External audit

- review of the Report of the external auditor, Ernst & Young LLP based on the results of the audit of the financial statements for 2020;
- review of the Report of the external auditor, RSM Qazaqstan LLP, based on the results of the audit of the consolidated financial statements for six months ending on 30 June 2021.

Internal control and risk management

- review of the regulatory documents on the internal control and risk management system, including amendments thereto;
- review of quarterly Risk reports;
- review of amendments to the Risk Register, the Risk Map, the Key Risk Management Action Plan, the tolerance levels and key risk indicators of KEGOC for 2021;
- review of the Risk Register, Risk Map, Key Risk Management Action Plan, risk-appetite, tolerance levels and key risk indicators of KEGOC for 2022.

Financial statements

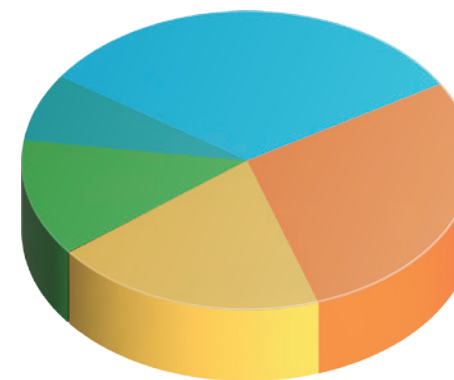
- review of the annual consolidated financial statements, proposed distribution of net income and payment of dividends on ordinary shares including the amount of the dividends per one ordinary share of KEGOC for 2020.
- review of KEGOC's interim financial statements as of and for three months ended on 31 March 2021.
- review of the semi financial statements of KEGOC as of and for the six months ended 30 June 2021, and the proposal regarding the distribution of KEGOC's net income and the amount of dividend per ordinary share of KEGOC for the first half of 2021.

Compliance issues

- review of the Goal Map for Compliance Officer for 2021;
- review of quarterly reports on the activities of the Compliance Officer;
- review of the amendments and addenda to the internal regulations governing the Compliance Officer activities;
- review of the issue relating to the appointment of the acting Compliance Officer;
- review of the issue relating to the appointment of the Compliance Officer, determination of the term of office and the salary amount hereof.

Agenda items reviewed by the AC in 2021

%



- 29 IAS issues
- 19 Compliance Officer issues
- 13 Risk and internal control issues
- 7 Financial statements issues
- 32 Other

2-13

In 2021, the Board of Directors rejected the recommendations of the Committee on the following agenda items:

- With respect to "Consideration of the Performance Report of Galym Amanbekov, the Compliance Officer of KEGOC, for the period from 13 May 2019 to 15 March 2021 and the appointment and determination of the term of office, the amount of salary of KEGOC's Compliance Officer" the Committee recommended to the Board of Directors to appoint Galym Amanbekov to the position of the Compliance Officer of KEGOC with a term of office of one year, while the members of the Board of Directors did not agree with the decision of the Committee, taking into account the findings of the Compliance Service of Samruk-Kazyna, the Board of Directors decided to terminate the powers of Galym Amanbekov as the Compliance Officer, due to expiration of the term of office.
- With respect to "Amendments to clause 3 of the decision of KEGOC Board of Directors dated 30 November 2019

(Minutes No. 10) and consideration of the agenda item on payment of bonuses to the employees of Internal Audit Service, Corporate Secretary, Ombudsman and Compliance Officer based on the performance in the third and fourth quarters of 2020" – the Committee recommended the Board of Directors not to amend the decision of the Board of Directors of KEGOC dated 30 November 2019 (Minutes No. 10) and to pay the bonus in the earlier adopted amounts, however the Board members did not agree with the decision of the Committee taking into account the principle of internal fairness, opinion of Samruk-Kazyna structural units, availability of funds for bonus payment subject to amendments. The Board of Directors decided to amend paragraph 3 of the decision of the Board of Directors of KEGOC dated 30 November 2019 (Minutes No. 10) and pay bonus to the employees of the Internal Audit Service, Corporate Secretary, Ombudsman, and Compliance Officer based on the performance in the third and fourth quarters of 2020.

Nomination and Remuneration Committee

2-9

The operations of the Committee (hereinafter referred to as the NRC) are governed by the Regulations on the Nomination and Remuneration Committee, approved and updated by KEGOC's Board of Directors dated 30 November 2019 (Minutes No. 10).

The Committee in its operation is completely accountable to the Board of Directors. The members of the Committee are elected by the Board of Directors, the chairman of the Committee is an independent director, the Committee also includes a non-voting expert who submits to the Committee the recommendations based on the policies and visions of Samruk-Kazyna as a major shareholder of the Company.

All members of the Committee have sufficient knowledge and extensive experience including practical one.

The Committee consists of four (4) members including two (2) independent directors, one (1) representative of Samruk-Kazyna, and one (1) non-voting expert.

Composition and participation of NRC members in meetings in 2021

Following the announcement by the World Health Organization of a pandemic associated of COVID-19 virus, major part of the meetings of the Committee in 2021 were held via videoconference (interactive audiovisual communication) using Microsoft Teams software.

Composition and participation of NRC members in meetings in 2021

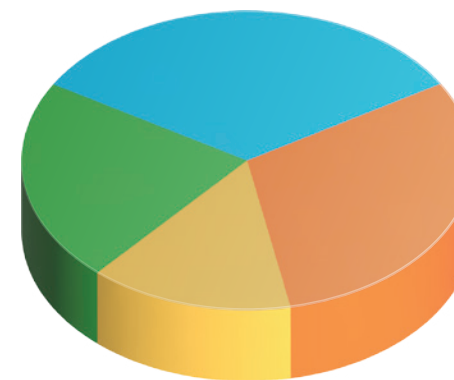
Members of the Nomination and Remuneration Committee	18.01.2021	18.02.2021	18.03.2021	26.04.2021	28.05.2021	04.06.2021	24.06.2021	19.08.2021	22.09.2021	21.10.2021	12.11.2021	29.11.2021	20.12.2021	%
Nurlan Akhanzaripov Chairman, independent director	■	■	■	■	■	■	■	■	■	■	■	■	■	100
Zhanbota Bekenov independent director	■	■	■	■	■	■	■	■	■	■	■	■	■	100
Zhanna Yegimbayeva Representative of Samruk-Kazyna JSC	■	■	■	■	■	■	■	■	■	■	■	■	■	100
Daulet Karimov Expert without the right to vote	■	■	■	■	■	■	■	■	■	■	■	■	■	100

During the reporting period, the Committee held 13 meetings in praesentia and considered 49 agenda items.

2-13

Agenda items reviewed by the NRC in 2021

%



- 31 Nomination issues
- 14 Remuneration issues
- 22 Succession and appointment issues
- 33 HR policy issues

2-13

Strategic Planning and Corporate Governance Committee

2-9

In accordance with subparagraph 4) of paragraph 117 of Section 16 of the Regulations on the Board of Directors of KEGOC, upon the recommendation of the Committee, the Board of Directors rejected two (2) issues:

1. review of the Salary Scheme for employees of the Internal Audit Service, Compliance Officer, Ombudsman, Corporate Secretary and salary increase based on comprehensive performance assessment for 2020 – as an analysis needs to be done by the grading system author company in terms of KEGOC's overall remuneration scheme implemented in the Company;
2. review of the budget (certain expenditure estimate) of the Internal Audit Service, Corporate Secretary and Ombudsman for 2022, as part of the Business Plan (Development Plan) for 2022 – in terms of inclusion in the Certain expenditure estimate only the expenses for labour payment, training, business trip expenses, social security, it is planned once the grading system author company completes the analysing of KEGOC's overall remuneration scheme implemented in the Company.

The operations of the Committee (hereinafter referred to as the SPCGC) are governed by the Regulations on the Strategic Planning and Corporate Governance Committee, approved and updated by the Board of Directors dated 30 November 2019 (Minutes No. 10).

The Committee in its operation is completely accountable to the Board of Directors. The members of the Committee are elected by majority votes of the Board of Directors members. The Chairman of the Committee is an independent director, the Committee also includes a non-voting expert who submits to the Committee the recommendations based on the policies and visions of Samruk-Kazyna as a major shareholder of the Company.

All members of the Committee have sufficient knowledge and extensive experience including practical one.

The Committee consists of four (4) members including two (2) independent directors, one (1) representative of Samruk-Kazyna, and one (1) non-voting expert.

Composition and participation of SPCGC members in meetings in 2021

Members of the Strategic Planning and Corporate Governance Committee	18.02.2021	18.03.2021	26.04.2021	28.05.2021	26.06.2021	19.08.2021	22.09.2021	21.10.2021	12.10.2021	29.11.2021	20.12.2021	%
Nurlan Akhanzaripov ² Chairman of the Committee, independent director	■	■	■	■	■	■	■	■	■	■	■	100
Dominique Fache independent director	■	■	Powers early terminated on 27 April 2021									100
Suinshlik Tiessov Representative of Samruk-Kazyna JSC	■	■	■	■	■	■	■	■	■	●	●	100
Ulf Wokurka Chairman of the Committee, independent director	Elected on 30 July 2021						■	■	■	■	■	100
Yernat Berdigulov Representative of Samruk-Kazyna JSC	Elected on 24 November 2021										■	100
Daulet Karimov Expert without the right to vote	■	■	■	■	■	■	■	■	■	■	■	100

● – Powers terminated on 24 November 2021

During the reporting period, the Committee held 11 meetings in praesentia and considered 35 agenda items.

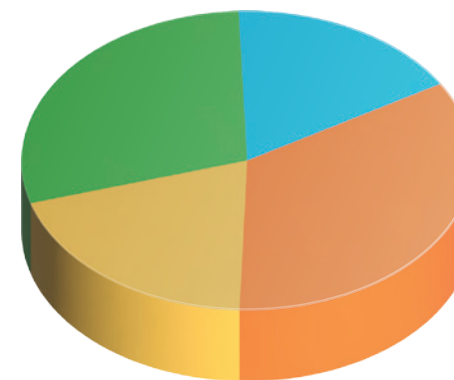
2-13

At the same time, the Board of Directors has not rejected any individual proposals/recommendations of the Committee when considering agenda in 2021.

² – The Decision of the Board of Directors dated 20 August 2021 (Minutes No. 9) terminated the powers of Nurlan Akhanzaripov as the Chairman of the Committee.

Agenda items reviewed by the SPCGC in 2021

%



- 34 Strategic and economic issues
- 20 Corporate development and sustainability issues
- 29 Investment projects implementation and transformation programme issues
- 17 Other issues

2-13

Occupational Health, Safety and Environmental Protection Committee

2-9

The operations of the Committee (hereinafter referred to as the OHSEPC) are governed by the Regulations on the Occupational Health, Safety and Environmental Protection Committee, approved and updated by KEGOC's Board of Directors dated 30 November 2019 (Minutes No. 10).

The Committee in its operation is completely accountable to the Board of Directors. The members of the Committee are elected by majority votes of the Board of Directors members. The chairman of the Committee is an

independent director, the Committee also includes a non-voting expert who submits to the Committee the recommendations based on the policies and visions of Samruk-Kazyna as a major shareholder of the Company.

All members of the Committee have sufficient knowledge and extensive experience including practical one.

The Committee consists of four (4) members including one (1) independent director, two (2) representatives of Samruk-Kazyna, and one (1) non-voting expert.

Composition and participation of OHSEPC members in meetings in 2021

The members of the Occupational Health, Safety and Environmental Protection Committee	18.02.2021	18.03.2021	19.08.2021	21.10.2021	29.11.2021	20.12.2021	%
Dominique Fache Chairman, independent director	■	■	Powers early terminated on 27 April 2021				100
Suinshlik Tiyyessov Representative of Samruk-Kazyna JSC	■	■	■	■	■	●	
Zhanna Yegimbayeva Representative of Samruk-Kazyna JSC	■	■	■	■	■	■	100
Yernat Berdigulov Representative of Samruk-Kazyna JSC	Elected on 24 November 2021					■	100
Daulet Karimov Expert without the right to vote	■	■	■	■	■	■	100

● – Powers terminated on 24 November 2021

During the reporting period, the Committee held six (6) meetings in praesentia and considered seven (7) agenda items. 2-13

In 2021, the Committee on Occupational Health, Safety and Environmental Protection considered industrial and information security, occupational health, environmental protection and other agenda items. 2-13

In accordance with subparagraph 4) of paragraph 117 of Section 16 of the Regulations on the Board of Directors of KEGOC, upon the recommendation of the Committee, the Board of Directors excluded from consideration one (1) issue:

- Approval of amendments to P KEGOC ID-207-19-SD Regulations on the Occupational Health, Safety and Environmental Protection Committee of the Board of Directors of KEGOC – as it is planned to combine the Occupational Health, Safety and Environmental Protection Committee with the Strategic Planning and Corporate Governance Committee.

PROFESSIONAL DEVELOPMENT

The Board of Directors approves the Induction programme for newly elected members of the Board of Directors,

Corporate Governance Code Compliance

THE CORPORATE GOVERNANCE CODE OF THE COMPANY WAS ADOPTED BASED ON SAMRUK-KAZYNA'S CORPORATE GOVERNANCE CODE. THE CORPORATE GOVERNANCE CODE AIMS TO IMPROVE CORPORATE MANAGEMENT, ENSURE TRANSPARENCY OF MANAGEMENT AND CONFIRM COMMITMENT TO FOLLOW PROPER CORPORATE GOVERNANCE STANDARDS.

The Company's Corporate Governance Code principles and provisions compliance analysis showed that the Company in the reporting year complies with all the Corporate Governance Code provisions applicable to the Company. The Corporate Governance Code principles and provisions compliance report 2021 is available at <https://www.kegoc.kz/en/for-investors-and-shareholders/raskrytie-informatsii/annual-reports/>.

and the Professional development plan for the members of the Board of Directors. The Corporate Secretary ensures the implementation of these programmes. The directors training includes information meetings, attending trainings, forums, conferences and working groups. The necessary information timely provision procedures assist the directors in performing their responsibilities.

On 22 January and 17 March 2021, members of the Audit Committee attended the meeting of the Single Commission for the Selection of the External Auditor.

On 24 September 2021, the Board of Directors held an offsite meeting to discuss topical issues on changes and opportunities for the power industry development after the crisis due to COVID-19, considered various scenarios to ensure the reliability of the power system in relation to KEGOC's Development Strategy and in connection with the commissioning of new capacity in Kazakhstan, on the risks and safety performance, loss reduction, and cybersecurity.

On 28 September 2021, the Issuer Day meeting was held by Kazakhstan Stock Exchange JSC (KASE) with the participation of members of the Board of Directors, members of the Management Board, managing directors and the investment community.

On 25 November 2021, KPMG Tax and Advisory LLP held a seminar for the members of the Board of Directors on the Risk Management.

On 28 December 2021, members of the Board of Directors met with the members of the Talent Pool (KEGOC's talent pool). 2-17

Executive Body

THE DAY-TO-DAY ACTIVITIES OF KEGOC ARE MANAGED BY THE MANAGEMENT BOARD, AN EXECUTIVE COLLEGIAL BODY, WHICH MAKES THE DECISIONS ON THE MATTERS OF KEGOC'S OPERATIONS THAT ARE BEYOND THE COMPETENCE OF OTHER BODIES.

The Management Board acts in accordance with the Law of the Republic of Kazakhstan on Joint Stock Companies, KEGOC's Charter, Corporate Governance Code and Regulations on the Management Board.

2-13

The appointment (election) and early termination of the powers of the Chairman of the Management

Board of the Company is the jurisdiction of the General Meeting of Shareholders. The membership, terms of powers of the Management Board, election of the members the Management Board (except for the Chairman) and early termination of their powers is the jurisdiction of the Board of Directors of KEGOC that observes the principles of transparency, objective assessment of potential, professionalism and competence. KEGOC's Board of Directors appointed KEGOC's Management Board consisting of five (5) members, 100% of whom are the nationals of Kazakhstan.



MEMBERS OF THE MANAGEMENT BOARD

(As of 31 December 2021)



KANYSH MOLDABAYEV

Chairman of KEGOC Management Board

Born in 1963, national of the Republic of Kazakhstan.

ELECTED ON 2 DECEMBER 2021 THE CHAIRMAN OF KEGOC MANAGEMENT BOARD.

Shares owned in KEGOC or its subsidiaries and affiliates: none.

Education:

Pavlodar Industrial Institute majoring in Power Supply of Industrial Enterprises (1987); Karaganda State Technical University majoring in Economics and Management (2002), Academy of Public Administration under the President of the Republic of Kazakhstan, State Administration as Public Service Manager (2004), Russian Presidential Academy of National Economy and Public; Doctor of Business Administration (2020).

Work experience

for the last five years:

- **2019–2021** – Head of the Energy Sector, Director of the Directorate of Energy and Mining Assets of Samruk-Kazyna JSC.
- **2018–2019** – Deputy General Director of Kazakhstan Nuclear Power Plants JSC.
- **2012–2018** – Director of the Department of Innovation and Technology Policy and Development, Managing Director for Development, Managing

Director for Strategy and Sales, Member of the Management Board, Managing Director for Development and Sales, Member of the Management Board at Samruk-Energy JSC, Deputy Chairman of Management Board, First Deputy Chairman of Management Board.

Experience in the sector is 29 years.

MEMBERS OF THE MANAGEMENT BOARD

(As of 31 December 2021)



BAKYTKHAN ZHAZYKBAYEV

Deputy Chairman of Management Board at KEGOC, member of Management Board since February 2017

Born in 1968, national of the Republic of Kazakhstan.

Shares owned in KEGOC or its subsidiaries and affiliates: none.

Education:

Ryskulov Kazakh State Academy of Management majoring in Marketing and Commerce (1994), Toraigyrov

Pavlodar State University majoring in Electrical Power Systems and Grids (2005), Narxos University, Master of Business Administration (2017).

Work experience

for the last five years:

- **Since December 2021** – Deputy Chairman of Management Board of KEGOC.
- **2018–2021** – Managing Director for Operations.
- **2017–2018** – Managing Director – Business Assets.
- **2015–2017** – Deputy Chairman of Management Board of KEGOC – Operations.

Functions at KEGOC:

plan activities on operation, repair, maintenance and diagnostics of assets; elaborate policies and procedures for assets management including the assets maintenance standards; elaborate policies and procedures for assets management including the assets maintenance standards; develop and implement the medium-term development programme of MES branches; develop and fulfil the Development

Plan (Budget and Investment Programme); coordinate works on management of strategic projects under implementation; coordinate and control works on users connection to the grid; control the process of concluding contracts for procurement of works/services with contracting organizations for capital construction projects; coordinate the search, selection and development of relations with contractors and subcontractors; coordinate the Information and Telecommunication System Development Strategy manage IT and telecommunication projects and data; coordinate repair work at KEGOC substations.

Experience in the sector is 20 years.

MEMBERS OF THE MANAGEMENT BOARD

(As of 31 December 2021)



TOLEGEN SAFUANI

Managing Director for Legal Support and Risks, member of the Management Board since June 2017

Born in 1979, national of the Republic of Kazakhstan.

Shares owned in KEGOC or its subsidiaries and affiliates: none.

Education:

Kazakh State Law Academy majoring in Legal Science (2000), Kazakh University of Technology

and Business majoring in State and Local Administration (Master Degree, 2013), Almaty Management University, Master of Business Administration (2018).

Work experience

for the last five years:

- **Since May 2017** – Managing Director for Legal Support and Risks at KEGOC.
- **2012–2017** – Head of Legal Department, KEGOC JSC.

Functions at KEGOC:

legal issues; introduce and improve the systems of risk management, internal control, business continuity; improve the management systems for economic, technical and information security; interaction with state and non-state organizations on security issues at strategic sites and counteracting terrorism; coordinate claims management; ensure regulatory compliance of the operations and protection of its legal interests.

Part-time work and membership in other Board of Directors:

Member of the Board of Directors of EnergoInform JSC.

Experience in the sector is 16 years.

MEMBERS OF THE MANAGEMENT BOARD

(As of 31 December 2021)



AIBEK BOTABEKOV

Managing Director for Finance and Accounting, member of the Management Board since October 2009

Born in 1976, national of the Republic of Kazakhstan.

Shares owned in KEGOC or its subsidiaries and affiliates: none.

Education:

Buketov Karaganda State University majoring in International Relations and Economics (1997), Nazarbayev

University, Master of Business Administration (2016).

Work experience for the last five years:

- **Since February 2017** – Managing Director for Finance and Accounting.
- **2009–2017** – Managing Director for Economics, KEGOC.

Functions at KEGOC:

manage financial and economic issues, pricing, manage and coordinate KEGOC’s shares listing at KASE; interact with minority shareholders and other holders of KEGOC securities; coordinate activities on modification, adjustment and approval of tariffs and tariff estimates for KEGOC services; prepare the consolidated audited annual financial statements of KEGOC, cooperate with financial institutions and audit companies, manage the management reporting system and process performance indicators.

Part-time work and membership in other Board of Directors:

Chairman of the Supervisory Board of FSC RES LLP, Member of the Board of Directors of associate Batys Transit JSC.

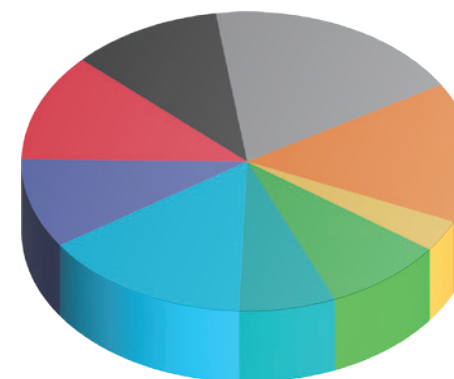
Experience in the sector is 24 years.

MANAGEMENT BOARD PERFORMANCE REPORT

The main principles of the Management Board activity are to serve interests of shareholders to the maximum extent, ensure fairness, good faith, expertise, prudence, objectivity, soundness and regularity.

In 2021 KEGOC’s Management Board held 35 meetings and reviewed 184 issues.

Issues reviewed by KEGOC’s Management Board



%

- 16 IRD
- 3 Business Transformation issues
- 9 Transactions
- 7 RMS issues
- 15 HR policy issues
- 9 Corporate governance
- 12 Strategic issues
- 10 Subsidiaries and associates
- 19 Other

MANAGEMENT BOARD COMMITTEES

In order to preliminarily review, take collegial decisions and prepare recommendations on the supervised issues to KEGOC’s Management Board, the following advisory bodies function at the Company:

- Investment Committee
- Risk Committee
- Budget Committee
- Human Resources Development Committee
- Debtors and Creditors Committee
- Inventory Committee.

In addition, to organize and perform works on sustainable development management, develop, implement and function KEGOC’s IMS and constantly improve the management system performance the Company established the advisory body, the Coordinating Council for Sustainable Development and the IMS headed by KEGOC’s Chairman of Management Board.

The Coordinating Council includes all managing directors and heads of affiliates. In terms of sustainable

development, the Coordinating Council is mainly aimed at ensuring promotion and compliance with the sustainability principles, planning, determination of responsibility for monitoring the sustainable development management issues, and defining the sustainability information content provided by stakeholders.

Conflict of Interest

In accordance with KEGOC's Corporate Governance Code, the members of the Board of Directors in 2021 did not allow any conflict of interest, there were no situations in which the personal interest of the members of the Board of Directors could affect the proper performance of their duties. No occurrence of situations with conflicts of interest that affected or could potentially affect impartial decision-making was recorded and the members of the Board of Directors, who have an interest, did not participate in the discussion and adoption of such decisions.

2-15

Non-Arm's Length Transaction

In 2021 the Board of Directors and Management Board of KEGOC made decisions to conclude forty (40) non-arm's length transactions, including 10 transactions based on the decision of KEGOC's Board of Directors and 30 transactions based on the decision of KEGOC's Management Board. There were no major transactions.

In the reporting year, the Board of Directors of KEGOC made decisions to conclude non-arm's length transactions through signing ten (10) contracts for the operation and maintenance of equipment between the branches of KEGOC and Batys Transit, Tengizchevroil LLP, Caspian Pipe-line Consortium-K LLP, PetroKazakhstan Kumkol

Resources JSC, JV Kazgermunai LLP, Kazakhstan-China Pipeline LLP, Kazakh-French Joint Venture Katko LLP for a total amount of KZT 303,250,157.19 inclusive of VAT.

In accordance with the Corporate Governance Code only independent directors took part in the discussion and voting on these issues.

In 2021, Management Board of KEGOC made decisions to conclude twenty-nine (29) non-arm's length transaction including the lease of temporarily available premises to organizations of the Samruk-Kazyna group of companies, and the management of the operational and maintenance of equipment to the total amount of KZT 57,991,228.7 (inclusive of VAT).

2-15

Management Assessment and Remuneration

IN ACCORDANCE WITH THE RULES ON ASSESSMENT OF PERFORMANCE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES, THE CHAIRMAN, MEMBERS OF THE BOARD OF DIRECTORS AND THE CORPORATE SECRETARY OF KEGOC, THE BOARD OF DIRECTORS PERFORMANCE IS ASSESSED ONCE A YEAR BY THE BOARD OF DIRECTORS ITSELF AND AT LEAST ONCE IN THREE YEARS WITH THE INVOLVEMENT OF AN INDEPENDENT PARTY. THE ASSESSMENT (SELF-ASSESSMENT OR WITH THE INVOLVEMENT OF AN INDEPENDENT PARTY) IS CARRIED OUT ON THE BASIS OF THE CORPORATE GOVERNANCE DIAGNOSTICS METHODOLOGY DEVELOPED BY SAMRUK-KAZYNA. THIS METHODOLOGY PROVIDES CRITERIA FOR ASSESSING THE ROLE OF THE BOARD OF DIRECTORS IN DETERMINING THE STRATEGY, RISK MANAGEMENT, PERFORMANCE MANAGEMENT AND INFLUENCE ON ALL KEY BUSINESS DECISIONS, INCLUDING PROMOTION OF THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT:

- define the importance of the principles of sustainable development for the Company and ensure effective communication with all stakeholders;
- ensure that the sustainability activities are clearly linked to the Company's strategic goals;
- approve, monitor and obtain reports on expenditures incurred with respect to sustainability activities;
- monitor the implementation of the sustainability programme throughout the Group.

In 2021, Samruk-Kazyna with involvement of independent consultants PricewaterhouseCoopers LLP carried out an independent diagnostic of corporate governance.

Based on the results of independent diagnostics in 2021, a number of recommendations were received to improve efficiency of the Board of Directors and its committees, including in the processes of management and supervision of implementation of the Development Strategy, sustainable development and human resources policy. These recommendations are taken into account in the 2022-2024 corporate governance improvement plan.

2-18

In accordance with the Rules for remuneration and reimbursement of expenses to the members of KEGOC Board of Directors approved by the General Meeting of Shareholders, the Directors' remuneration consists of two parts: annual fixed remuneration and additional remuneration for chairmanship or participation in the meetings in praesentia of the committees of the Board of Directors based on the decision of the General Meeting of Shareholders. In accordance with the decision of the General Meeting of Shareholders dated 26 June 2020, payments of additional remuneration to directors for participation in meetings in praesentia of the committees of the Board of Directors are excluded.

The Director is compensated for the expenses associated with his/her travel to meetings of the Board of Directors,

committees of the Board of Directors and the meetings held beyond the place of permanent residence of the independent director: transport including transfer, accommodation, daily allowance, telephone services (except mobile) in Kazakhstan, documents scan, copy, fax, print, type services, access to the internet in Kazakhstan, courier and mail services.

In accordance with the KEGOC Corporate Governance Code, none of the members of the Board of Directors in 2021 took part in making decisions related to his/her own remuneration.

2-20

The remuneration system for the Chairman and the members of the Management Board includes a salary and a year-end bonus. A year-end bonus in KEGOC is paid within the limits of cash assets provided in the budget of KEGOC upon approval of the results of the financial and economic performance based on the audited financial statements. The payment of remuneration is mainly conditioned by the consolidated total income available for the reporting period.

The performance of the Chairman and members of the Management Board is assessed using the motivational key performance indicators for the short-term and long-term periods, which are developed through KEGOC strategic goals cascading by specific indicators on business processes/areas of KEGOC operations in the form of KPI maps for each member of KEGOC Management Board. Motivational KPIs for the short-term period are divided into corporate and functional KPIs.

Corporate KPIs and KPIs of executive employees are approved by KEGOC's Board of Directors. Thus, on 15 December 2020 KEGOC's Board of Directors approved corporate KPIs of the Management Board members and their target values for 2021.

Main motivational KPIs

Strategic goal 1		Strategic goal 2		Strategic goal 3	
WWP	▲	EBITDA	▲	Corporate governance rating	▲
Technical electricity losses from electricity delivered to the grid, %	▼	Net Asset Value (NAV)	▲	Implementation of activities of the Corporate Governance Improvement Plan	▲
Number of technical disturbances on the transmission line	▼	Achievement of target values of financial stability indicators	▲	Kazakh content in the procured goods, works and services	▲
Energy Not Supplied (ENS)	▼				
Introduction of WAMS/WACS	▲				

The right to remuneration for the reporting period results was owned by the members of the Management Board who actually worked during the reporting period not less than five (5) months, based on the approved KPIs for the reporting period.

Corporate KPIs and executive KPIs are monitored periodically during the year. After the end of the reporting year, the actual KPIs of all levels are calculated.

At the end of 2021, the target values of the corporate KPIs were achieved.

In 2021, there were no facts of refusals or agreements to refuse remuneration or future remuneration by members of the Board of Directors. Thus, the remuneration of

key management personnel (members of the Board of Directors and the Management Board) and all other expenses related to them (taxes, deductions, sick pay, vacation pay, financial aid, etc.) included in salary expenses in the audited consolidated financial statements amounted to KZT 313.9 million for the year ended 31 December 2021. 2-19

PLANS ON CORPORATE GOVERNANCE DEVELOPMENT

In order to improve KEGOC’s corporate governance the Company will continue to make efforts to:

- improve the effectiveness of the Board of Directors and the Management Board by optimal scheduling

- meetings, improving the quality of meeting materials, even greater involvement of the Board of Directors and committees in transaction and investment monitoring, and sustainable development;
- improve the risk management and internal control system by increasing the risk culture and training of employees, effective planning of IAS activities by coordinating the activities between the second line of defence units and IAS;
- increase effectiveness on sustainable development through effective policies of the Company in three areas: economic, environmental and social, further improvement of the occupational safety system, and compliance with business ethics;
- increase transparency by revising the content and design of the corporate website, taking into account the opinions of stakeholders in disclosing the Company’s activities, and improving the corporate reporting.

CORPORATE ETHICS

Corporate ethics is a key element in uniting our employees.

The purpose of the corporate ethics is to regulate the relations of employees within a common team and is formed on the basis of generally accepted human values:

- competence and professionalism (the Company’s employees having quality education, work experience, decision-making skills, striving to improve their professional level);
- honesty and integrity (an important aspect in the organization’s activities, in preserving its business reputation and eliminating conflicts between personal interests and professional activities);
- responsibility as a guarantee of the quality of the Company’s activities;

- respect for the individual (every employee of the Company has the right to fair and just treatment regardless of race, language, political and religious beliefs, gender, ethnic and cultural background);
- safety, which is characterized by the desire to maintain commercial secret and ensure non-harmful and non-hazardous working conditions.

The Code of Conduct (Business Ethics Code), which is a set of practical rules to be followed by each employee in daily activities, is mandatory for all employees of the Company, including senior executives. The Code of Conduct was developed on the basis of generally accepted standards of corporate ethics and business conduct and documents defining best corporate governance practices. The Code of Conduct applies to all structural divisions and branches of the Company. All employees of the Company, including officers, study the provisions of the Code of Conduct via the Ombudsman on a regular basis, when employed and in case of amendments to the Code. 2-23

The Ombudsman of the Company continues to work, which is accountable to the Board of Directors, one of the tasks of the Ombudsman is to ensure compliance with the Code of Conduct by officers and employees of KEGOC and, if necessary, explain the Code provisions. The basic principles of the Ombudsman work are independence, neutrality and impartiality, confidentiality and informality.

The procedure for consideration of employees’ appeals is regulated by the Regulations on the KEGOC Ombudsman, according to which the Ombudsman has the right to request and receive information, materials and explanations necessary for consideration of the appeal from employees, officers, the IAS head and the Compliance Officer in accordance with the established procedure. Having accepted the appeal for consideration, within five working days the Ombudsman clarifies the ways and means that the applicant is entitled to use

to protect his/her rights and/or eliminate violations of business ethics, and/or the decisions or actions (inactions) taken in violation of business ethics standards. The Ombudsman is also obliged to forward the complaint to the bodies of the Company that are authorised to resolve such complaints.

In 2021, the Ombudsman visited Yuzhnye, Sarbaiskiye, Almatinskiye (together with the Chairman of the Board of EnergoTekhProfSoyuz NGO), Aktyubinskiye and Zapadnye MES to meet with the employees. The employees were informed about the goals and objectives of the Code of Conduct, the main provisions of the Labour Code of the Republic of Kazakhstan and the Collective Bargaining Agreement, the communication channels (telephone numbers of the hotline, the Nysana call centre, the Ombudsman), the obligations of the Company's employees and consequences of non-compliance with the Code of Conduct (Business Ethics Code) were clarified. The Ombudsman held a personal meeting with those who wished to.

The Company's employees are regularly explained the Company's internal regulatory documents and procedures in order to prevent and avoid potential conflicts.

In 2021, KEGOC's Ombudsman received eight appeals, including the Nysana call centre and personal meeting appeals during visits to branches. Each appeal was answered in accordance with the procedure established by the laws of the Republic of Kazakhstan. The appeals raised issues of social and labour relations (the procedure for granting leave, wage issues, etc.).

No violations of human rights were found, and there were no cases of suits filed by the Company's employees in 2021 regarding non-compliance with the labour legislation.

The Ombudsman informs the Board of Directors about all appeals and measures taken in response to such appeals as part of quarterly reports.

2-16, 2-24, 2-26

ANTI-CORRUPTION

KEGOC adheres to the policy of zero tolerance for corruption in all its manifestations in cooperation with all stakeholders and for concealment of corruption offences. The Company excludes all forms of bribery, including offers or benefits in the form of money, valuables, gifts and other property or services of a material, physical or moral nature. The Company does not offer or accept hospitality or gifts that may further entail any obligation of the parties. Officers and employees involved in corruption shall be dismissed and held accountable in accordance with the procedure stipulated by Kazakhstan laws.

KEGOC, in its daily operations, complies with the anti-corruption laws and takes maximum organizational and practical steps aimed at uncompromising anti-corruption in all its forms and manifestations.

In particular, the Board of Directors approved the Anti-Corruption and Anti-Fraud Policy and the Proactive Whistle-Blower Policy. All employees of the Company are familiar with these anti-corruption standards. The Company's officers accept anti-corruption restrictions by signing commitments to comply with anti-corruption legislation. Work is being done to comply with the Algorithm of Actions to implement the institute of dismissal and bringing managers to responsibility for corruption-related offences committed by their subordinates.

Forming the anti-corruption culture and intolerance to corrupt practices, KEGOC pays great attention to proactive and preventive work aimed at reducing corruption risks. Thus, in 2021, the Compliance Officer

carried out explanatory work in the course of meetings with employees to develop the culture of intolerance to corruption in the Company, ensure the required level of awareness of employees about the compliance policy, anti-corruption trainings were conducted clarifying the provisions of the legislation on anti-corruption issues.

Work was carried out to comply with the Algorithm of Actions to implement the institute of dismissal and bringing managers to responsibility for corruption-related offences committed by their subordinates.

Samruk-Kazyna organized a hotline for stakeholders of portfolio companies, including KEGOC. All KEGOC stakeholders may report their concerns regarding actual or alleged violations of the law, regulatory requirements, as well as internal policies and procedures on corruption and ethics. They can do it by sending a confidential and anonymous message. Their confidentiality and anonymity are guaranteed, and 100 % reported cases are considered. The hotline is open 24 hours a day, 7 days a week.

KEGOC's hotline in 2021 received six appeals. All complaints were thoroughly investigated: the facts stated in the appeals were not confirmed. The Compliance Officer shall inform the Board of Directors about all appeals and measures taken in response to such appeals as part of quarterly reports.

2-16, 2-26

Internal Audit Service

2-26

THE INTERNAL AUDIT SERVICE (HEREINAFTER REFERRED TO AS THE IAS) WAS ESTABLISHED BY THE DECISION OF THE KEGOC BOARD OF DIRECTORS IN 2006. AS OF 31 DECEMBER 2021, THE APPROVED STAFF OF THE IAS WAS EIGHT PERSONS, AND THERE WAS A VACANCY FOR AN AUDITOR OF THE OPERATIONAL AND FINANCIAL AUDIT DEPARTMENT.

The mission of the Service is to provide necessary support to the Board of Directors and executive body in performance of their duties to achieve the strategic objectives of the Company. The main objective of the Service is to provide the Board of Directors with independent and objective information needed to secure efficient management of the Company by introducing the system approach to improvement of the risk management, internal control and corporate governance systems.

During 2021 the Service activities were regulated by the following documents:

- international professional standards of internal audit;
- the Code of Ethics of the Institute of Internal Auditors;
- the Regulations on the Internal Audit Service at KEGOC as approved by the Board of Directors of KEGOC;
- the Rules of the Internal Audit Management at KEGOC as approved by the Board of Directors of KEGOC;
- job descriptions for the Service employees as approved by the Chairman of the Board of Directors of KEGOC.

All audit engagements were planned with respect to the mission and the main objective of the Service. The risk-based approach was used to plan the internal audit, i.e., the priority was given to the business processes that are most vulnerable to negative events.

The IAS Annual Audit Plan for 2021 is approved by KEGOC's Board of Directors decision dated 15 December 2020 (Minutes No. 13). The plan provides for execution of 15 engagements. Subjects of audit assignments, performed by the Service in accordance with the Annual Audit Plan for 2021, covered due diligence of the Company branches, audit of business processes on planning, development and management of supply chains, audit of HR processes, audit of IT infrastructure and IT projects of the transformation program, audit of monitoring and write-off of inventories, audit of investment program formation and monitoring, audit of risk management and internal control systems, analysis of the results of Energolnform's corporate governance diagnostics conducted by IAS. All engagements are performed.

According to the results of assignments completed in 2021, the Service provided 104 recommendations to the Company, of which 6 recommendations were implemented by the audited entities and 98 recommendations are in the process of implementation. The audited entities together with the Service prepared the Corrective Action Plans. Every quarter the Service monitors the execution of the issued recommendations.

External Auditor

THE AUDITOR TO AUDIT THE FINANCIAL STATEMENTS OF KEGOC GROUP OF COMPANIES WAS SELECTED ACCORDING TO THE RULES FOR SELECTION OF AN AUDITOR FOR SAMRUK-KAZYNA JSC AND ORGANIZATIONS, MORE THAN FIFTY PERCENT OF VOTING SHARES (PARTICIPATORY SHARES) OF WHICH ARE DIRECTLY OR INDIRECTLY OWNED BY SAMRUK-KAZYNA JSC UNDER THE RIGHT OF OWNERSHIP OR TRUST MANAGEMENT, AND BASED ON THE DECISION OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF KEGOC (MINUTES NO. 22 DATED 31 MAY 2021). A LONG-TERM CONTRACT WAS CONCLUDED WITH RSM QAZAQSTAN LLP, AN INDEPENDENT AUDIT ORGANIZATION, A MEMBER OF THE PROFESSIONAL ORGANIZATION OF THE CHAMBER OF AUDITORS OF THE REPUBLIC OF KAZAKHSTAN. THE AMOUNT OF REMUNERATION FOR AUDIT SERVICES OF THE FINANCIAL STATEMENTS FOR THE YEARS 2021–2023 IS KZT 116.22 MILLION, INCLUDING VAT, THIS INCLUDES KZT 35.98 MILLION FOR 2021, KZT 38.55 MILLION FOR 2022 AND KZT 41.69 MILLION FOR 2023.

For the purpose of preserving the independence and according to the External Audit Policy of KEGOC, if one audit organization carries out an audit during five successive years, the audit partner shall be changed. RSM Qazaqstan LLP did not provide non-audit services to KEGOC in 2021.



HUMAN RESOURCES

The human resources are the most important strategic factor for the Company's development success



85%

Social stability rating



8.22%

Personnel turnover



0.15

LTIFR



HR Policy

THE HUMAN RESOURCES OF KEGOC ARE THE MOST IMPORTANT STRATEGIC FACTOR FOR THE COMPANY'S DEVELOPMENT SUCCESS. KEGOC MANAGES ITS HUMAN RESOURCES BASED ON THE PRINCIPLES OF THE CORPORATE GOVERNANCE CODE, CODE OF CONDUCT (BUSINESS ETHICS CODE), THE INTEGRATED MANAGEMENT SYSTEM, HR POLICY AND INTERNAL DOCUMENTS RELATING TO KEGOC'S HR MOTIVATION.

KEGOC's HR Policy is aimed at the formation of human potential as the most important intellectual and professional resource that ensures the implementation of the Development Strategy of KEGOC through the effective corporate culture focused on achieving high results and meritocracy.

The HR policy is based on Samruk-Kazyna and KEGOC Development Strategies, Samruk-Kazyna's HR Concept, Samruk-Kazyna group's Corporate Standard for HR Management, Samruk-Kazyna group's Corporate Standard for HR Planning and the Reference Model for HR Management for Samruk-Kazyna's portfolio companies.

The HR policy is a strategic document relating to human resources management, which supports KEGOC's Development Strategy implementing the following main strategic goals:

1. ensure reliable operation of the unified power system of Kazakhstan;

2. ensure KEGOC's efficient operations;
3. improve corporate governance and sustainability.

To implement the Development Strategy of KEGOC, the HR Policy's objectives are to:

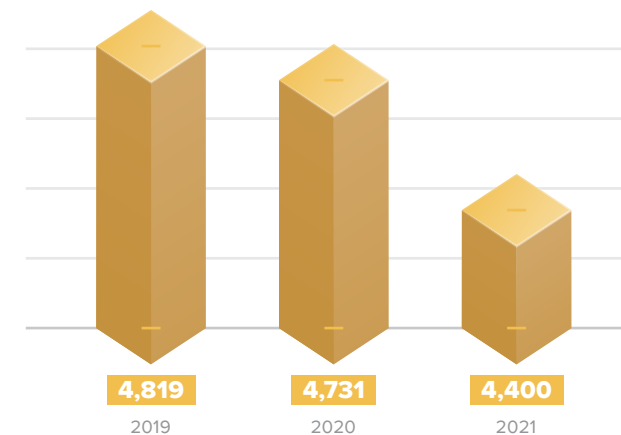
- ensure the commitment to the principles of meritocracy, including recruitment, training and development, assessment of employee performance and remuneration management;
- develop target corporate culture;
- improve talent pool management and career planning system;
- regulate social and labour relations contributing to the Company's successful operation;
- comply with the succession policy and knowledge transfer;
- train specialists on the application of digital technologies.

Staff listing of the Company's employees (including affiliates) as of 31 December 2020 was 4,400 people.

2-7

KEGOC protects and respects the internationally proclaimed human rights and the rights envisaged by the Constitution of the Republic of Kazakhstan. In 2021, there were no cases of human rights abuses, or discrimination in respect of gender, language, race, religion, sexual orientation or gender identity at KEGOC. KEGOC's operations do not use child or forced labour.

Manpower

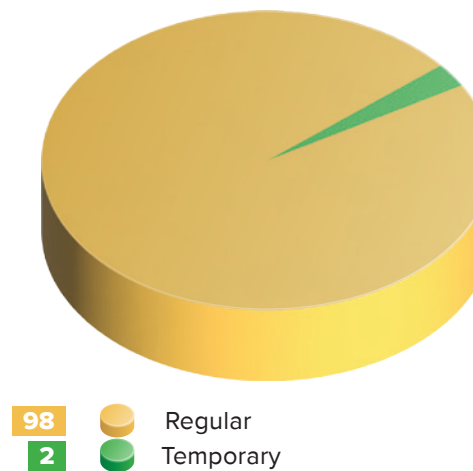


employees

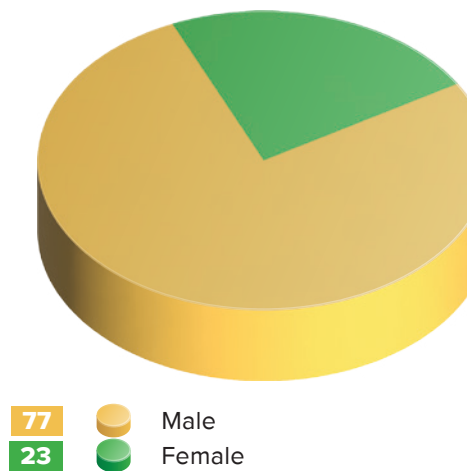
Employee structure by categories



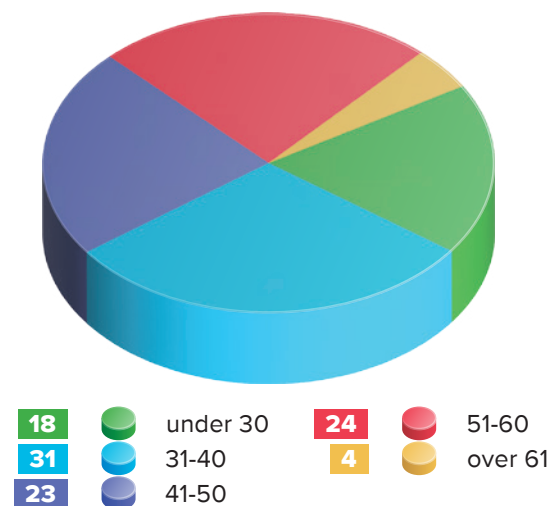
Structure of employees by employment



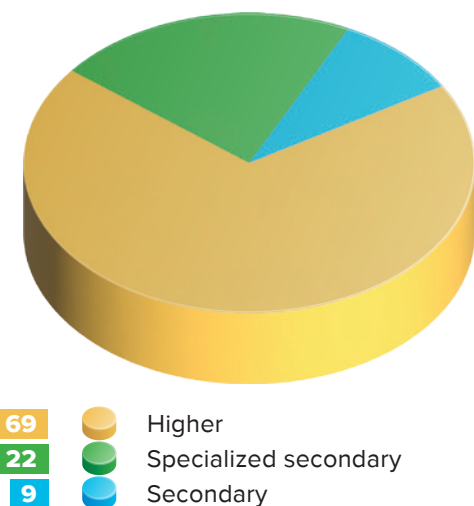
Structure of employees by gender



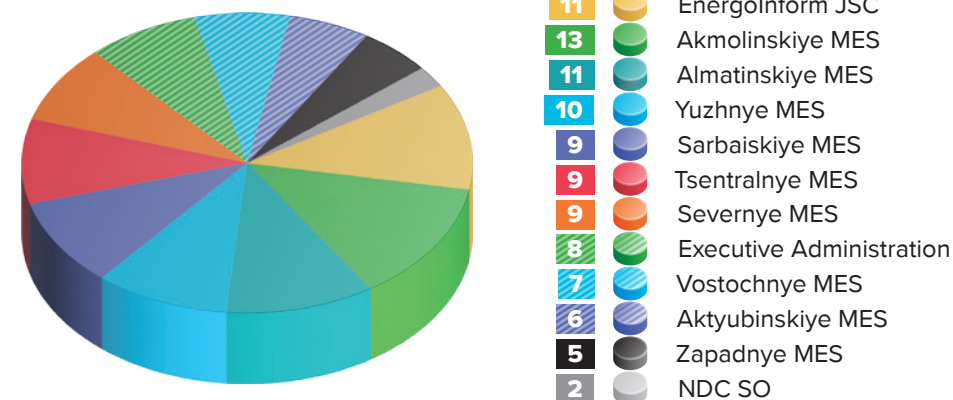
Employee structure by age



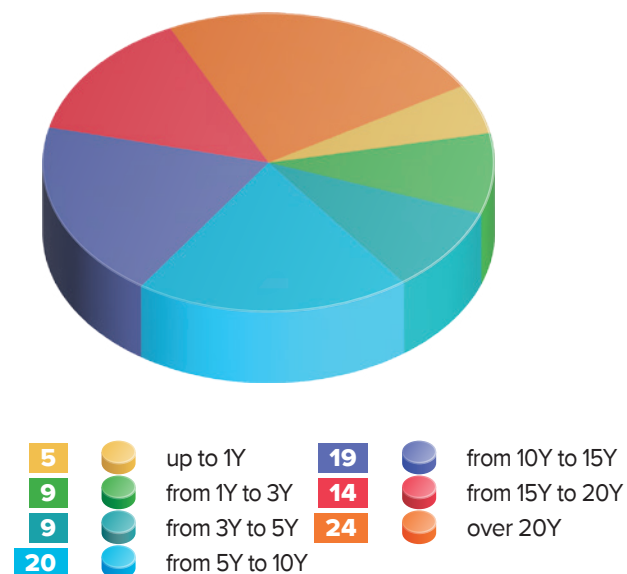
Employee structure by education



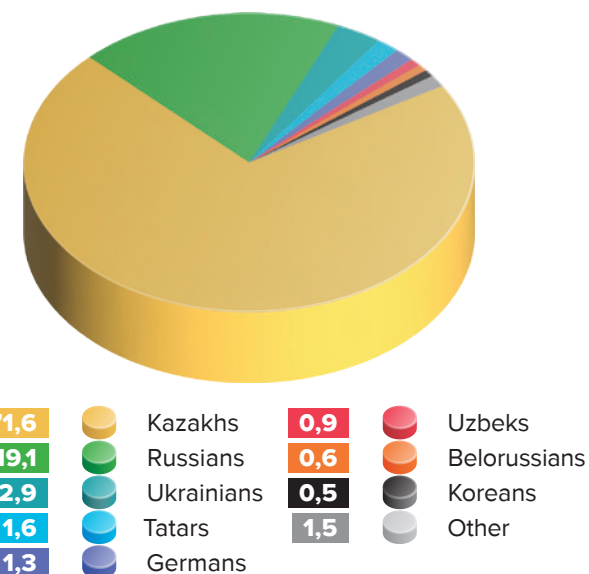
Employee structure by regions



Employee structure by length of service



Structure of employees by ethnic origin



PERSONNEL STRUCTURE

	Indicator	Total	Proportion, %	AMP	OP	Senior executives	Share in management, %
Staff listing		4,400	100	658	3,742	632	100.0
Gender	Men	3,377	76.8	254	3,123	562	88.9
	Women	1,023	23.2	404	619	70	11.1
Groups by ethnic origin	Kazakhs	3,151	71.6	564	2,587	451	71.4
	Russians	839	19.1	61	778	125	19.8
	Ukrainians	130	3.0	6	124	18	2.8
	Tatars	69	1.6	8	61	12	1.9
	Germans	59	1.3	5	53	7	1.1
	Other	152	3.5	14	139	19	3.0
Age groups	under 30	783	17.8	72	711	47	7.4
	From 30 to 50	2,380	54.1	441	1,939	360	57.0
	over 50	1,237	28.1	145	1,092	225	35.6

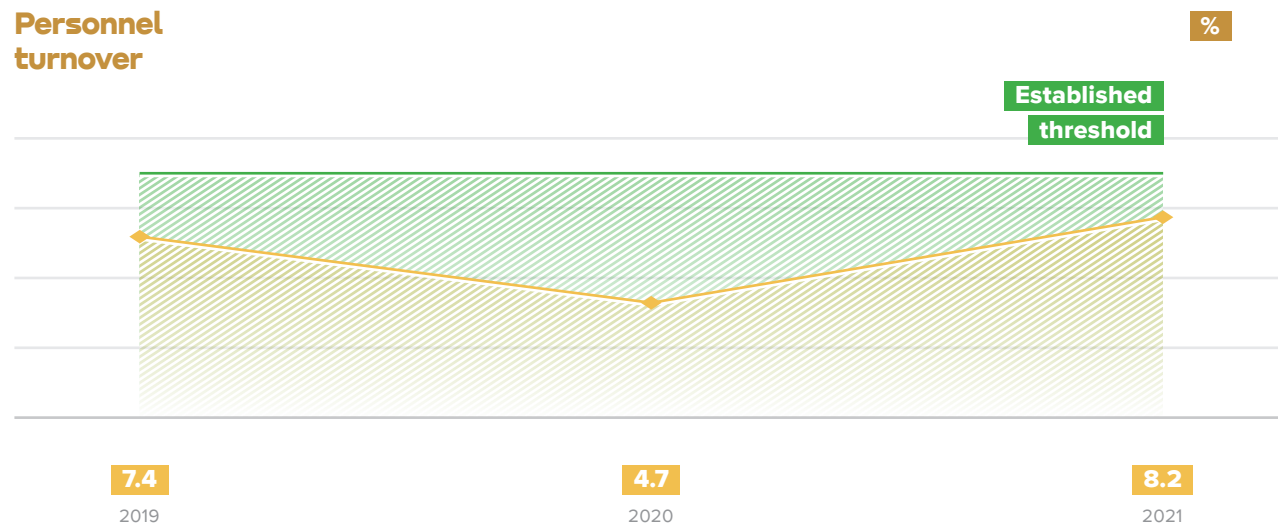
RECRUITMENT POLICY

One of the Company's HR policy principles is openness and transparency using meritocracy principles through clear and transparent selection criteria based on requirements for position and competence model, compliance with competition procedures, feasibility of made decisions, application of position-relevant candidates evaluation methods allowing impersonal decision-making in terms of hiring, non-discrimination, professional, open and respectful treatment of all candidates. Internal candidates have a priority based on succession and talent pool management.

KEGOC ensures equal opportunities for all candidates irrespective of their ethnic origin or race, gender, age, social and family status or other distinctive characteristics.

The total share of senior management (members of KEGOC's Board of Directors and Management Board) hired from the local population (citizens of the Republic of Kazakhstan) as of 31 December 2021 is 90.9 %.

Personnel turnover

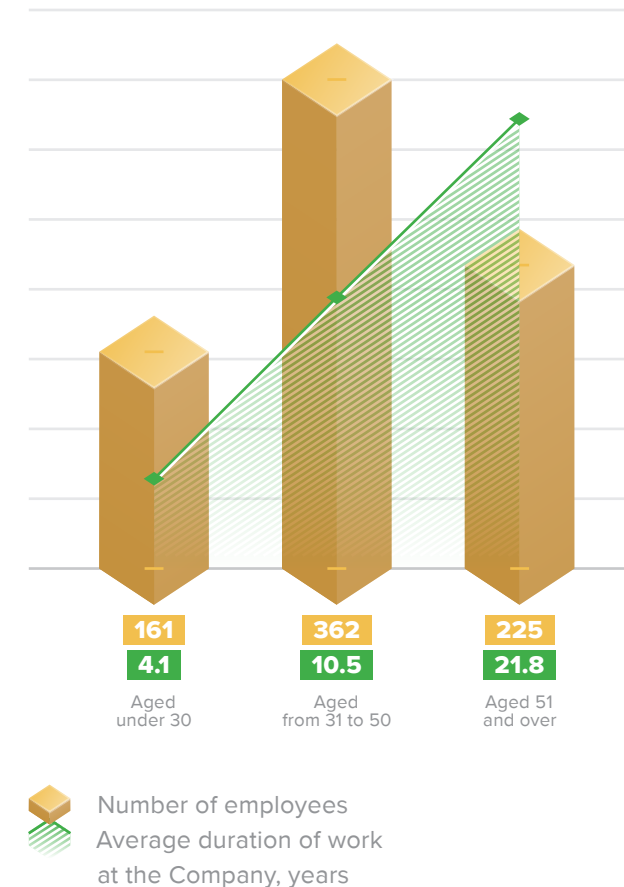


The final value of staff turnover at KEGOC for 2021 was 8.22%, with the threshold value "not higher than 10%". The staff turnover was 7.97% among men and 9.08%

among women. Average work duration of male employees quit KEGOC in 2021 was 14.8 years (438 employees), and female employees 12.9 years (310 employees).

401-1

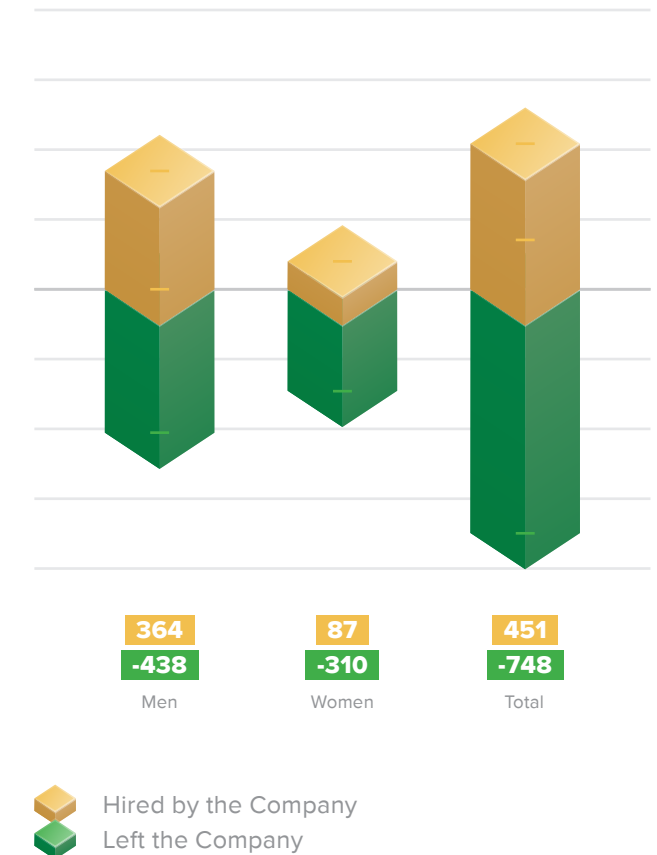
Work duration of employees quit KEGOC in 2021



Number of employees
Average duration of work at the Company, years

Personnel Dynamics in 2021

employees



Hired by the Company
Left the Company

401-1

Employees eligible to retire in the future as of the end of 2021, % of the headcount

EU15

Indicator	Total	AMP	OP
Eligible to retire within 2021–2025 (within the next 5 years)	11.9%	6.08%	11.97%
Eligible to retire within 2021–2030 (within the next 10 years)	20.98%	11.85%	22.58%

INCENTIVES SYSTEM

Labour compensation is made to the Company's employees in accordance with the laws of the Republic of Kazakhstan, the Collective Bargaining Agreement, employment contracts, internal labour compensation and bonus payment documents.

Since 1 July 2021, the salaries/tariff rates have increased by an average of 6% following the performance results of the Company's employees.

KEGOC's labour compensation system

Material remuneration		Non-material remuneration
Basic part	Variable part	Social support to employees
(wages, premiums and increments)	(performance bonuses, one-time bonuses, remuneration of executive and administrative personnel)	

The Company provides equal remuneration for men and women, and a single approach in calculating labour payments for men and women in KEGOC's branches

located in every region of the country. KEGOC employees' salaries in 2021 exceeded the minimum wage established in Kazakhstan.

Ratio of entry level standard wages of KEGOC's employees to the minimum wage established in Kazakhstan for 2020

Minimum wage in the Republic of Kazakhstan in 2021, KZT	Minimum wage in KEGOC* in 2021, KZT	Deviation, %
42,500*	65,500**	152.5%

* The minimum wage established since 1 January 2021 according to Kazakhstan Law on National Budget for 2021–2023 No. 379-VI dated 2 December 2020.

** The minimum wage implies a salary of EnergoInform's watchman.

Average industrial wage in the Republic of Kazakhstan in 2021, KZT	Average wage level in KEGOC* in 2021, KZT	Deviation, %
364,823*	415,949**	114.0%

* According to the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan.

** KEGOC's average monthly wage for 2021.

SOCIAL PROTECTION TO EMPLOYEES

The Company's social support activity with regard to its employees is regulated by the following internal documents:

- Collective Bargaining Agreement;
- KEGOC's HR policy for 2018-2028;
- Rules on social support for employees;
- Rules of reward and recognition of merits of employees.

According to these documents the following types of social support for KEGOC employees are provided:

1. financial assistance;
2. compensation payments;
3. assistance in housing issues.

The above policies apply to all employees of the Company, including temporary and part-time employees.

401-2

To create favourable conditions for effective work, raise loyalty, KEGOC provides a social support to the company's employees: the recreation payment when granting the paid annual leave, on the anniversary date and the birth of child, due to the death of an employee or an employee's family members and the pensioner registered with KEGOC, to pay for the medical treatment of an employee and children – disabled, disabled from childhood irrespective of the group of physical inability and age.

KEGOC also pays the maternity leave, the leave to the employees adopted a newborn child (children) with

average salary pay less social payment for loss of income caused by the maternity, adoption of newborn child (children) paid in accordance with the laws of the Republic of Kazakhstan on mandatory social insurance.

In addition, in accordance with the Labour Code of the Republic of Kazakhstan, the Company grants leave without pay to an employee to care for a child until the child reaches the age of three years: at the choice of the parents – the mother or the father of the child; the parent raising the child alone; another relative actually raising the child without parental care or guardian; the employee who has adopted a newborn child (children). The employee may use the leave to care for a child until the child reaches the age of three years in full or in parts. The employee retains his/her job (position) for the period of the leave. In case of returning to work before the expiry of the leave until the child reaches the age of three years, the employee notifies the employer of his/her intention one month prior to the start of work. Thus, in 2021 such leave was granted to 60 employees of the Company (2 men and 58 women). Twenty-four women returned from maternity leave in 2021.

401-3

KEGOC assists its employees in housing matters within the limits of the funds allocated for this purpose in the annually approved income and expenditure budget.

Employees of retirement age are compensated upon their retirement, and the one-time material assistance

is provided annually on the professional holiday Power Engineers' Day to the pensioners registered with the Company. **3-3, 401**

In 2021, the Company assisted in accommodation issues for 123 employees through partial repayment of rent costs to the amount of KZT 121.7 million.

Based on the work results in 2021, 223 employees of KEGOC were rewarded with state and industry awards for special merits.

Funds allocated to social support for the Company's employees in 2021 amounted to more than KZT 374.2 million, including financial aid for anniversaries, medical treatment, funeral expenses, etc.

One of the key indicators of KEGOC's HR policy is the personnel engagement index (based on the results of employee questionnaire survey and on-line questionnaire for administrative and managerial personnel) and the social stability index determined among operational personnel. In 2021, the social stability and personnel engagement level was 85%, which on the whole indicates favourable social environment and successful social policy implemented in the Company. **3-3, 401**

HR DEVELOPMENT

KEGOC attaches great importance to the process of training and development of personnel and is guided by the following principles:

- effectiveness of training and focus on performance and addressing specific tasks that increase the efficiency of the Company;
- forward-looking nature of training and development supporting the Company's strategic development goals;

- expediency – the choice of training programs corresponds to the goals and objectives set for the employees;
- integrity of the development system, continuity and systematic training.

The following main types of personnel training are used at KEGOC to ensure continuity in the process:

- self-education;
- in-service training;
- short-time off-job training at the advanced training courses of the specialized training centres. **3-3, 401**

The staff training was conducted using the full range of modern teaching methods: business workshops, seminars, trainings, internships, advanced training, vocational training and retraining programs, forums and conferences. In the reporting year, 2,113 employees were trained, which is 54.18% of the headcount. KEGOC's actual training costs in 2021 amounted to KZT 116.8 million or 35.9 % of the plan, which is 21.1 % lower than in 2020.

Average training hours for one employee was 22.3 hours, including AMP – 21.5 hours, and OP – 22.4 hours per year.

Average training hours for one male employee – 21.9, one female employee – 25.5 hours.

The total training hours came to 94,198.0 including 82,879.0 hours for male employees, 11,319.0 hours for female employees; 12,526.0 hours for AMP and 81,672.0 hours for OP. **401-1**

To increase the level of professional knowledge and skills of young operating specialists, assist in their professional development, preserve competence of experienced operating employees, adapt to corporate culture, traditions and rules of conduct, the coaching system is introduced and functions at KEGOC.

KEGOC systematically develops its talent pool: functional and management successors pools amounting to 255 people are approved.

STAFF ASSESSMENT

In order to improve the Company's performance by setting performance requirements, evaluating the achievement of results and providing employees with constructive feedback, staff performance assessment is carried out.

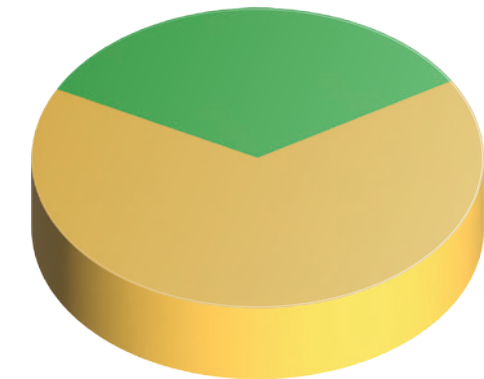
Employee performance assessment is based on the principles of meritocracy, carried out on an ongoing basis (quarterly, annually) and covers assessment by KPIs/goals and competencies (professionalism and potential). The assessment of employee performance also includes calibration against the Talent Distribution Map (nine-cell grid).

Depending on the outcome of the performance assessment, the following management and development decisions can be made:

- review of wage level;
- payment of bonuses/remuneration based on the results of quarter/year;
- considering an employee for enrolment in the talent pool;
- further development of the employee.

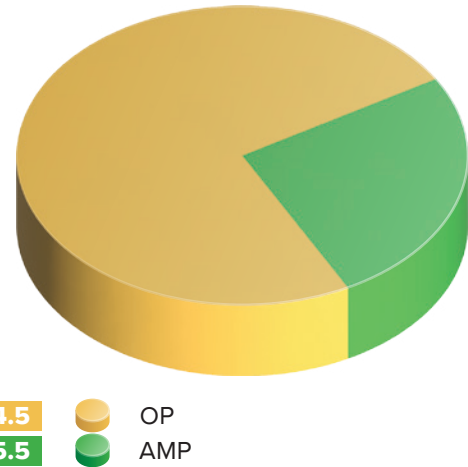
The number of KEGOC employees who underwent a comprehensive performance assessment of the Company's employees in 2021, based on the results of 2020, was 2,046, or 52.5% of the Company's headcount: 1,349 male and 697 female employees; 521 AMP and 1,525 OP employees. **404-3**

Gender structure of the certified %



65.9 Male
34.1 Female

Structure of the certified by categories



THE COLLECTIVE BARGAINING AGREEMENT AND THE ENERGETEKHPROFSOYUZ ACTIVITY

KEGOC supports freedom of association and recognizes the right of employees to conclude collective bargaining agreements.

The Collective Bargaining Agreement developed through participation of all the Company employees and concluded between KEGOC and its employees for 2021–2025 provides for the agreement joining procedures, issues of regulating labour order, including social leaves, labour payment, ensuring personnel safety and occupational health, granting social guarantees and compensations; it specifies measures on support of employees and development of human resources, health insurance and

entertainment and leisure events for the employees. It was amended in terms of supply of coveralls, safety boots and other personal protective equipment at the Company’s expense.

Also, it reflects the issues of social support for the veterans of the Great Patriotic War and equated persons and long-service power engineers registered in the Company.

The Collective Bargaining Agreement covers all employees of KEGOC (100 %) regardless of the type of employment.

403-4

According to the conditions of the Collective Bargaining Agreement the employer notifies an employee in writing of the changes in employment conditions no later than fifteen days in advance. The minimum period for notifying an employee of the employment contract termination as a result of reduction in the number of employees or staff size is envisaged by the Collective Bargaining Agreement of the Company and is one month in accordance with the Labour Code of the Republic of Kazakhstan.

2-30

In 2003, the Sectoral Trade Union of energy industry employee public association, EnergoTekhProfSoyuz, was established, with its main functions to:

- represent and protect labour and social rights and interests of its members and member organizations;
- assist in the social partnership system development at the sectoral level;
- act as social partnership party when concluding the sectoral agreement and collective bargaining agreement.

The Trade Union influences the labour payment conditions, bonus payments to employees and discipline including disciplinary penalties.

The Trade Union is intended to control the compliance with labour legislation, maintenance and implementation of guarantees and compensations, allowances, etc.

In 2020 and 2021, the EnergoTekhProfSoyuz took an active part in social initiatives and events aimed at supporting employees, including those related to the COVID-19 pandemic. Thus, it purchased protective equipment (antiseptics, protective masks), carried out treatment of premises, paid for testing of shift workers. During the year, the trade union members and pensioners received financial aid at their request for medical treatment, purchase of medicines, and compensation for sanatorium-resort vouchers and recreation at holiday homes.

The EnergoTekhProfSoyuz being a member of Kazakhstan trade unions federation Kazakhstan Confederation of Labour took active part in working groups on development of drafts of the General Agreement for 2021–2023, the Sectoral Agreement for 2022–2024, amendments and addenda to the Kazakhstan Labour Code, the Kazakhstan Trade Union Law.

VOLUNTEERING

KEGOC volunteers continue to participate in various volunteer activities across the country.

Taking into account the quarantine restrictions in 2021, a number of circumstances, such as high inflation rate, loss of relatives and friends due to illnesses in post-COVID period, the number of attended volunteer activities was reduced. However, the Company’s employees always give a helping hand in difficult situations to the country citizens, whenever possible. Meanwhile, all volunteer activities are held at the expense of raising own funds and funds of the EnergoTekhProfSoyuz.

KEGOC volunteers took part in an environmental urban greening programme together with the public utility ZelenStroy of the Rudny Akimat.

On the Victory Day (9 May), together with the EnergoTekhProfSoyuz, the volunteers provided 56 veterans of the Great Patriotic War and equated persons with food aid at locations of intersystem electric networks branches throughout all the cities of the country.

The Company’s employees provided charitable assistance to the Sudba family club for disabled children in Almaty presenting gifts for the Nauryz Meyramy holiday. In addition, they took part in the Donor Day capital campaign, which was held as part of the nationwide project Marathon of Good Deeds. This campaign was supported by the company employees across country regions. It should be noted that the Company has been regularly participating in the donor events since 2007.

On the eve of the Children Protection Day, at the competition titled Kazakhstan, My Beautiful Motherland, the employees gave presents in the form of school essentials to 47 children and participated in organizing and conducting the Saturday clean-up voluntary day as part of the Taza Kala campaign with 30 trees planted in Atyrau.

As part of the annual Run for Charity marathon the Ekibastuz children’s fund received material assistance.

The Company participated in the Samruk-Kazyna AYALA campaign on formation and delivery of food to 200 low-income families of Karaganda.

The Company’s employees supported by EnergoTekhProfSoyuz took part in the Road to School campaign under the Happy Childhood programme of the Zhurek Nury public fund, which covered children from low-income families in Shymkent, Almaty and Aktobe. The collected funds allowed buying basic necessities, as well as school goods such as stationery, uniform and shoes.

KEGOC volunteers traditionally participated in the implementation of the Bakytty Otbasy project and assisted in implementing the Let's Help Children Prepare for School campaign by buying 10 certificates for the purchase of necessities for children from low-income, large families, troubled families, orphans and children deprived of parental care in Nur-Sultan. Volunteers from the company's branches took part in a similar campaign, which covered more than 100 large and low-income families.

The Kurban Ait celebration provided annual charitable assistance to the women's madrasah in Nur-Sultan in the amount of KZT 300,000 and about 30 needy families of the employees of the Company's branch in Atyrau.

In addition, KEGOC's staff once again took part in the campaign dedicated to the Day of Older Persons, including the Care and Attention campaign visiting a nursing home in Aktobe. Samruk-Kazyna's Centre for Social Interaction and Communications together with portfolio companies held a campaign of assistance to veterans and war workers, timed to celebrate the International Day of Older Persons in Nur-Sultan. In total, volunteers formed and delivered 43 grocery bags to the addresses of residence.

As part of the Good Deeds Marathon, the Company's volunteers were engaged in landscaping the fences of houses, planting trees on garden plots and clearing snow from the yards of pensioners and veterans registered with KEGOC.

On the eve of the 30th anniversary of Kazakhstan Independence, an Open Day was held at the Company's branch substation for students of higher educational institutions in Ust-Kamenogorsk along with a big charitable event to raise funds for buying outerwear for 21 children in Nur-Sultan from large and troubled families having disabled children and orphans, deprived of parental care.

Occupational Health and Safety

THE COMPANY'S ABSOLUTE PRIORITY IS TO ENSURE OCCUPATIONAL HEALTH AND SAFETY. SAFE LABOUR CONDITIONS, LOW-LEVEL OF OPERATIONAL INJURIES, IMPROVED OPERATIONAL AND SANITARY-HOUSEHOLD AND LABOUR CONDITIONS OF THE EMPLOYEES, AS WELL AS LOW LEVEL IMPACT OF HARMFUL AND ADVERSE FACTORS ARE THE CONSTANT WORK CARRIED OUT AT THE COMPANY.

The Company has the Occupational Health and Safety Management System, which covers the activities of all the Company's structural divisions and subsidiaries and ensures the effectiveness and improvement of occupational health and safety performance and managing the relevant risks related to the specific nature of the Company's business. The annually formed occupational health and safety programme defines the necessary activities, costs and deadlines for their implementation. The Company has successfully implemented and passed certification for compliance with the international standard ISO 45001:2018. **403-1, 403-8**

In accordance with the requirements of the legislation of the Republic of Kazakhstan, KEGOC provides its employees with compulsory occupational injury insurance. In addition, life and health insurance for the Company's employees against accidents and non-occupational accidents (24/7), including the consequences of COVID-19, has been implemented.

In accordance with the requirements of the legislation of the Republic of Kazakhstan, each branch has established the Occupational Health and Safety Services whose tasks include carrying out organisational and technical measures on occupational health and safety, organising and implementing internal control on occupational health and safety, monitoring employees' compliance with the requirements of regulations on occupational health and safety, etc.

KEGOC and its branches, with the participation of representatives of employer and employees, on a parity basis, established the occupational health and safety councils to bring the employer and employees together to ensure health and safety at workplaces and appointed technical inspectors participating in inspections of conditions, safety and health at workplaces.

At least once a quarter, the council reviews employees' proposals for improving health and safety conditions and outlines measures to be taken by the employer and employees. **403-3, 403-4**

The risks to which workplaces are exposed are annually identified and assessed. This assessment results in the risk register and the list of significant occupational health and safety risks along with measures to reduce the risks.

Evaluation and analysis of hazards and risks, as well as their management are performed for setting occupational safety and health management objectives and achieving an acceptable level of impact of operation and business activities on environment and KEGOC employees.

The results of the evaluation and analysis of hazards and risks are input data for the development of target and planned indicators. The hazard and risk evaluation and analysis are based on classifiers of activities, hazards applicable to KEGOC operations taking into account the geographical location and climate, and includes:

- identification of hazards and risks on the basis of the classifiers;
- assessment of risks with existing management measures in place;
- identification of all additional risk management measures required;
- assessment of whether the risk management measures are sufficient to reduce the risk to an acceptable level.

After the identification of the impact factors to which the structural divisions' workplaces are exposed, a risk register is completed using the FMEA method. Based on the results of the evaluation, the lists of significant occupational safety and health risks are generated for KEGOC. Necessary measures are defined to reduce the level of risks, which are drawn up in the form of annual Programmes.

In accordance with the requirements of the legislation of the Republic of Kazakhstan the employees at least once every three years, undergo all types of compulsory training on occupational health and safety and qualification tests of knowledge of regulatory power industry acts. In 2021, additional training was held on international standard ISO 45001:2018 "Occupational Health and Safety Management Systems. Requirement and Guidance for Use", "Occupational Health and Safety". **403-2, 403-5**

Mandatory pre-shift medical examinations of employees engaged in heavy work and work in harmful and/or hazardous conditions, as well as pre- and post-shift medical examinations of drivers are carried out. There is also an annual periodic medical examination of personnel.

No occupational diseases were detected at the Company in 2021. **403-10**

The work on preventing the spread of coronavirus infection in KEGOC is continued in terms of vaccination of employees with the involvement of mobile field medical teams at the facilities of the Company, issuance to employees of medical masks and alcohol-based disinfectants for hand treatment. **403-6**

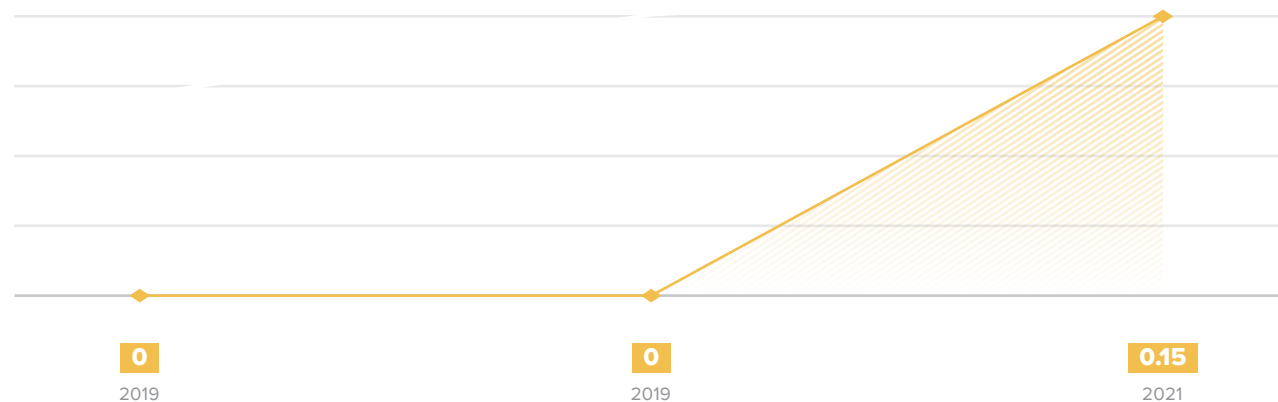
The established operational headquarters continuously monitor the situation and apply preventive measures depending on the epidemiological situation. **403-3**

In accordance with the laws of the Republic of Kazakhstan, in 2021 KEGOC provided its employees with compulsory occupational injury insurance and compulsory third-party liability insurance for owners of facilities, activity of which is associated with risk of causing damage to third parties.

KEGOC uses Lost Time Injury Frequency Rate (LTIFR), which includes work-related fatal accidents, to assess the safe working conditions. The LTIFR is the world's main indicator of companies' occupational safety and health performance. The indicator refers to the number of lost-time injuries (LTI) relative to the total number of hours worked for the Company (Work Hours, WH) for 1 million man-hours. In 2021, the LTIFR made 0.15 (0 – in 2020).

403-9

Lost time injury frequency rate (LTIFR)



In 2021, there was one (1) work-related accident of the Company's employee.

On 9 August 2021 at 500 kV Ulke substation of KEGOC's Aktyubinskiye MES branch, during maintenance of 10 kV BB 1, an employee approached unacceptably close to live parts and, as a result of electric arcing, got electric shock (hand burns of 1-2 degrees) that was not classified as severe injury. The employee proceeded to work less than two months after the injury.

Based on the results of the accident investigation, corrective measures were outlined to prevent similar accidents.

WORK WITH CONTRACTING ORGANIZATIONS

While works at KEGOC's facilities are being performed by contracting organizations the Company is responsible for ensuring safety of their workers. KEGOC's contracts with contracting organizations include obligations on full compliance with the requirements of Kazakhstan laws and KEGOC's internal documents on occupational health and safety when performing works and rendering services.

Kick-off meetings are held with contracting organizations representatives prior to the start of works. Work permit is carried out at the work place. Before being admitted to the workplace all employees of contracting organizations are provided with briefings. Particularly, the work supervisors are provided with the briefing on electrical installations circuits. Employees who have daily admittance are provided with a target safety training, which specifies security measures, hazardous and harmful occupational factors existing on the Company's site.

During works performance and services rendering at facilities, KEGOC carries out internal inspection on compliance of contracting organizations' personnel with the requirements of regulatory legal acts of the Republic of Kazakhstan and internal documents of KEGOC and assesses the contracting organizations' occupational health and safety performance. E.g., the occupational health and safety management system covered all employees of contracting organizations (100%) who worked on the Company's facilities.

403-7, 403-8, 403-9, EU17, EU18

EMERGENCIES AND ACCIDENTS RESPONSE ACTION PLAN

2-26

The Company has introduced the business continuity management system (hereinafter referred to as the BCM) that defines business processes/subprocesses requiring the BCM plans. In 2021, work was carried out to identify critical business processes/subprocesses of the Company for which the BCM plans were developed and tested, in particular, to provide technical dispatching services of the system operator, ensure occupational safety and equipment reliability, provide and support information and telecommunication services, manage information security incidents and carry out KEGOC activities in case of emergency.

The BCM plans are represented by Accident Response Plan for operational business processes, the Emergency Action Plans typical for the EA and its branches for large-scale emergencies and BCM plans for each critical business process for other activity areas.

The Accident Response Plan is the organizational reference document establishing the object, scope and sequence of actions performance in case of emergency and responsibility for the actions to be enabled and delivered. This plan is tested as regular emergency and firefighting trainings.

The Emergency Action Plan reflects actions to be taken at the threat of and on elimination of the consequences of an emergency including coronavirus infection counteracting actions, specifying the periods and duration of works

to be done. The most common emergency at the Company's facilities may be a fire caused by failure to keep up to fire-fighting measures or emergency situations. The Emergency Action Plan also includes actions to be taken at the threat of terrorist acts causing the death of people, significant property damage or other severe consequences. The Company puts into action communication plan, fire warning and extinguishing plan being a part of the Emergency Action Plan for the employees to be timely notified in case of emergency and the emergency to be eliminated.

The Company takes part in annual national command-staff exercises, delivers facility-based exercises and earthquake exercises (South, East, West) to check the readiness for possible emergency responses. These exercises verify the completeness of plans, coherence of civil defence divisions, action of forces and resources during emergency recovery works.

There were also monthly sessions in the EA structural divisions, ending at the end of the year with a test to consolidate the knowledge.

Company's Civil Defence and Emergency Actions in 2021

Description of the Action	Actually delivered
National command-staff exercises	2
Staff exercise	2
Facility-based exercises	2
Special tactical exercises with civil defence divisions	3
Earthquake exercises	4
Online national and oblast emergencies and civil defence training course	36



ENVIRONMENTAL PROTECTION

Environmental responsibility is a key principle of KEGOC Environmental Policy



16%

Reduction of gross emissions



4.392

million kWh

Reduction of electricity consumption



5.6%

Technical losses



ENVIRONMENTAL POLICY

KEGOC considers environmental activities as an integral part of its day-to-day operations. Environmental responsibility is a key principle of KEGOC Environmental Policy.

The goals of KEGOC Environmental Policy are to minimize adverse environmental impact, increase the level of environmental safety, take responsibility for environmental security of Kazakhstan NPG development, promote energy saving and rational use of environmental and energy resources in the Company's activities. KEGOC's management takes the responsibility for implementation of obligations taken in accordance with Environmental Policy on continuous improvement and pollution prevention, as well as obligation to meet applicable legislative and other requirements related to KEGOC in terms of its environmental aspects. All employees of the Company as well as employees of contractors working for the Company's interests shall review KEGOC's Environmental Policy. **2-23**

The Company implemented the environmental management system, which is certified for compliance with the requirements of international standard ISO 14001. The system operates as part of KEGOC's integrated management system. The main objective of its implementation and operation is to apply new management methods that would enhance the influence on the environmental aspects of the Company's operational and economic activities. The environmental aspects management is a component of the corporate risk management system in KEGOC.

For efficient management, KEGOC developed registers of environmental aspects for 2021. When identifying the aspects, all components of the environmental impact of the

Company's activities are analysed (energy saving, water, soil, emissions, waste). Activities to manage environmental aspects are specified in the Company's Environmental Programme for 2021. "Potential Polychlorinated Biphenyls polychlorinated biphenyl (PCB) containing waste", "transformer oil" and "waste transformer oil" were identified as critical environmental aspects in 2021. The "potential PCB-containing waste" aspect is critical due to the fact that the polychlorinated biphenyl is a dangerous substance according to the Environmental Code of the Republic of Kazakhstan (red hazard level). The "spent transformer oil" and "transformer oil" aspects are critical due to the existence of oil-filled equipment.

Financial or non-financial sanctions or fines for non-compliance with environmental laws and regulations were not imposed on KEGOC in 2021. **2-27**

No appeals were received by the Company in connection with the environmental impact.

AMBIENT AIR PROTECTION

According to the standards, the MES branches identified stationary sources of harmful emissions (both organized and unorganized emission sources). In order to monitor emissions from stationary sources, the MES branches conducted in 2021 the operational monitoring (monitoring of the operating process), namely, kept records of hours of operation for each item of equipment and consumption of materials. The environmental monitoring of operations conducted by the qualified organisations determine stationary resource emissions through calculations or laboratory measurements.

In 2021, the volume of gross emissions of contaminants from stationary sources amounted to 9.79 tonnes (the established standard being 11.63 tonnes).

Emissions from stationary sources in 2021

Name of KEGOC's MES branch	Emissions from stationary sources, t/y	
	Standard	Actual
Akmolinskiye MES	0.93	0.52
Aktyubinskiye MES	0.31	0.07
Almatinskiye MES	0.73	0.73
Vostochnye MES	1.42	2.38
Zapadnye MES	0.84	0.01
Sarbaiskiye MES	0.68	0.68
Severnye MES	1.23	0.15
Tsentralnye MES	5.18	5.18
Yuzhnye MES	0.30	0.09
Total	11.63	9.79

Thus, gross emissions from stationary sources (with regard to standard rate) dropped by 16%. The fact of the reduced emissions (Akmolinskiye MES, Aktyubinskiye MES, Almatinskiye MES, Zapadnye MES, Severnye MES and Yuzhnye MES branches) was supported by the findings of the environmental monitoring that was conducted by the specialized organisations.

According to the UN Framework Convention on Climate Change, Kyoto Protocol, Paris Agreement and environmental laws of the Republic of Kazakhstan, the MES branches made an inventory of greenhouse gases emitted as a result of the Company operations in 2020. Greenhouse gas emissions from stationary sources, and mobile sources equated to stationary sources were calculated. The 2020

reports on inventory of greenhouse gases were registered and sent to the territorial environment departments. **2-23**

In accordance with the Resolution of the Government of the Republic of Kazakhstan "On approval of the list of greenhouse gases subject to state regulation", the list includes carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and perfluorocarbons (PCFs). Following the results of inventory of greenhouse gases emitted by stationary sources, emissions amount to 138.02 tonne carbon dioxide equivalents a year (16.45 tonne less than in 2020), in this connection KEGOC does not fall within the requirements for greenhouse gas cap-and-trade according to the National Plan for Greenhouse Gas Quota Allocation for 2018–2020. **305-5**

Greenhouse gas emissions from stationary sources of KEGOC in 2021, tonnes

CO ₂	CH ₄ , tonne carbon dioxide equivalent	N ₂ O, tonne carbon dioxide equivalent	Total emissions in the tonne carbon dioxide equivalent
137.97	0.0016	0.04638	138.02

2-24, 305-7

The intensity of greenhouse gas emissions from stationary sources in 2021 was 0.0025 tonnes per 1 million kWh of electricity transmitted.

305-4

According to the Code of the Republic of Kazakhstan on taxes and other mandatory payments to the budget the emissions from mobile sources are not measured, the reports specify the amount of the used fuel. The vehicles were tested for toxicity and opacity of exhaust gas.

305-1

In 2021, the Company started to develop Carbon Footprint Reduction Programme until 2060. The reduction of KEGOC's own carbon footprint is subject to analysis and elaboration of further activities of the Programme. The issues of ensuring decarbonization of the economy through the development, integration of RES into the energy system of Kazakhstan are the strategic goals and objectives of the main activities of KEGOC as the System Operator and reflected in KEGOC's Development Strategy for 2022-2031.

During the Programme development the current situation is analysed and the main sources and indicators of direct and indirect CO₂ emissions (Scope 1 and 2) are identified, the main measures to reduce the carbon footprint of the Company in its operations are determined and the key indicators for monitoring of KEGOC carbon footprint reduction are identified.

The main tools in the implementation of KEGOC's climate ambitions are the measures in the short and medium term:

- organisation of information collection and monitoring process and possible reduction of fuel and energy resources consumed;
- energy saving and energy efficiency improvement;
- gradual increase of the share of green power purchase from RES for compensation of losses in KEGOC network.

Thus, the Programme specifies the indicators for achieving low-carbon development until 2031:

- for Scope 1 (direct emissions) – through gradual replacement of passenger cars with internal combustion engines with similar vehicles with electric motors to achieve 2% emission reduction by 2030;
- for Scope 2 (indirect emissions) – through gradual increase of the share of purchased green electricity from RES to compensate losses in KEGOC grid to reach 20% by 2031.

201-2, 305-2

The Company does not emit any ozone-depleting substances influencing the climate change.

305-6, EU5

WASTE MANAGEMENT

The waste products are generated in the course of operation, repair and rehabilitation of the SS equipment. Waste management in KEGOC is guided by the Environmental Code of the Republic of Kazakhstan and corporate standard "Waste management in KEGOC".

At KEGOC, all wastes are divided into dangerous and non-dangerous:

Waste Volume in KEGOC Divisions

Indicator, tonnes	2021
Dangerous waste	1,782.82
Non-dangerous waste	2,543.26
Total	4,326.09

The list of waste and their hazard level is updated as required.

The MES branches annually develop or amend the waste datasheets for each type of waste containing the description of waste production processes by their origin, quantitative and qualitative indicators, handling rules, monitoring techniques, environmental impact, waste producers information.

For safe handling of industrial and consumer wastes, MES branches defined the areas for temporary safe and separate waste storage, prepared schematic maps of waste disposal on the territory of facilities with the explication and ensure timely removal for the subsequent disposal.

The work on detection of PCBs in the equipment at KEGOC substations continued in 2021 was performed in accordance with the Law of the Republic of Kazakhstan

on Ratification of the Stockholm Convention on Persistent Organic Pollutants and Rules for handling of persistent organic pollutants and wastes containing such pollutants (approved by the order of the Minister of Environment Protection of the Republic of Kazakhstan). The MES branches updated the PCBs containing equipment registers; the registers were submitted to the territorial environmental authorities within the established deadlines.

In 2021, the planned and conducted laboratory analyses for the presence of PCBs in the oil-filled equipment of Akmolinskiye MES branch and Tsentralnye MES branch detected no PCB.

In 2021, the following was sent for recycling:

- Non-ferrous and ferrous scrap – 4,782.08 tonnes;
- Batteries – 18.60 tonnes;
- Used wire – 33.560 tonnes;
- Waste paper – 0.32 tonnes.

WATER IMPACT

The Company does not use water in its operational process. Water consumption by the Company is insignificant, so this has no material influence on used water sources. Water is consumed and discharged in accordance with contracts concluded by MES branches with specialized organisations. There are no discharges into water facilities and relief. Water is supplied from artesian wells at seven KEGOC branches; the wells are used according to obtained permissions. The specialised organisations are contracted to permanently monitor the ground water intake facilities in accordance with the Water Code of Kazakhstan.

Potential sources contaminating water and soil at the Company's facilities include transformer oil used in oil-filled equipment, as well as waste waters resulting from domestic use of water. Environmental friendliness is one of high-priority criteria for KEGOC to select an equipment. The Company smoothly replaces oil circuit breakers with SF6 and vacuum circuit breakers to reduce the volume of transformer oil used at substations of MES branches. The oil free equipment increases reliability and fire safety and excludes pollution of ground water and soil. Oil-filled equipment has oil receiving devices or oil soak pits that prevent oil from spilling on the soil. The containment of oil receiving devices is checked on regular basis.

ENVIRONMENTAL ACTIONS DURING INVESTMENT PROJECTS IMPLEMENTATION

The Company addresses the environmental issues in a comprehensive way when implementing projects, including investment projects. PESTEL analysis is used to analyse the risks of project implementation, including analysis of social and environmental risks. The results of the conducted environmental impact assessment are taken into account, and the option that does the least harm to the environment and human health is adopted. Identification and assessment of project risks are carried out on a regular basis and at all stages of project implementation. The impact on atmospheric air, surface and groundwater, landscapes, land resources and soil cover, biodiversity and more is estimated.

In order to manage the environmental risks, the design provides that the grid facilities must be arranged in the territories well removed from populated areas and designated conservation areas. OHTL routes mainly pass along steppes and semideserts. Should the OHTL cross the forest-steppe zone, the environmental impact assessment (EIA) is prepared to clean glades for the OHTL and take mitigation measures. For the purpose of transparency and availability of the environmental information on the Company's activities, the public hearings of draft EIAs are held.

ENERGY EFFICIENCY

The main objectives of energy saving and efficiency improvement at KEGOC is to reduce the consumption of fuel and power resources through reduction of auxiliary energy consumption by KEGOC facilities, reduction of process electricity loss while transmitting via the national power grid,

improvement of the methods used for monitoring of energy consumption, and provision of the Company's facilities with electricity meters and other devices for metering of fuel and power resources, organisation of the information acquisition processes based on the metering devices.

Consumption of Fuel and Energy Resources in 2021, GJ*

Electricity	10,951,741.26
Heat power	87,536.44
Fuel	123,520.85
including:	
▪ motor gasoline	41,680.78
▪ diesel fuel	77,940.90
▪ natural gas	3,749.09
▪ liquefied gas	150.07
Total	11,162,798.55

Consumption of fuel and energy resources increased by 812,281.78 GJ in 2021 compared to 2020 caused by delivered electricity increase, which resulted in electricity loss volumes increase. **302-1**

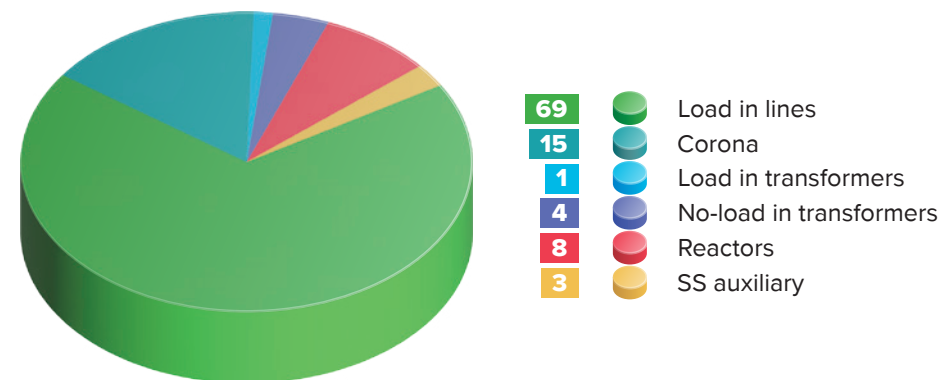
In 2021, specific energy consumption made 0.2 GJ per 1 thousand kWh of electricity transmitted. **302-3**

The most effective, in terms of reducing the energy consumption, are the measures on reduction of technological consumption of electricity in transmission lines.

The electrical power system of Kazakhstan is defined by large concentration of powerful energy sources in the North and long length transit lines (about 1,000 km) (main transits include Kazakhstan North – South transit and Pavlodar oblast – Aktobe oblast transit); this is due to the vast territory of Kazakhstan and materially affects the level of technical losses. The technical losses in KEGOC grid depend on the operation modes of neighbouring states' power systems (electricity transit, export and import) and climatic conditions.

* – When converted to Joule, the international system of units (SI) was used.

KEGOC's electricity losses structure for 2021



The technical losses in KEGOC networks in 2021 amounted to 3.012 billion kWh or 5.6w% of electricity supply to the grid based on the metering devices. **EU12**

It should be understood that technical loss of electricity means the loss of electric power resulting from the physical processes in conductors and electrical equipment which occur during the electricity transmission across

transmission lines. Thus, the main goal of planning and introducing the measures on reduction of electric power losses is to bring the actual amounts of technological loss to its optimal level.

Due to the measures on electricity loss reduction implemented, in 2021 the decrease in electricity consumption amounted to 4.392 million kWh.



Activity	Outcomes	
	million kWh	GJ
Line tripping under low-load conditions	0.478	1,721
Shutdown of power transformers under low load conditions	3.914	14,089
Total for KEGOC	4.392	15,810

302-4, 302-5, 2-26

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GLOSSARY

AC	Audit Committee of KEGOC's Board of Directors
AFPC	Automatic Frequency and Power Control
AMP	Administrative and managerial personnel
BCM	Business continuity management
Branches	KEGOC branches: MES and NDC SO
CEO	Chief Executive Officer of the company
CFO	Chief Financial Officer
CHPP	Combined heat and power plant
CIS	Commonwealth of Independent States
Company	KEGOC JSC
COSO ERM	COSO Enterprise Risk Management
CRMS	Corporate risk management system
CRNM	Committee on Regulation of Natural Monopolies of Kazakhstan Ministry of National Economy
EA	Executive Administration
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EIA	Environmental impact assessment
ENS	Energy Not Supplied
FOCL	Fibre-optic communication line
FS	Feasibility study
FSC RES	Financial Settlement Centre for Renewable Energy Sources LLP
Fund	Samruk-Kazyna Fund JSC
GRI	Global Reporting Initiative
GRES	State regional power plant
GTPP	Gas-turbine power plant
HPP	Hydro power plant
IAS	Internal Audit Service
ICS	Internal Control System
IFI	International financial institutions
IFRS	International financial reporting standards
IMS	Integrated Management System
IPO	Initial Public Offering
IS	Information security
ISMS	Information security management system
ISO	International Organization for Standardization
JSC	Joint-stock company
KASE	Kazakhstan Stock Exchange

KEGOC JSC	Kazakhstan Electricity Grid Operating Company (KEGOC) joint-stock company
KPI	Key performance indicator(s)
kV	Kilovolt
kWh	Kilowatt-hour
LLP	Limited liability partnership
LTIFR	Lost Time Injury Frequency Rate
MES	Interconnection Electric Networks, KEGOC branches
MVA	Megavolt-ampere
MW	Megawatt
NAV	Net asset value
NDC SO	National Dispatch Centre of the System Operator
NPG	National Power Grid
NRC	Nomination and Remuneration Committee of KEGOC's Board of Directors
OHSEPC	Occupational Health, Safety, and Environmental Protection Committee of KEGOC's Board of Directors
OHTL	Overhead transmission line
OP	Operational personnel
PCB	Polychlorinated biphenyl
R&D	Research and development
RDC	Regional Dispatch Centre
RES	Renewable energy sources
RMS	Risk Management System
ROACE	Return on Average Capital Employed
Samruk-Kazyna JSC	Sovereign Wealth Fund Samruk-Kazyna joint-stock company
SAP	Systems Applications and Products
SCADA	Supervisory Control and Data Acquisition
SML	System minutes lost
SS	Substation
TPP	Thermal power plant
UN	United Nations Organization
UPS	Unified Power System
USAID	United States Agency for International Development
VAT	Value-added tax
WAMS/WACS	Wide Area Management System and Control
WEC	World Energy Council Executive Assembly
WWP	Work without problems



APPENDICES TO THE REPORT

The appendices to the Annual Report are an integral part thereof

APPENDIX 1. ABOUT THE REPORT

THIS KEGOC ANNUAL REPORT FOR 2021 IS A COMPREHENSIVE REVIEW OF THE COMPANY'S ACTIVITIES IN ALL KEY AREAS INCLUDING SUSTAINABILITY DEVELOPMENT AND AUDITED FINANCIAL STATEMENTS FOR 2021. THE INFORMATION ON SUSTAINABLE DEVELOPMENT ACTIVITIES IS PRESENTED IN THE FORM AND VOLUME IN WHICH KEGOC HAS TRADITIONALLY PRESENTED IT FOR THIRTEEN YEARS (SINCE 2009). THE COMPANY CONTINUES THE PRACTICE OF RELEASING INFORMATION ON SUSTAINABLE DEVELOPMENT TO THE PUBLIC IN THE SECOND QUARTER ON AN ANNUAL BASIS. **2-3**

In accordance with KEGOC's Charter, the Annual Reports and Sustainability Reports which have been previously reviewed by the Strategic Planning and Corporate Governance Committee and the Audit Committee are approved by the Board of Directors. The previous KEGOC's Sustainability Report 2020 included in the Annual Report 2020, was approved by KEGOC's Board of Directors and published in April 2021. All the Company's reports are available on KEGOC's official website. **2-14**

In 2021 the Company did not engage an independent party to audit this Report due to significant changes in GRI standards. In the future, KEGOC will consider the possibility and necessity of independent certification of sustainability reports. **2-5**

KEGOC prepared this Report at the corporate level: the sustainability data given in this Report include the data of KEGOC's subsidiary, EnergoInform JSC.

Up to 30 December 2021 KEGOC was also the only founder of subsidiary, FSC RES LLP. On 30 December

2021, FSC RES LLP was alienated by gratuitous transfer to the state ownership of 100% of the stock owned by KEGOC. In this regard, the sustainability data for 2021 relating to FSC RES LLP are not included in this Report. **2-2, 3-2**

The sustainability information included in this Report was prepared in accordance with the GRI Universal standards 2021 taking into account the requirements of the AA1000SES Stakeholder Engagement Standard and describes the relevant activities of the Company from 1 January 2021 to 31 December 2021. **2-4**

Any information concerning the plans referred to in this Annual Report is forward-looking and reflects the current views of KEGOC with respect to future events and is exposed to certain risks, uncertainties and assumptions relating to the business, financial condition, operating results, growth strategy and liquidity of KEGOC.

SUSTAINABLE DEVELOPMENT GOALS

This Report contains information confirming KEGOC's commitment to the principles of the UN Global Compact, as well as information on the work on the sustainable development goals adopted by all UN member states in 2015 as part of the 2030 Agenda for Sustainable Development.

SUSTAINABLE DEVELOPMENT GOALS

We believe that the main contribution of any business to the achievement of the SDGs lies in employment opportunities, taxes and socio-economic development, as well as in respect for the environment. In addition, real and long-term positive changes can be achieved only by taking into account the management of our environmental impact (in a broad sense), focused response, cooperation with key players and stakeholders and the expansion of our efforts.

Each year we will report on work on specific SDGs that have the strongest links to our work. In addition, we analyse areas where we have the greatest potential to make a difference. We look at where negative impact can be, and also look for directions where we have unique opportunities for making positive changes together with interested parties. The evaluation analyses factors such as the relevance of goals and objectives for our value chain, compliance with our aspirations to develop responsibly and sustainably, our ability to use our skills, competencies and resources to stimulate change, and the importance of issues for our stakeholders.

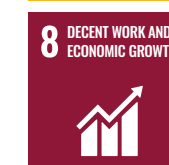
The key highlighted SDGs for this year on which work has been carried out are shown below.



Section:
HR Policy
page 134



Section:
Energy Efficiency
page 151



Section:
HR Policy
page 170



Section:
Operating Activity
page 048

COMPLIANCE WITH THE PRINCIPLES OF THE UN GLOBAL CONTRACT

Principles of the Global Compact	page
Human Rights Principles	
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	119, 126, 138
Principle 2. Businesses should make sure that they are not complicit in human rights abuses.	119, 126, 138
Labour Principles	
Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	136
Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	126
Principle 5. Businesses should uphold the effective abolition of child labour.	126
Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	126
Environment Principles	
Principle 7. Businesses should support a precautionary approach to environmental challenges.	144
Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	144
Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	144
Anti-Corruption Principles	
Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	119, 120, 178

PRINCIPLES OF REPORT PREPARATION

In preparing the part of the Annual Report related to reporting on sustainable development activities, the Company applies the following principles of GRI Standards:

Accuracy	This Report's information is collected based on documented data and allows the stakeholders evaluating the Company's performance. The Report sections relating to economy were prepared based on audited financial statements drafted in accordance with the IFRS.
Balance	This Report reflects the positive and negative of KEGOC's performance.
Clarity	KEGOC seeks to make this Report understandable and accessible to a wide range of stakeholders. The glossary at the end of this report clarifies the specific terms and abbreviations.
Comparability	The Report is prepared in accordance with GRI standards allowing the stakeholders to compare KEGOC's activities with the other organizations. This Report discloses the dynamics of indicators for the last three years.
Completeness	This Report includes information on operations of all KEGOC's intersystem electric networks branches (MES branches), the National Dispatch Centre of the System Operator branch (NDC SO), the Executive Administration, and Energoinform subsidiary with regard to all significant sector-specific impacts on the economy, environment and society. In some cases, in order to avoid duplication of information, links to KEGOC's website or publicly available documents are provided.
Sustainability context	The data in the Report are given in the context of sustainable development defined by KEGOC's Corporate Governance Code including three pillars, namely: economic, environmental and social. KEGOC's Development Strategy defines the sustainability goals, objectives, main initiatives and strategic KPIs, the information on their achievement in 2021 is included in this Report.
Timeliness	The Report is prepared on a scheduled basis, published in the second quarter of the year following the reported year.
Verifiability	All information in the Report is based on data that can be verified, including official statistical reports, reports to regulatory bodies, information posted on the Company's website and the Kazakhstan Stock Exchange, SAP ERP digital platform, audited financial statements, etc.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

To achieve the Company's strategic goals, it is important to:

- have an effectively functioning policy of interaction with stakeholders;
- achieve openness and mutually beneficial cooperation with all interested parties;
- achieve an understanding by stakeholders of the measures taken by the Company to minimize and eliminate all real risks in the implementation of the Development Strategy;
- create for interested parties a reliable source of information about the activities of the Company and ensure prompt delivery of reliable information about KEGOC's activities to target groups of stakeholders.

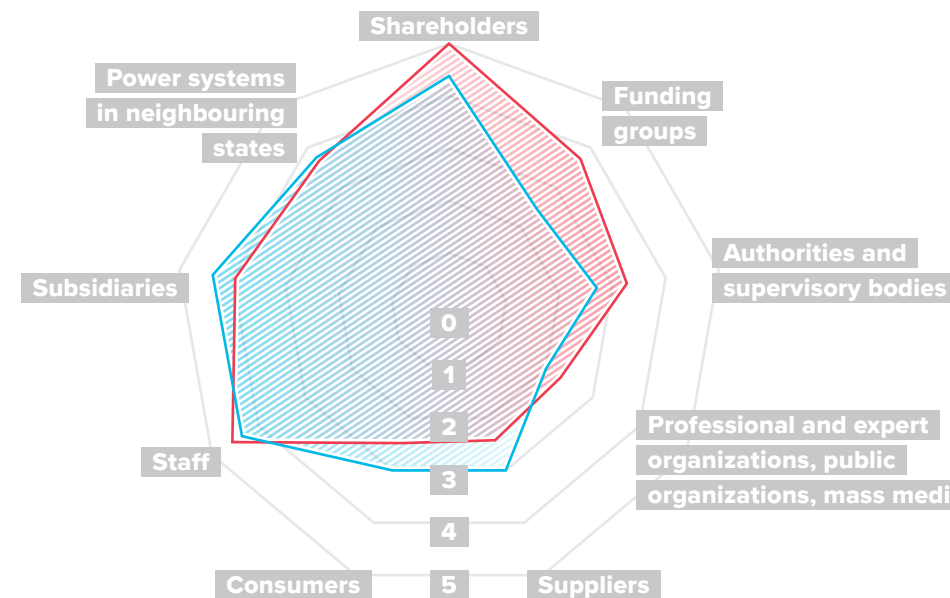
KEGOC determined the groups of stakeholders identified jointly with all structural divisions of the Company, as well

as the degree of their influence on the achievement of the Development Strategy goals and the exposure to the impact of the Company's activities on them on a five-point scale. At the same time, when summarizing the analysis, special attention was paid to the opinions of experts, that is structural units that directly interact with specific groups of stakeholders.

KEGOC is engaged in continuous open dialogue with them and regularly discloses information relating to KEGOC, including sustainability. The Company approved a Stakeholders Map, a Communication Strategy that defines the main channels of interaction, as well as a Communication Plan with all interested parties specifying the frequency of interaction, which is developed annually in support of the Development Strategy implementation.

2-29

Stakeholder map



Stakeholder's impact on the Company
 Company's impact on the stakeholders

STAKEHOLDER RELATIONS

2-29

Stakeholders	Engagement objectives	Engagement channels
1. 1. Shareholders	The Company's relations with shareholders are aimed to protect and respect the rights and legitimate interests of shareholders envisaged by KEGOC's Corporate Governance Code and Charter.	Publication of the Company's annual and interim reports, information on corporate events, transactions, information on holding general meetings of shareholders, meetings with the investment community, responses to inquiries. From 1 January to 31 December 2021, there were no claims from the shareholders in relation to activities of KEGOC and its officers.
2. Funding groups	The Company timely and fully fulfils its financial liabilities to investors and seeks for long-term cooperation based on mutual trust.	Publication of annual and interim reports of the Company, submission of periodic reports to international financial institutions (IFI) and information on requests, meetings, missions and visits of the IFI delegations under implemented projects through loan proceeds, and placing information on website.
3. Authorities and supervisory bodies	Being a strategic company in the Republic of Kazakhstan and a natural monopoly, KEGOC realizes its responsibility to the state and seeks to fulfil legal and ethical obligations, as well as observe the laws.	Regular reporting, participation in the development of legal acts, programme and sector documents, working meetings, replies to requests, operational meetings.
4. Professional and expert organizations, public organizations, mass media	KEGOC is a member and participant of international, regional and national sectoral organizations, and focuses on integration deepening mechanisms and coordinated power sector development strategy in the Republic of Kazakhstan and beyond. The Company builds its goodwill capital and positive image in mass media through engagement and disclosure of information based on urgency, accuracy, accessibility and harmony principles.	Active participation in energy organizations activity; elaboration of programme and sectoral documents and initiatives, public hearings on investment projects, disclosure of information on the activity on website and in mass media, replies to requests, conducting briefings and press conferences.

5. Suppliers	During procurement of goods, works and services the Company relies on the following principles: publicity and transparency of procurement process; purchase of qualitative goods, works and services; granting to all potential suppliers equal opportunities provided that disabled people organisations are supported; fair competition among potential suppliers; control and responsibility for taken decisions; minimizing participation of mediators in procurement process.	Fulfilment of contractual obligations, preliminary discussion of draft tender documentation with potential suppliers, informing of procurement activities.
6. Consumers	The Company has implemented and adheres to the consumer-oriented principle; has established and secures the mechanism for defining and meeting the consumer requirements.	Regular assessment of customer satisfaction, public hearings, annual report to consumers, meetings with consumers, publication on website of spare capacities access and availability in operations areas.
7. Staff	The Company respects and values its employees; it is oriented at needs of the employees, seeks to provide safe labour conditions, adequate level of labour payment and social allowances, professional training and advancement to its employees.	Reporting meetings of management with the staff with regard to year-end performance and future plans; enquiry of the staff on topical issues, informing and getting feedback through internal portal, annual social stability and personnel engagement research, institute of Ombudsman, and hotline.
8. Subsidiaries	The Company seeks to maintain the balanced development of subsidiaries based on efficient corporate governance mechanisms.	The interaction is conducted within corporate procedures. KEGOC exercises the governance through the representatives in the governing bodies of the subsidiaries and supports their operations with methodological guidance.
9. Power systems in neighbouring states	The Company strives for mutually profitable and efficient cooperation with the Russia and Central Asian countries to ensure parallel operation of the power systems in the Republic of Kazakhstan and neighbouring countries.	Meetings on a regular basis (Central Asia Coordination Electric Power Council, CIS Electric Power Council, Eurasian Economic Union, etc.), coordination of power systems operation modes and regulatory documentation.

2-12

MATERIALITY ANALYSIS

The Company's Annual Report seeks to reflect the relevant and material information for stakeholders. For the purpose of this Annual Report preparation, KEGOC analysed the materiality of sustainability topics. It provides the maximum coverage of material themes, including sector-specific governance of the Company, economic performance of the Company, observance of human rights, and Company's impacts on the society and environment, etc. In accordance with the GRI standard materiality principle, to define most relevant sustainability topics to be disclosed in 2021 Report an evaluation questionnaire survey was conducted based on a five-score scale of internal and external stakeholders that have the most significant impact on the Company. As part of this Report, stakeholders have been surveyed, including over 180 received questionnaires completed by: shareholders (74), consumers (48), personnel (52), professional and expert industry organisations (2), suppliers (1), subsidiaries and associates (3), energy systems of neighbouring states, partners of the parallel operation (1), financing groups (1); proposals to improve the Report have been analysed.

After reviewing the results of the analysis of the questionnaires, the Coordinating Council for Sustainable Development and the IMS also assessed on the basis of a five-score scale the materiality of the economic, environmental and social impacts of the relevant topics on stakeholder assessments and decisions.

The Materiality Matrix (Table 1) prepared based on the two assessments above revealed eight topics of most interest to KEGOC stakeholders, material for the Company and having average score higher than 4.5.

3-1

Materiality Matrix



Thus, the list of material topics disclosed in this Report includes:

Economic themes:

- 201 Economic Performance
- EU Power System Efficiency

Environmental themes:

- 302 Energy
- 305 Effluents and Waste
- 307 Environmental Compliance

Social themes:

- 401 Employment
- 403 Health and Safety
- EU28-29 Electricity Access

3-2

Compared to the topics disclosed in the 2020 Annual Report, such topics as R&D, Training and Education, Disaster/Emergency Action Plan and Response were no longer material, while such topics as Effluents and Waste, Environmental Compliance were selected as material. The Environmental Compliance topic in 2021 standards has moved to mandatory and become topic 2-27 Law Compliance. However, most GRI topics are disclosed in this Report for compliance with the requirements of the Disclosure Rules by the initiators of the admission of securities of Kazakhstan Stock Exchange, which incorporate many GRI and ESG indicators.

3-2

APPENDIX 2. INDICATORS



HR POLICY

404-1

Indicator	Unit of Measure	2019	2020	2021	2021/2020	2021/2020, %
Personnel indicators						
Staff listing	people	4,819	4,371	4,400	+ 29	+ 0.7%
including:						
▪ Male employees	people	3,502 (72.7%)	3,465 (73.2%)	3,377 (76.8%)	- 88	- 2.5%
▪ Female employees	people	1,317 (27.3%)	1,266 (26.8%)	1,023 (23.2%)	- 243	- 19.2%
Social stability rating	%	90	91	85	- 6	- 6.6%
Employee engagement index	%	74	90	85	- 5	- 5.6%
Development and training						
Average annual hours for one employee	hours	25.2	23.0	22.3	- 0.7	- 3.0%
including:						
▪ Male employees	hours	25.9	22.7	21.9	- 0.8	- 3.5%
▪ Female employees	hours	21.3	26.3	25.5	- 0.8	- 3.0%
▪ AMP	hours	18.9	23.7	21.5	- 2.2	- 9.3%
▪ OP	hours	26.3	22.9	22.4	- 0.5	- 2.18%

Total number of employees by employment contract and gender, employees, as of 31 December 2021

2-7

Unit	Full-time employees			Rotational employees			Part-time employees*			Total
	total	male	female	total	male	female	total	male	female	
Akmolinskiye MES	571	462	109	0			5	5		576
Aktyubinskiye MES	254	205	49	0			0			254
Almatinskiye MES	462	385	77	5	5		2	1	1	469
Vostochnye MES	295	239	56	0			1	1		296
Zapadnye MES	198	146	52	39	39		0			237
Sarbaikiye MES	414	346	68	0			1	1		415
Severnye MES	371	285	86	0			1	1		372
Tsentralnye MES	396	323	73	7	7		0			403
Yuzhnye MES	426	357	69	0			1	1		427
NDC SO	97	56	41	0			0			97
Executive Administration	353	174	179	0			1	1		354
EnergoInform JSC	498	335	163	2	2		0			500
Total	4,335	3,313	1,022	53	53	0	12	11	1	4,400

* According to Article 70 of Kazakhstan Labour Code, an employer, upon a written application from a pregnant woman, one of the parents (adoptive parent) having a child (children) under the age of three years, as well as an employee caring for a sick family member in accordance with a medical report, is obliged to set part-time work for them.

Total number of employees by employment and gender, employees, as of 31 December 2021

2-7

Unit	Regular employees			Temporary employees*			Total
	total	male	female	total	male	female	
Akmolinskiye MES	562	463	99	14	4	10	576
Aktyubinskiye MES	250	204	46	4	1	3	254
Almatinskiye MES	460	387	73	9	4	5	469
Vostochnye MES	290	239	51	6	1	5	296
Zapadnye MES	230	183	47	7	2	5	237
Sarbaikiye MES	412	346	66	3	1	2	415
Severnye MES	369	286	83	3		3	372
Tsentralnye MES	400	328	72	3	2	1	403
Yuzhnye MES	420	355	65	7	3	4	427
NDC SO	97	56	41	0			97
Executive Administration	338	170	168	16	5	11	354
EnergolInform JSC	480	331	149	20	6	14	500
Total	4,308	3,348	960	92	29	63	4,400

* Temporary employees are employees hired by the Company to fill temporarily vacant positions (due to illness, study leave, maternity leave, parental leave, military service) except for internal transfers.

Total workforce by region and gender, employees, as of 31 December 2021

2-7

All employees	where:	
	male employees	female employees
Akmolinskiye MES	467	109
Aktyubinskiye MES	205	49
Almatinskiye MES	391	78
Vostochnye MES	240	56
Zapadnye MES	185	52
Sarbaikiye MES	347	68
Severnye MES	286	86
Tsentralnye MES	330	73
Yuzhnye MES	358	69
NDC SO	56	41
Executive Administration	175	179
EnergolInform JSC	337	163
Total	3,377	1,023

Personnel Turnover Structure, employees

401-1

Unit	As on 01/01/2021			As on 31/12/2021			Turnover for period: 01/01/2021 – 31/12/2021		
	total	male	female	total	male	female	total	male	female
Executive Administration	372	186	186	354	175	179	7.99	9.42	6.58
NDC SO	95	56	39	97	56	41	4.17	5.36	2.50
Akmolinskiye MES	574	465	109	576	467	109	7.30	8.37	2.75
Aktyubinskiye MES	253	202	51	254	205	49	7.06	8.35	2.00
Almatinskiye MES	474	395	79	469	391	78	5.53	5.60	5.10
Vostochnye MES	286	229	57	296	240	56	4.81	4.69	5.31
Zapadnye MES	229	181	48	237	185	52	11.59	14.21	2.00
Sarbaikiye MES	415	344	71	415	347	68	7.95	8.68	4.32
Severnye MES	373	284	89	372	286	86	6.15	6.32	5.71
Tsentralnye MES	416	336	80	403	330	73	6.07	5.11	10.46
Yuzhnye MES	430	361	69	427	358	69	2.57	2.78	1.45
EnergolInform JSC	780	408	372	500	337	163	19.22	16.56	22.98
FSC RES	34	18	16	-	-	-	-	-	-
Total	4,731	3,465	1,266	4,400	3,377	1,023	8.22	7.97	9.08

* Turnover rate is estimated as per Samruk-Kazyna Methodology, according to which the estimate includes the number of employees released from the post on their own request only. The turnover estimate does not include employees: released from the post within the Samruk-Kazyna group of companies for reasons not attributable to the will of the parties, at the initiative of the employer, upon expiration of the employment contract, reduction in the number of employees, termination of the employment contract, cancellation of the employment contract due to transfer of an employee to another job (post) or assignment to a post.

Number of hired and quitted employees at the Company

401-1

Indicator	2019		2020		2021		2021/2020	
	people	%	people	%	people	%	people	%
Total number of hired workers	590	12.24	343	7.25	451	10.25	108	31.5
by age								
▪ under 30	261	5.42	140	2.96	214	47.45	+ 74	+ 52.86%
▪ from 31 to 50	250	5.19	168	3.55	194	43.02	+ 26	+ 15.48%
▪ 51 and over	79	1.64	35	0.74	43	9.53	+ 8	+ 22.86%
by gender:								
▪ male employees	404	8.38	263	5.56	364	80.71	+ 101	+ 38.40%
▪ female employees	186	3.86	80	1.69	87	19.29	+ 7	+ 8.75%
by regions:								
▪ Executive Administration	59	15.28	15	4.03	26	7.34	+ 11	+ 73.33%
▪ Akmolinskiye MES	83	14.26	46	8.01	69	11.98	+ 23	+ 50.0%
▪ Aktyubinskiye MES	21	8.27	15	5.93	27	10.63	+ 12	+ 80.0%
▪ Almatinskiye MES	49	10.27	29	6.12	35	7.46	+ 6	+ 20.69%
▪ Vostochnye MES	30	10.10	17	5.94	29	9.80	+ 12	+ 70.59%
▪ Zapadnye MES	31	13.66	28	12.23	39	16.46	+ 11	+ 39.29%
▪ Sarbaiskiye MES	35	8.20	17	4.10	49	11.81	+ 32	+ 188.24%
▪ Severnye MES	36	9.23	16	4.29	42	11.29	+ 26	+ 162.50%
▪ Tsentralnye MES	27	6.55	26	6.25	23	5.71	- 3	- 11.54%
▪ Yuzhnye MES	29	6.65	24	5.58	28	6.56	+ 4	+ 16.67%
▪ NDC SO	10	10.87	6	6.32	8	8.25	+ 2	+ 33.33%
▪ EnergoInform JSC	153	19.08	92	11.79	76	15.20	- 16	- 17.39%
▪ FSC RES	27	72.97	12	35.29	-	-	-	-
Total number of quitted employees	568	11.79	421	8.90	748	17.0	+ 327	77.67%
by age:								
▪ under 30	168	3.49	82	1.73	161	21.52	+ 79	+ 96.34%
▪ from 31 to 50	223	4.63	170	3.59	362	48.40	+ 192	+ 112.94%
▪ 51 and over	177	3.67	169	3.57	225	30.08	+ 56	+ 33.14%
by gender:								
▪ male employees	395	8.20	290	6.13	438	58.56	+ 148	+ 51.03%
▪ female employees	173	3.59	131	2.77	310	41.44	+ 179	+ 136.64%
by regions:								
▪ Executive Administration	54	13.99	29	7.80	44	5.88	+ 15	+ 51.72%
▪ Akmolinskiye MES	72	12.37	54	9.41	67	8.96	+ 13	+ 24.07%
▪ Aktyubinskiye MES	20	7.87	16	6.32	26	3.48	+ 10	+ 62.5%

▪ Almatinskiye MES	49	10.27	32	6.75	40	5.35	+ 8	+ 25.0%
▪ Vostochnye MES	32	10.77	28	9.79	19	2.54	- 9	- 32.14%
▪ Zapadnye MES	28	12.33	26	11.35	31	4.14	+ 5	+ 19.23%
▪ Sarbaiskiye MES	28	6.56	29	6.99	49	6.55	+ 20	+ 68.97%
▪ Severnye MES	34	8.72	33	8.85	43	5.75	+ 10	+ 30.3%
▪ Tsentralnye MES	36	8.74	22	5.29	36	4.81	+ 14	+ 63.64%
▪ Yuzhnye MES	27	6.19	30	6.98	31	4.14	+ 1	+ 3.33%
▪ NDC SO	10	10.87	3	3.16	6	0.80	+ 3	+ 100%
▪ EnergoInform JSC	162	20.20	104	13.33	356	47.59	+ 252	+ 242.31%
▪ FSC RES	16	43.24	15	44.12	-	-	-	-
Total personnel turnover, %		7.4		4.7		8.22		

Number of employees eligible to retire

EU15

Unit	Total, people	Number of employees who can retire in the period 2021–2025, employees			Number of employees who can retire in the period 2021–2030, employees			Share of employees who can retire, %	
		total	AMP	OP	total	AMP	OP	2021–2025	2021–2030
Akmolinskiye MES	576	59	3	56	123	8	115	10.24	21.35
Aktyubinskiye MES	254	28	1	27	65	4	61	11.02	25.59
Almatinskiye MES	469	60	2	58	90	2	88	12.79	19.19
Vostochnye MES	296	32	2	30	68	6	62	10.81	22.97
Zapadnye MES	237	20	1	19	35	1	34	8.44	14.77
Sarbaiskiye MES	415	40	1	39	73	2	71	9.64	17.59
Severnye MES	372	56	-	56	103	2	101	15.05	27.69
Tsentralnye MES	403	46	2	44	94	2	92	11.41	23.33
Yuzhnye MES	427	66	4	62	113	4	109	15.46	26.46
NDC SO	97	3	-	3	9	-	9	3.09	9.28
Executive Administration	354	23	23	-	45	45	-	6.50	12.71
EnergoInform JSC	500	55	1	54	105	2	103	11.00	21.00
Total	4,400	488	40	448	923	78	845	11.09	20.98



PERFORMANCE INDICATORS

EU1, EU3, EU4, EU28, EU29, 2-6

Indicator	Unit of Measure	2019	2020	2021	2021/2020	2021/2020, %
Performance indicators						
Installed capacity by power sources and control mode	MVA	38,246.05	38,746.05	38,742.90	- 3.15	- 0.01%
including:						
▪ 1,150 kV SS	MVA	9,384.1	9,384.1	9,384.1	-	-
▪ 500 kV SS	MVA	17,447.5	17,447.5	17,447.5	-	-
▪ 220 kV SS	MVA	11,391.25	11,891.25	11,888.1	- 3.15	- 0.01
▪ 110 kV SS	MVA	-	-	-	-	-
▪ 35 kV SS	MVA	23.20	23.20	23.20	-	-
Length of OHTLs and un-derground transmission lines by control mode (circuit)	km	26,900.91	26,997.923	26,973.228	- 24.69	- 0.09
including:						
▪ 1,150 kV	km	1,421.23	1,421.23	1,421.23	-	-
▪ 500 kV	km	8,287.98	8,287.98	8,282.26	- 5.72	- 0.07
▪ 330 kV	km	1,863.28	1,863.28	1,863.28	-	-
▪ 220 kV	km	14,816.35	14,898.86	14,893.06	- 5.80	-0.04
▪ 110 kV	km	352.84	352.84	352.84	-	-
▪ 35 kV	km	44.13	44.13	44.13	-	-
▪ under 35 kV	km	115.10	129.61	116.44	- 13.17	- 10.16
Number of electricity consumers (number of contracts)	pc	797	861	951	+ 90	+ 10.45
System average interruption frequency – SAIFI		0.03	0.07	0.12	+ 0.05	+ 71.43
System average interruption duration – SAIDI	hours	0.01	0.16	0.09	- 0.07	- 43.75
System Minutes Lost – SML	minutes	0.52	5.21	4.46	- 0.75	-14.40
Percentage of the system's operating time without failures – WWP	%	99.64	98.63	98.60	- 0.03	- 0.03
Volumes of rendered services						
Electricity Transmission	billion kWh	43.97	46.16	54.65	+ 8.49	+ 18.39
Technical dispatching	billion kWh	97.06	98.99	105.04	+ 6.05	+ 6.11
Electricity production and consumption balancing	billion kWh	188.77	192.86	205.15	+ 12.29	+ 6.37

ECONOMIC INDICATORS

201-1, 201-4

Indicator	Unit of Measure	2019	2020	2021	2021/2020	2021/2020, %
Economic indicators						
Total capitalization	KZT million	632,163.54	663,590.50	908,336.27	+ 244,745.77	+ 36.88
▪ equity capital	KZT million	481,838.02	502,556.47	737,136.82	+ 234,580.35	+ 46.68
▪ borrowed funds	KZT million	150,325.52	161,034.03	171,199.45	+ 10,165.42	+ 6.31
Funds from the government	KZT million	-	-	-	-	-
Economic value generated*	KZT million	160,158.80	185,852.94	199,424.10	+ 13,571.16	+ 7.30
▪ operating income *	KZT million	154,629.42	179,097.56	186,443.14	+ 7,345.58	+ 4.10
▪ financial revenue*	KZT million	3,581.81	5,480.24	5,368.22	- 112.02	- 2.04
▪ other income*	KZT million	1,947.57	1,275.13	7,612.74	+ 6,337.61	+ 497.02
Economic value generated: *	KZT million	157,587.49	170,101.47	201,789.23	+ 31,687.76	+ 18.63
▪ payroll expenses*	KZT million	20,167.09	21,101.73	23,672.49	+ 2,570.76	+ 12.18
▪ expenses on taxes and duties to the national budget*	KZT million	17,932.84	21,334.15	14,047.26	- 7,286.89	- 34.16
▪ payments to capital providers*	KZT million	40,842.53	43,952.81	53,200.01	+ 9,247.20	+ 21.04
▪ charity and sponsor support	KZT million	-	-	-	-	-
▪ other operating expenses	KZT million	78,260.29	77,761.28	99,492.06	+ 21,730.78	+ 27.95
▪ other non-operating expenses	KZT million	384.74	5,951.50	11,377.43	+ 5,425.93	+ 91.17
Profit after tax for the year from discontinued operations*	KZT million	6,535.83	4,967.04	13,471.47	+ 8,504.43	+ 171.22
Economic value of distribution	KZT million	9,107.14	20,718.50	11,106.33	- 9,612.17	- 46.39
Proportion of senior management hired from the local community at significant locations of operation	%	83	90.9	90.9	-	-

* Recalculated with the FSC RES alienation taken into account



EU12, 302-1, 302-4

COMPLIANCE WITH LAWS AND REGULATIONS

Indicator	Unit of Measure	2019	2020	2021
Confirmed incidents of corruption and actions taken*	–	0	0	0
Monetary amount of significant fines and total number of non-monetary sanctions for non-compliance with social-economic laws and regulations	KZT million	0	0	0
where:				
▪ Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	KZT million	0	0	0
▪ Monetary value of significant fines and total number of non-monetary sanctions imposed for non-compliance with environmental laws and regulations	KZT million	0	0	0

* No incidents were registered in 2021 where employees were dismissed or subject to disciplinary punishment for corruption, or contracts were terminated with business partners due to corruption-related violations, or corruption-related cases took place against the Company or its employees.

ENVIRONMENTAL INDICATORS

Indicator	Unit of Measure	2019	2020	2021	2021/2020	2021/2020, %
Power consumption						
Percentage of losses in electricity transmission and distribution*	%	6.4	6.0	5.6	- 0.40	- 6.67
Effect of measures to reduce losses (energy saving)	GJ	17,222	15,340	15,810	+ 470	+ 3.06
Energy consumption within the organization	GJ	10,710,622	10,350,517	11,162,799	+ 812,282	+ 7.85
including:						
▪ electricity	GJ	10,502,753	10,068,339	10,951,741	+ 883,402	+ 8.77
▪ heat power	GJ	87,399	81,396	87,536	+ 6,140	+ 7.54
▪ fuel	GJ	120,470	114,065	123,521	+ 9,456	+ 8.29
including:						
▪ motor gasoline	GJ	53,935	44,768	41,681	- 3,087	- 6.90
▪ diesel fuel	GJ	62,911	65,250	77,941	+ 12,691	+ 19.45
▪ natural gas	GJ	3,314	3,911	3,749	- 162	- 4.14
▪ liquefied gas	GJ	310	135	150	+ 15	+ 11.11
Emissions						
Gross emissions of contaminants from stationary sources	tonne	9.45	9.34	9.79	+ 0.45	+ 4.82
Greenhouse gas emissions from stationary sources of KEGOC	tonne carbon dioxide equivalent	137.913	154.47	138.02	- 16.45	- 10.65
including:						
▪ CO ₂	tonne	137.860	154.40	137.97	- 16.43	- 10.64
▪ CH ₄	tonne carbon dioxide equivalent	0.0018	0.0022	0.0016	- 0.0006	- 27.27
▪ N ₂ O	tonne carbon dioxide equivalent	0.05161	0.06542	0.04638	- 0.01904	- 29.10

* Technical losses from electricity supplied to the grid during transmission.

OCCUPATIONAL HEALTH INDICATORS

403-9, EU DMA

Indicator	2019	2020	2021
Work-related registered injuries frequency	0	0	0.03
By regions:			
▪ Executive Administration	0	0	0
▪ Akmolinskiye MES	0	0	0
▪ Aktyubinskiye MES	0	0	0.45
▪ Almatinskiye MES	0	0	0
▪ Vostochnye MES	0	0	0
▪ Zapadnye MES	0	0	0
▪ Sarbaiskiye MES	0	0	0
▪ Severnye MES	0	0	0
▪ Tsentralnye MES	0	0	0
▪ Yuzhnye MES	0	0	0
▪ NDC SO	0	0	0
Civil defence and emergency situations trainings, exercises and drills			
National command-staff exercises	2	2	2
Staff exercises	12	4	2
Facility-based exercises	4	2	2
Special tactical exercises with civil defence divisions	1	2	3
Earthquake exercises	15	4	4
National and oblast emergencies and civil defence training course	14	32	36

APPENDIX 3. GRI CONTENT INDEX

Statement of use	Kazakhstan Electricity Grid Operating Company JSC (KEGOC) has reported in accordance with the GRI Standards for the period 01/01/2021-31/12/2021
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	GRI Electric Utilities

GRI standard/ other source	Disclosure	Location	Omission			Gri Sector Standard Ref. No.
			Requirement (s) Omitted	Reason	Explanation	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	18, 82, 154				
	2-2 Entities included in the organization's sustainability reporting	160				
	2-3 Reporting period, frequency and contact point	154, 160				
	2-4 Restatements of information	160				
	2-5 External assurance	160				
	2-6 Activities, value chain and other business relationships	18, 22, 23, 39, 48, 49, 66, 67, 82				
	2-7 Employees	126, 171, 172				
	2-8 Workers who are not employees		Yes	Not applicable	There are no freelance employees in the Company	
	2-9 Governance structure and composition	81, 88, 95, 96, 104, 105, 107				
	2-10 Nomination and selection of the highest governance body	96, 98				
	2-11 Chair of the highest governance body	94, 114				
	2-12 Role of the highest governance body in overseeing the management of impacts	73, 77, 86, 167				
	2-13 Delegation of responsibility for managing impacts	86, 98, 100, 103, 104, 105, 106, 107, 108, 110, 115				
	2-14 Role of the highest governance body in sustainability reporting	160				
	2-15 Conflicts of interest	116				
	2-16 Communication of critical concerns	120, 121				
	2-17 Collective knowledge of the highest governance body	109				

2-18 Evaluation of the performance of the highest governance body	117			
2-19 Remuneration policies	118			
2-20 Process to determine remuneration	117			
2-21 Annual total compensation ratio		Yes	Confidential restrictions	The compensation information is disclosed according to the Rules for information disclosure by admittance initiators of securities of Kazakhstan Stock Exchange JSC
2-22 Statement on sustainable development strategy	8, 10			
2-23 Policy commitments	39, 119, 146, 147			
2-24 Embedding policy commitments	33, 120, 148			
2-25 Processes to remediate negative impacts	121, 141, 146-152			
2-26 Mechanisms for seeking advice and raising concerns	120, 121			
2-27 Compliance with laws and regulations	54, 146			
2-28 Membership associations	19			
2-29 Approach to stakeholder engagement	54, 164, 166			
2-30 Collective bargaining agreements	36			

GRI Electric Utilities Standard Disclosures

EU1 Installed capacity, broken down by primary energy source and by regulatory regime	22			
EU2 Net energy output broken down by primary energy source and by regulatory regime		Yes	Not applicable	KEGOC is not a power generating company
EU3 Number of customer accounts	49			
EU4 Length of above and underground transmission lines by regulatory regime	22			
EU5 Allocation of CO2e emissions allowances or equivalent, broken down by carbon trading framework	148			

Material topics

GRI 3: Material topics 2021	3-1 Process to determine material topics	168		
	3-2 List of material topics	160, 169		

Economic Performance

GRI 3: Material topics 2021	3-3 Management of material topic	66		
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GRI 201: Economic Performance (2016)	201-1 Direct economic value generated and distributed	177				
	201-2 Financial implications and other risks and opportunities due to climate change	33, 148				
	201-3 Defined benefit plan obligations and other retirement plans		Yes	Not applicable	Kazakhstan's Pension Fund regulates the procedure for pension contributions to the UAPF	
	201- 4 Financial assistance received from government	177				
GRI G4 EU Material topics	3-3 Management of material topic	151				
Energy Efficiency	EU12 Percentage of losses in electricity transmission and distribution	179				
GRI 3: Material topics 2021	3-3 Management of material topic	179				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	151				
	302-2 Energy consumption outside the organization		Yes	Information not available	Currently the Company counts the energy resources consumption within the organization only, therefore the energy consumption outside the organization is not reflected in this Report.	
	302-3 Energy intensity	151				
	302-4 Reduction of energy consumption	179				
	302-5 Reductions in energy requirements of products and services (transmission losses)	152				
	GRI 3: Material topics 2021	3-3 Management of material topics	151			
	GRI 305 Emissions (2016)	305-1 Direct (Scope 1) GHG emissions	148			
305-2 Energy indirect (Scope 2) GHG emissions including the purchased electricity according to EU		148				
305-3 Other indirect (Scope 3) GHG emissions			Yes	Information not available	Currently KEGOC does not count indirect (Scope 3) GHG emissions	
305-4 GHG emissions intensity		148				
305-5 Reduction of GHG emissions		147				
305-6 Emissions of ozone-depleting substances (ODS)		148				
305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions		148				

GRI 307 Environmental Compliance (2016)				The new version of the standards replaced it with 2-27 Compliance with laws and regulations (see above)
GRI 302: 401 Employment (2016)	3-3 Management of material topic	126, 130, 134		
	401-1 Total number and rates of new employee hires and employee turnover by age, gender and region Sector additions to the ratio: Average work duration of employees leaved employment during the reporting period by gender and age group	130, 131, 135, 173, 174,175		MA (EU 14) EU 15, EU 17
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	133		
	401-3 Parental leave	134, 135		
GRI 302: 403 Occupational Health and Safety (2018)	3-3 Management of material topic	138, 180		
	403-1 Occupational health and safety management system	138		
	403-2 Hazard identification, risk assessment, and incident investigation	73, 139		
	403-3 Occupational health services	139, 140		
	403-4 Worker participation, consultation, and communication on occupational health and safety	136, 139		
	403-5 Worker training on occupational health and safety	139		
	403-6 Promotion of worker health	140		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	141		
	403-8 Workers covered by an occupational health and safety management system	138, 141		
	403-9 Types and rates of work-related injuries, number of lost workdays, and the absentee rate	140, 141, 180		EU 25
	403-10 Occupational Health and Safety	139		
Electric Utilities EU Access (2013)	EU 28 Power outage frequency	56		
	EU 29 Average power outage duration	56		

APPENDIX 4. CONSOLIDATED FINANCIAL STATEMENTS

Kazakhstan Electricity Grid Operating Company JSC

As at and for the year ended 31 December 2021
with independent auditor's report

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Independent auditor's report



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INDEPENDENT AUDITOR'S REPORT

To the Shareholder, Board of Directors 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 (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, 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 December 31, 2021, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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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
------------------	--

<p>Valuation of property, plant and equipment</p> <p>As of 31 December 2021, the carrying value of the National Electricity Grid ("NES") amounted to 879,981,350 thousand tenge (31 December 2020: 580,456,916 thousand tenge).</p> <p>The NES assets are accounted at fair value in accordance with the Group's accounting policy. At each reporting date, the Group analyzes to what extent the fair value of NES assets differs significantly from their carrying value. In order to assess the possible fluctuations in the fair values Management of the Group determines the replacement cost of assets most exposed to the risk of changes in fair value.</p> <p>Due to the significance of the carrying amount of the NES assets, as well as significant use of professional judgement and estimates by Management when analyzing changes in the fair value of NES assets, this issue was one of the key audit matters.</p> <p>Information on NES assets and analysis of changes in fair value of NES assets is presented in Note 4 to the consolidated financial statements.</p>	<p>We obtained from Management of the Group the valuation report prepared by external valuation expert.</p> <p>We assessed the competence and objectivity of the external expert engaged by the Group. We reviewed valuation report and reviewed the valuation methodology.</p> <p>We compared NES in the register of property, plant and equipment with the list of assets assessed by the external expert.</p> <p>We compared other input data, used by the external expert, such as development plan approved by management, tariffs and electricity volume forecast with internal data sources.</p> <p>We compared tariffs for the services, used in the calculation of value in use, with tariffs approved by authorized government body.</p> <p>We compared discount rate and long-term growth rate with general market indicators and other available information.</p> <p>We reviewed mathematical accuracy of the cash flow model and evaluated sensitivity.</p> <p>We analyzed the accounting entries, recorded in the consolidated financial statement, in relation to revaluation.</p> <p>We analyzed information, disclosed in Notes 4 and 6 to the consolidated financial statements.</p>
--	--

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Compliance with covenants under credit facility agreements

In accordance with terms of loan agreements and bond programs, the Group is required to comply with certain covenants. Breaching of these covenants can lead to significant fines and penalties, along with funding shortages. In addition, cross-default provisions are in place under credit facility arrangements.

Compliance with covenants was one of the matters of most significance in the audit, because it has major impact on the going concern assumption used in preparation of the consolidated financial statements, and on classification of loans and bonds in the consolidated financial statements.

Information on compliance with covenants disclosed in Note 29 to the consolidated financial statements.

We examined the terms of credit facilities on covenants, including additional clauses on cross-default conditions.

We compared data used in the calculations with the consolidated financial statements.

We reviewed mathematical accuracy of calculations based on financial indicators.

We analyzed the management evaluation of the risk that breach of any terms is likely within the next 12 months and the potential impact of breach on the going concern basis.

We analyzed information received from creditors in relation to compliance with covenants as of 31 December 2021. We also analyzed information disclosed in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The 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 other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with governance 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 have no realistic alternative but to do so.

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

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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.

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.

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

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

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

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

TOO "RSM Qazaqstan"

Aisulu Narbayeva
Auditor / General Director
RSM Qazaqstan LLP



Auditor qualification certificate # 0000137 dated 21 October 1994

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

43, Dostyk Avenue, office 302
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18 March 2022

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Consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

In thousands of Tenge	Notes	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	6	976.001.316	652.478.444
Intangible assets		3.165.491	3.327.999
Advances paid for non-current assets	6	5.431.849	4.126.292
Deferred tax asset	25	–	159.652
Investment in associate	7	2.278.332	2.017.593
Long-term receivables from related parties	27	634.192	742.477
Other financial assets, non-current portion	11	32.309.237	32.340.094
		1.019.820.417	695.192.551
Current assets			
Inventories	8	2.590.383	2.549.293
Trade account receivable	9	12.991.260	28.603.307
VAT recoverable and other prepaid taxes		3.231.654	477.893
Prepaid income tax		817.245	1.017.708
Other current assets	10	974.072	2.945.237
Other financial assets, current portion	11	40.187.573	58.801.720
Restricted cash	12	670.902	552.586
Cash and cash equivalents	13	11.933.828	21.867.205
		73.396.917	116.814.949
Assets held for sale		–	5.126
Total assets		1.093.217.334	812.012.626

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

In thousands of Tenge	Notes	31 December 2021	31 December 2020
Equity and liabilities			
Equity			
Share capital	14	126.799.554	126.799.554
Treasury shares	14	(930)	(930)
Asset revaluation reserve	14	569.845.780	309.836.582
Retained earnings		40.492.413	65.921.264
		737.136.817	502.556.470
Non-current liabilities			
Borrowings, non-current portion	15	35.639.645	49.843.453
Bonds payable, non-current portion	16	117.142.516	92.717.685
Deferred tax liability	25	151.470.158	89.323.835
Long-term payables	17	5.972.684	7.651.017
Government grants, non-current portion		–	29.113
Lease liabilities, non-current portion	27	–	99.406
Other liabilities, non-current portion		171.628	102.412
		310.396.631	239.766.921
Current liabilities			
Borrowings, current portion	15	13.854.307	14.334.439
Bonds payable, current portion	16	4.562.983	4.138.458
Trade and other accounts payable, current portion	17	18.512.531	40.884.883
Contract liabilities		2.064.346	3.336.881
Government grant, current portion		18.325	30.430
Lease liabilities, current portion	27	111.895	462.359
Taxes payable other than income tax	18	2.403.728	2.028.506
Income tax payable		–	52.818
Other current liabilities	19	4.155.771	4.420.461
		45.683.886	69.689.235
Total liabilities		356.080.517	309.456.156
Total equity and liabilities		1.093.217.334	812.012.626
Book value per ordinary share (in Tenge)	14	2.823	1.920

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

In thousands of Tenge	Notes	2021	2020
Continuing operations			
Revenue from contracts with customers	20	186,443,137	179,097,563
Cost of sales	21	(120,682,903)	(101,920,927)
Gross profit		65,760,234	77,176,636
General and administrative expenses	22	(8,539,823)	(7,817,094)
Selling expenses		(381,235)	(364,084)
Gain from recovery of loss from revaluation of property, plant and equipment	6	2,869,512	–
Loss from revaluation of property, plant and equipment	6	(10,813,536)	(19,210)
Operating profit		48,895,152	68,976,248
Finance income	23	5,368,222	5,480,240
Finance costs	23	(11,670,429)	(11,200,196)
Foreign exchange gain/(loss), net	24	451,045	(5,309,688)
Share of profit of an associate	7	260,739	358,447
Income from sale of an asset held for sale	27	2,182,037	–
Other income		1,739,332	876,774
Other expenses		(563,892)	(622,600)
Accrual of provision for expected credit losses	8, 9, 10, 11, 12	110,078	39,913
Profit before tax		46,772,284	58,599,138
Income tax expense	25	(7,607,838)	(10,100,904)
Profit for the year from continuing operations		39,164,446	48,498,234
Discontinued operations			
Profit after tax for the year from discontinued operations	26	13,471,466	4,967,037
Profit for the year		52,635,912	53,465,271
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax			
Gain from revaluation of property, plant and equipment		325,744,754	–
Income tax effect	25	(65,148,951)	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		260,595,803	–
Total comprehensive income for the year, net of tax		313,231,715	53,465,271
Earnings per share			
Basic and diluted profit for the year attributable to ordinary equity holders of the parent (in Tenge)	14	202,45	205,64
Earnings per share from continuing operations			
Basic and diluted profit for the year attributable to ordinary equity holders of the parent (in Tenge)	14	150,63	186,53

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

In thousands of Tenge	Notes	2021	2020
Operating activities			
Profit before tax from continuing operations		46,772,284	65,748,232
Profit before tax from discontinued operations	26	17,506,488	–
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation		36,867,809	34,076,993
Finance costs	23, 26	11,681,665	11,205,980
Finance income	23, 26	(7,562,497)	(7,146,006)
Foreign exchange gain/(loss), net	24	(451,045)	5,309,688
Accrual of provision for expected credit losses		297,853	458,445
Accrual of allowance for obsolete inventories		1,074	57,028
Loss from disposal of property, plant and equipment and intangible assets		151,639	372,695
Gain from recovery of loss from revaluation of property, plant and equipment	6	(2,869,512)	–
Loss from revaluation of property, plant and equipment	6	10,813,536	19,120
Share of profit of an associate	7	(260,739)	(358,447)
Income from government grants		(30,430)	(30,430)
Working capital adjustments			
Change in inventories		(197,629)	(472,164)
Change in trade accounts receivable		(12,850,642)	(7,404,216)
Change in other current assets		2,037,418	(2,325,816)
Change in VAT recoverable and other prepaid taxes		(2,753,788)	221,035
Change in trade and other accounts payable		5,894,563	16,526,787
Change in contract liabilities		(1,245,578)	1,168,996
Change in other non-current liabilities		69,216	102,412
Change in taxes payable other than income tax		2,400,671	(1,237,193)
Change in other current liabilities		(324,363)	142,312
Cash flows from operating activities		105,947,993	116,435,541
Interest paid		(1,167,132)	(2,093,727)
Coupon interest paid		(11,538,332)	(8,460,500)
Lease interest paid		(45,050)	(87,769)
Commissions paid on bank guarantees		(990,818)	(966,986)
Interest received		5,971,573	5,405,063
Income tax paid		(14,309,266)	(13,529,672)
Net cash flows received from operating activities		83,868,968	96,701,950

CONSOLIDATED STATEMENT OF CASH FLOWS

(continued)

In thousands of Tenge	Notes	2021	2020
Investing activities			
Withdraw of bank deposits		97.222.309	40.103.448
Replenishment of bank deposits		(93.421.164)	(48.792.359)
Change in restricted cash		–	4.238.713
Gain from sale of property, plant and equipment and intangible assets		203.673	196.498
Purchase of property, plant, equipment and advances paid for property, plant and equipment		(40.214.058)	(30.376.834)
Purchase of intangible assets		(36.653)	(51.273)
Acquisition of debt securities (National Bank notes, bills of Ministry of Finance of the Republic of Kazakhstan)	11	(66.747.566)	(117.199.634)
Redemption of debt securities (National Bank notes, bills of Ministry of Finance of the Republic of Kazakhstan)	11	78.930.920	85.659.159
Repurchase of DSFK bonds by the issuer	11	54.453	67.980
Partial return of funds from Kazinvestbank and Eximbank Kazakhstan		331.697	358.558
Cash and cash equivalent of disposed company (RFC)	26	(38.847.799)	–
Repayment of loans to employees		–	564
Dividends from an associate	7	203.095	–
Net cash flows used in investing activities		(62.321.093)	(65.795.180)
Financing activities			
Issue of bonds	28	25.235.121	9.032.407
Dividends paid	14	(41.529.578)	(32.746.767)
Repayment of borrowings	28	(14.614.808)	(6.574.597)
Principal repayment of lease liability	28	(436.606)	(400.692)
Net cash flows used in financing activities		(31.345.871)	(30.689.649)
Net change in cash and cash equivalents		(9.797.996)	217.120
Effect of exchange rate changes on cash and cash equivalents		(115.531)	460.732
Effect of accrual of provision on expected credit losses on cash and cash equivalents		(19.850)	10.071
Cash and cash equivalent, as at 1 January		21.867.205	21.179.282
Cash and cash equivalents, as at 31 December	13	11.933.828	21.867.205

Non-cash operations:

- During 2021 the Group capitalized the coupon interest on bonds in the cost of property, plant and equipment in the amount of 1.592.927 thousand tenge (Note 6).
- In January 2021 the Group sold land plots to related party – Samruk Kazyna Construction JSC for the amount of 2.182.037 thousand tenge. In accordance with the agreement on the transfer of property, Samruk-Kazyna Construction JSC undertakes to transfer residential, non-residential (commercial) premises and parking spaces to the Group's ownership at market value in an amount equivalent to the value of the land plot. Accordingly, this amount was recognized as advances given for non-current assets (Note 27).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

In thousands of Tenge	Share capital	Treasury shares	Asset revaluation reserve	Retained earnings	Total
As at 1 January 2020	126.799.554	(930)	310.369.243	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	(930)	309.836.582	65.921.264	502.556.470
Profit for the year	–	–	–	52.635.912	52.635.912
Gain from revaluation of property, plant and equipment, net of income tax (Note 4)	–	–	260.595.803	–	260.595.803
Total comprehensive income	–	–	260.595.803	52.635.912	313.231.715
Dividends (Note 14)	–	–	–	(41.529.578)	(41.529.578)
Disposal of a subsidiary (Note 26)	–	–	–	(37.121.790)	(37.121.790)
Transfer of asset revaluation reserve (Note 14)	–	–	(586.605)	586.605	–
As at 31 December 2021	126.799.554	(930)	569.845.780	40.492.413	737.136.817

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 2021 the Company’s major shareholder was Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna”) (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

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

KEGOC is the national Company, which provides electricity transmission, dispatch and electricity production-consumption balancing services in Kazakhstan. As the state-appointed system operator, the Company provides centralized dispatching control, ensures parallel work with energy systems of other countries, maintains the balance in energy system, provides system services and acquires auxiliary services from wholesale entities at energy market, as well as transmits electricity through 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 kV and more.

As of 31 December 2021 and 31 December 2020 the Company has stakes in the following companies:

Companies	Activities	Percentage of ownership	
		31 December 2021	31 December 2020
Energoinform JSC (“Energoinform”)	Maintenance of the KEGOC’s IT system	100%	100%
Accounting and Finance Center for the support of renewable energy resources LLP (“RFC” LLP) (Note 26)	Centralized 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 centralized provision of services to ensure the readiness of electricity capacity to bear the power load of capacity market.	–	100%

In accordance with Decree of the Government of the Republic of Kazakhstan #858 from 30 November 2021 and gift contract from 30 December 2021, the Group transferred free of charge 100% of shares in subsidiary RFC LLP to ownership of State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan. As of 31 December 2021, RFC LLP has been classified as discontinued operations and disposed from the Group (Note 26).

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

For management purposes, the Group’s activities before disposal of “RFC” LLP was organized into business units based on their services, and had three operating segments:

- **Electricity transmission and related support.** Electricity transmission is regulated by the Law of the Republic of Kazakhstan dated 27 December 2018 N° 204-VI 3PK On Natural Monopolies (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”).

Operations related to disposed subsidiary “RFC” LLP represented by the following:

- **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 Tauelsyzyk Ave., Nur-Sultan, Z00T2D0, the Republic of Kazakhstan.

These consolidated financial statements were approved by the Chairman of the Management Board and Chief Accountant of the Company on 18 March 2022.

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.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the following term apply:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- 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 derecognizes the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The amendments include the following practical expedients:

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

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

Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

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

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

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

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

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

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

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

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

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

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

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

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

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

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

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

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

IAS 41 Agriculture – Taxation in fair value measurements

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

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.

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 2021	31 December 2020
1 USD	431,67	420,91
1 EUR	487,79	516,79
1 RUB	5,77	5,62

Average exchange rate for the year (to KZT)	31 December 2021	31 December 2020
1 USD	426,03	412,95
1 EUR	504,04	471,44
1 RUB	5,78	5,73

Property, plant and equipment

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

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

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

A revaluation reserve is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is

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

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
Construction	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 amortization and accumulated impairment losses. Internally generated intangible assets of the Group, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit and loss in the period in which expenditure is incurred.

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

Non-current assets held for sale and discontinued operations

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

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

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

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

Impairment of non-financial assets

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

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

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

Impairment losses of continuing operations (including impairment on inventories) are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset,

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

Investments in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but 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

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

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

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

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

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

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);

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

Financial assets at amortized cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

Derecognition

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

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

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

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

Recognition of expected credit losses

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

Impairment

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

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

BORROWINGS AND BONDS – ISSUED

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the 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 derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the 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 recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Inventory

Inventories are accounted for on a FIFO basis.

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

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

Cash and cash equivalents

Cash and cash equivalents in the in the 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.

Restricted cash

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

Provisions

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

Revenue recognition

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

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

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

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

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

Tariffs for 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 neighboring countries are recognized in accordance with terms of contracts conducted on the basis of Agreement between the Government of Republic of Kazakhstan and Russian Federation On Measures Securing Parallel Operation of Unified Power Systems of the Republic of Kazakhstan and Russian Federation.

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

Trade receivables

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

Contract liabilities

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

Interest income

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

Borrowing costs

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

Lease

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

The Group as a lessee

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

i) Right-of-use assets

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

- Software – 5 years

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

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

ii) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a

purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Pension obligations

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees' salaries, but no more than 212,500 tenge per month (2020: 212,500 tenge) 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 recognized directly in equity is recognized 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 recognized for all taxable temporary differences, except:

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized 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 realized 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 recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Dividends

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

Contingent liabilities and contingent assets

Contingent liabilities are not recognized 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 recognized 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 December 2021. The Group engaged Grant Thornton Appraisal LLP, an accredited independent appraiser, to assess the fair value of the NES assets.

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

Following the results of 2021, the Committee, after introducing amendments to the current legislation in terms of clarifying the level of profit included in the tariffs, by a decision dated August 16, 2021, approved the tariffs for the Company's regulated services for the transmission of electricity, technical dispatching and the organization of balancing the production and consumption of electricity with a gradual annual growth levels for five year period (October 1, 2021 to September 30, 2026). The observed increase in the cost of materials and equipment, as well as the depreciation of the national currency – tenge led to an increase in the cost of most assets and inclusion in other comprehensive income of the revaluation results in the amount of 325.744.754 thousand tenge and the corresponding deferred tax liability in the amount of 65.148.951 thousand tenge, as well as an increase in the value of certain previously depreciated assets included in profit or loss in the amount of 2.869.512 thousand tenge and decrease in the value of certain assets included in profit or loss in the amount of 10.813.536 thousand tenge. The approval of new tariffs for regulated services for 5-year period confirmed the recoverability of the cost.

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 873.182.745 thousand tenge was recognized as a fair value of NES assets as at 1 December 2021.

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

Discount rate (WACC)	10,77%
Long term growth rate	3,7%
Average 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 61.627.776 thousand tenge or 47.408.662 thousand tenge, respectively.

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 recognized.

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 1,498,249 thousand tenge. 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 411,883 thousand tenge. 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 2021 DSFK bonds are non-recoverable. Accordingly, management of the Group believes that fair value of DSFK bonds is limited to their recoverable amount that is equal to the fair value of the guarantee. The Group does not hold the bonds for all contractual cash flows, so as at 31 December 2021, the bonds were classified as financial instruments at fair value through profit or loss. As at 31 December 2021, the Group revalued the fair value of the bonds at a discount rate of 17,3%, which represents the market discount rate as at 31 December 2021.

Control over a subsidiary

The Group’s management believes that KEGOC had control over RFC LLP prior to its transfer to the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan on 30 December 2021, since, in accordance with the requirements of IFRS 10 Consolidated Financial Statements, it had authorities in relation to RFC LLP, was exposed to risk of changes in income from participation in RFC LLP and also had the opportunity to use its power in relation to RFC LLP to influence the amount of its income and no one limited its rights to received such income.

Estimated allowance for expected credit losses on receivables

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

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

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

5. OPERATING SEGMENTS INFORMATION

Geographic information

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

In thousands of Tenge	2021	2020
Revenue from Kazakhstan customers	168.375.485	161.543.035
Revenue from Russian customers	17.155.351	16.579.111
Revenue from Uzbekistan customers	878.486	954.342
Revenue from Kyrgyz customers	33.815	21.075
Total revenue per consolidated statement of comprehensive income	186.443.137	179.097.563

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

For the year ended 31 December 2021 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to 24.780.095 thousand tenge and includes revenue from electricity transmission and the provision of related support (for the year ended 31 December 2020: 24.536.150 thousand tenge).

Operating segments

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

- **Electricity transmission services and related support.** Electricity transmission is regulated by the Law as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group’s electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee;
- **Ensure readiness of electricity capacity to bear the power load.** From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the sustainability of the power system of the Republic of Kazakhstan. Balance sustainability refers to the ability of a power system to meet consumer demand for electricity at any given time;
- **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.

Due to disposal of the subsidiary RFC LLP on 30 December 2021, disclosure of information on operating segments does not seem appropriate, since the lines of activity Ensuring the readiness of electricity capacity to bear the power load and Sale of purchased electricity were excluded from ongoing activity (Note 26).

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

In thousands of Tenge	Land	Building	NES assets	Vehicles and other property, plant and equipment	Construction-in-progress	Total
Cost						
As at 1 January 2020	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)	-
Transfers to intangible assets	-	-	-	-	(1,612,929)	(1,612,929)
Transfers 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
Additions	-	256,716	7,314	766,419	41,715,516	42,745,965
Transfers	-	162,809	14,769,795	2,661,509	(17,594,113)	-
Gain on revaluation (OCI)	-	-	693,824,746	-	-	693,824,746
Revaluation (through profit or loss)	-	-	(9,559,573)	-	-	(9,559,573)
Transfers to intangible assets	-	-	-	-	(297,463)	(297,463)
Disposals	-	(25,558)	(2,351,999)	(539,854)	(203,326)	(3,120,737)
Disposal of subsidiary	-	-	-	(59,522)	-	(59,522)
As at 31 December 2021	1,965,212	19,110,271	1,874,498,349	47,969,510	59,430,985	2,002,974,327
Accumulated depreciation and impairment						
As at 1 January 2020	-	(4,648,512)	(568,907,101)	(22,524,101)	(221,694)	(596,301,408)
Charge for the period	-	(249,462)	(30,572,899)	(2,779,662)	-	(33,602,023)
Disposals	-	393,737	2,128,850	437,587	-	2,960,174
Reversal of impairment	-	-	-	-	(19,210)	(19,210)
As at 31 December 2020	-	(4,504,237)	(597,351,150)	(24,866,176)	(240,904)	(626,962,467)
Charge for the period	-	(447,684)	(32,774,688)	(2,935,735)	-	(36,158,107)
Transfers	-	135	(135)	-	-	-
Gain on revaluation (OCI)	-	-	(368,079,992)	-	-	(368,079,992)
Revaluation (through profit or loss)	-	-	1,703,832	-	-	1,703,832
Disposals	-	15,895	1,985,134	535,286	43,736	2,580,051
Impairment	-	-	-	-	(88,283)	(88,283)
Disposal of subsidiary	-	-	-	31,955	-	31,955
As at 31 December 2021	-	(4,935,891)	(994,516,999)	(27,234,670)	(285,451)	(1,026,973,011)

In thousands of Tenge	Land	Building	NES assets	Vehicles and other property, plant and equipment	Construction-in-progress	Total
Net book value						
As at 1 January 2020	1,910,256	14,087,994	599,496,951	19,300,416	16,775,373	651,570,990
As at 31 December 2020	1,965,212	14,212,067	580,456,916	20,274,782	35,569,467	652,478,444
As at 31 December 2021	1,965,212	14,174,380	879,981,350	20,734,840	59,145,534	976,001,316

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 2021	31 December 2020
Cost	435,418,856	421,253,836
Accumulated depreciation	(135,932,403)	(124,078,236)
Net book value	299,486,453	297,175,600

As at 31 December 2021 and 31 December 2020 the cost of fully amortized property, plant and equipment, which is still in use amounted to 13,679,221 thousand tenge and 43,753,588 thousand tenge, respectively.

Capitalized costs on issued bonds

During the year ended 31 December 2021 the Group capitalized the cost of coupon interest on issued bonds amounted to 1,592,927 thousand tenge less investment income (2020 year: 310,407 thousand tenge) (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", and "Western MES" (stage 1)".

Advances paid for non-current assets

As at 31 December 2021 and 31 December 2020 advances paid for non-current assets are mainly represented by advances paid to suppliers for construction work and services under the project "Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches "Aktobe MES", "Sarbaiskie MES", "Western MES" branches (stage 1)", "Strengthening of the external power supply scheme of Turkestan. Construction of power grid facilities" and "Strengthening the power grid of the Western zone of UES of Kazakhstan. Construction of power grid facilities".

7. INVESTMENTS IN ASSOCIATE

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

In thousands of Tenge	31 December 2021	31 December 2020
Current assets	20.480.453	17.139.259
Non-current assets	12.136.672	17.309.889
Current liabilities	(6.285.494)	(7.440.560)
Non-current liabilities	(14.939.971)	(16.920.626)
Net assets	11.391.660	10.087.962

In thousands of Tenge	31 December 2021	31 December 2020
Group's share in net assets	2.278.332	2.017.593
Carrying amount of the investments	2.278.332	2.017.593

In thousands of Tenge	31 December 2021	31 December 2020
Revenue	9.505.004	10.406.346
Net profit	1.303.697	1.792.235
Group's share in profit of Batys Transit	260.739	358.447

As at 31 December 2021 and 31 December 2020, the associate had no contingent liabilities or future 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 allocate a part of the profit from non-core activities for 2019 to pay dividends on ordinary shares in the amount of 1.015.477 thousand tenge, at the rate of 33.849,23 tenge per ordinary share. The payment start date 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. Dividend receivable in the amount of 203,095 thousand tenge were included in the consolidated statement of financial position as at 31 December 2020. As of 31 December 2021, dividends have been paid.

8. INVENTORIES

In thousands of Tenge	31 December 2021	31 December 2020
Raw and other materials	1.390.943	1.441.729
Spare parts	1.175.291	1.113.256
Fuel and lubricants	87.850	84.148
Other inventory	274.285	273.433
Less: allowance for obsolete inventories	(337.986)	(363.273)
	2.590.383	2.549.293

Movement in the allowance for obsolete inventories was as follows:

In thousands of Tenge	2021	2020
At 1 January	363.273	313.118
Charge	99.941	201.353
Reversal	(98.867)	(144.325)
Write-off	(26.361)	(6.873)
At 31 December	337.986	363.273

9. TRADE ACCOUNTS RECEIVABLE

In thousands of Tenge	31 December 2021	31 December 2020
Trade accounts receivable	15,265,245	31,505,569
Less: allowance for expected credit losses and impairment	(2,273,985)	(2,902,262)
	12,991,260	28,603,307

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

In thousands of Tenge	2021	2020
At 1 January	2,902,262	2,104,309
Charge	2,681,628	2,025,634
Reversal	(2,151,483)	(1,227,681)
Write-off	(1,158,422)	-
At 31 December	2,273,985	2,902,262

As at 31 December 2021 trade accounts receivable included accounts receivable from the customer National Electric Grids of Uzbekistan JSC, in the amount of 1,583,830 thousand tenge (31 December 2020: 1,721,705 thousand tenge).

As at 31 December 2021 provision for debts from National Electric Grids of Uzbekistan JSC amounted to 1,503,743 thousand tenge (31 December 2020: 1,466,984 thousand tenge).

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 account receivables					
	Total	Current	Days past due			
			30-90 days	91-180 days	181-270 days	Above 271 days
31 December 2021						
Percentage of expected credit losses	14.90%	0.69%	10.01%	31.06%	54.95%	98.73%
Estimated total gross carrying amount in case of default	15,265,245	12,610,051	390,392	108,326	34,134	2,122,342
Expected credit losses	(2,273,985)	(87,068)	(39,084)	(33,651)	(18,756)	(2,095,426)
	12,991,260	12,522,983	351,308	74,675	15,378	26,916
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

Trade accounts receivable were denominated in the following currencies:

In thousands of Tenge	31 December 2021	31 December 2020
Tenge	11,902,968	27,812,664
Russian Rouble	1,008,648	535,922
US Dollars	79,644	254,721
	12,991,260	28,603,307

10. OTHER CURRENT ASSETS

In thousands of Tenge	31 December 2021	31 December 2020
Advances paid for goods and services	491,362	2,216,768
Other receivables for property, plant and equipment and constructions (Note 27)	399,974	399,974
Deferred expenses	201,238	166,970
Loans receivable from employees	469	469
Other	366,962	769,850
Less: provision for expected credit losses and impairment	(485,933)	(608,794)
	974,072	2,945,237

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

In thousands of Tenge	2021	2020
At 1 January	608,794	472,349
Charge	196,394	219,244
Reversal	(276,349)	(82,641)
Write-off	(42,906)	(158)
At 31 December	485,933	608,794

11. OTHER FINANCIAL ASSETS

In thousands of Tenge	31 December 2021	31 December 2020
Financial assets at amortized cost		
Bonds of Samruk-Kazyna	30.144.252	30.213.089
Bank deposits	26.529.980	29.656.027
Notes of the National Bank of the Republic of Kazakhstan	13.646.481	28.823.615
Placements with Eximbank Kazakhstan	2.308.946	2.572.504
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	1.850.569	1.816.832
Placements with DeltaBank	1.230.000	1.230.000
Placements with Kazinvestbank	1.201.850	1.219.017
Interest accrued on Samruk-Kazyna bonds	254.333	254.334
Interest accrued on Ministry of Finance Eurobonds of the Republic of Kazakhstan	18.305	17.163
Interest accrued on Samruk-Kazyna bond	-	203.095
Less: provision for impairment of placements with Eximbank Kazakhstan	(2.308.946)	(2.572.504)
Less: provision for impairment of placements with DeltaBank	(1.230.000)	(1.230.000)
Less: provision for impairment of placements with Kazinvestbank	(1.201.850)	(1.219.017)
Less: provision for expected credit losses	(261.528)	(152.516)
	72.182.392	90.831.639
Financial assets at fair value through profit or loss		
Bonds of Special Financial Company DSFK	314.418	310.175
	314.418	310.175
Total other financial assets	72.496.810	91.141.814
Other current financial assets	40.187.573	58.801.720
Other non-current financial assets	32.309.237	32.340.094
Total other financial assets	72.496.810	91.141.814

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

In thousands of Tenge	2021	2020
At 1 January	5.174.037	5.632.274
Charge	420.248	442.012
Reversal	(591.942)	(900.249)
Write-off	(19)	-
At 31 December	5.002.324	5.174.037

Bonds of Samruk-Kazyna JSC

On 3 December 2020, the Group purchased coupon bonds of SWF Samruk-Kazyna JSC 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%. Also, on 7 December 2020, the Group purchased coupon bonds of SWF Samruk-Kazyna JSC on the Kazakhstan Stock Exchange. 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%.

Bank deposits

As at 31 December 2021 and 31 December 2020 the deposits include accrued interest income in the amount of 67.429 thousand tenge and 65.981 thousand tenge, respectively. Information about banks is provided in Note 28 under credit risk.

Notes of the National Bank of the Republic of Kazakhstan

During the 2021 year the Group acquired discount notes of the National Bank of the Republic of Kazakhstan at the Kazakhstan Stock Exchange in general amount of 66.747.566 thousand tenge (2020: 117.199.634 thousand tenge). The amount of repayments of notes of the National Bank of the Republic of Kazakhstan for the year ended 31 December 2021 amounted to 78.930.920 thousand tenge (2020: 85.659.159 thousand tenge). During the year ended 31 December 2021 the Group recognized a finance income of 681.430 thousand tenge (794.117 thousand tenge) (Note 23).

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 Kazakhstan 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 represents 2.930.115 thousand tenge.

During 2021 year the Liquidation Committee of Eximbank Kazakhstan made payment to the Group in the amount of 726 thousand US dollars (equivalent to 363.558 thousand tenge 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 (2020: 805 thousand US dollars, equivalent to 330.624 thousand tenge).

Kazinvestbank

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

On 2 April 2021 and 8 October 2021, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 18,0 thousand US dollars and 34,4 thousand US dollars (equivalent to 17,167 thousand tenge as of the date of payment), respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

Eurobonds of the Ministry of Finance of the Republic of Kazakhstan

On 26 April 2019, the Group acquired Eurobonds of the Ministry of Finance of the Republic of Kazakhstan 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 US dollars (equivalent of 1.816.832 thousand tenge).

Bonds of Special Financial Company DSFK LLP

During the year ended 31 December 2021, Special Financial Company DSFK LLP redeemed bonds of 54.453 thousand tenge.

As at 31 December 2021, the Group reassessed the fair value of bonds and increased their carrying amount to 314.418 thousand tenge, recognizing gain from revaluation of financial instruments in the amount of 58.696 thousand tenge as finance income in the consolidated statement of comprehensive income (2020: 89.541 thousand tenge) (Note 23).

Other financial assets were represented in the following currencies:

In thousands of Tenge	Interest rate	31 December 2021	31 December 2020
Tenge	0,01 – 9,15%	44.550.133	64.453.314
US Dollar	1 – 3,875%	27.946.677	26.688.500
		72.496.810	91.141.814

12. RESTRICTED CASH

In thousands of Tenge	31 December 2021	31 December 2020
Cash reserved for return on guarantee obligations	671.160	553.284
Less: provision for expected credit losses	(258)	(698)
	670.902	552.586

During 2021 and 2020 interest was not charged on restricted cash.

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

In thousands of Tenge	2021	2020
At 1 January	698	8.467
Charge	277	855
Reversal	(717)	(8.624)
At 31 December	258	698

As at 31 December 2021 and 31 December 2020, restricted cash, including funds expected to be redeemed, was denominated in the following currencies:

In thousands of Tenge	31 December 2021	31 December 2020
Tenge	670.902	552.586
	670.902	552.586

13. CASH AND CASH EQUIVALENTS

In thousands of Tenge	31 December 2021	31 December 2020
Short-term deposits, in Tenge	9.992.991	10.812.426
Current accounts with banks, in Tenge	1.760.179	10.816.529
Current accounts with banks, in foreign currencies	168.534	244.835
Cash on hand, in Tenge	11.788	1.828
Cash at special accounts, in Tenge	1.111	752
Less: provision for expected credit losses	(775)	(9.165)
	11.933.828	21.867.205

As at 31 December 2021, the Group placed short-term deposits with maturity up to 3 months, with banks at 7,5-8,5% per annum (2020: 7-8,25% per annum).

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

In thousands of Tenge	2021	2020
As at 1 January	9.165	19.236
Charge	35.908	14.551
Reversal	(16.058)	(24.622)
Write-off	(28.240)	-
As at 31 December	775	9.165

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

In thousands of Tenge	31 December 2021	31 December 2020
Tenge	11.765.355	21.622.663
US dollar	168.094	20.991
Euro	1	1
Russian rouble	-	223.177
Others	378	373
	11.933.828	21.867.205

14. EQUITY

As at 31 December 2021 and 31 December 2020 share capital of the Group comprised of 260.000.000 shares for the total amount of 126.799.554 thousand tenge 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 930 thousand tenge.

Dividends

In May 2020, shareholders approved the distribution of 74% of net profit for 2019 minus the amount of net profit distributed for the first half of 2019. The amount to be paid was 12.703.475 thousand tenge to all common shareholders of the Group, which is 48,86 tenge 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 20.043.293 thousand tenge for all common shareholders of the Group, which is equal to 77,09 tenge per ordinary share. Total amounts of dividends paid during 2020 was 32.746.825 thousand tenge.

In May 2021, shareholders approved the distribution of dividends for the second half of 2020. The dividends to be paid amounted to 19.502.496 thousand tenge for all common shareholders of the Group, which is equal to 75,01 tenge per ordinary share. The total distribution for 2020 resulted to 74% of net income for the year.

In November 2021, shareholders approved the distribution of 80% of net profit for first half of 2021. Amount to be paid was 22.027.082 thousand tenge for all common shareholders of the Group, which is equal to 84,72 tenge per ordinary share. The total amount of dividends paid during 2021 was 41.529.578 thousand tenge.

The distribution of dividends was carried out taking into account the fact, that in accordance with paragraph 10 of the Charter of RFC LLP, its net profit in the amount of 17.387.428 thousand tenge for 2021 (9.225.199 thousand tenge for 2020) remains at the discretion of partnership and directed to operate its main activity.

Earnings per share

Basic and diluted earnings per share are calculated by dividing net profit for the period by the weighted average number of common shares outstanding during the period. The Group had weighted average number of common shares in circulation in the amount of 259.998.610 shares during the year ended 31 December 2021 (for the year ended 31 December 2020: 259.998.610 shares). For the year ended 31 December 2021 and 2020, basic and diluted earnings per share were 202,45 tenge and 205,64 tenge, 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 2021	31 December 2020
Total assets	1.093.217.334	812.012.626
Less: intangible assets	(3.165.491)	(3.327.999)
Less: total liabilities	(356.080.517)	(309.456.156)
Net assets	733.971.326	499.228.471
Number of ordinary shares	260.000.000	260.000.000
Book value per ordinary share, Tenge	2.823	1.920

Asset revaluation reserve

Asset revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group's NES assets as at 1 December 2021 (previous revaluation was held as at 1 October 2018) (Note 6). Transfer of asset revaluation surplus into retained earnings, upon disposal of PP&E and transfer of NES assets into other classes of PPE for the year ended 31 December 2021, amounted 586.605 thousand tenge (for the year ended 31 December 2020: 532.661 thousand tenge).

15. BORROWINGS

In thousands of Tenge	31 December 2021	31 December 2020
International Bank of Reconstruction and Development (IBRD)	36.708.534	41.647.967
European Bank of Reconstruction and Development (EBRD)	12.785.418	22.529.925
	49.493.952	64.177.892
Less: current portion of loans repayable within 12 months	(13.854.307)	(14.334.439)
	35.639.645	49.843.453

As at 31 December 2021 and 31 December 2020 the accrued and unpaid interest payable amounted to 196.888 thousand tenge and 343.237 thousand tenge, respectively. As at 31 December 2021 and 31 December 2020 the unamortized portion of loan origination fees amounted to 244.426 thousand tenge and 285.919 thousand tenge, respectively.

The movement of loans for reconciliation with cash flow statement is presented in Note 28.

Loans were denominated in the following currencies

In thousands of Tenge	2021	2020
US Dollars	36.708.534	41.647.967
Euro	12.785.418	22.529.925
	49.493.952	64.177.892

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

In 2005 for the purpose of implementation of the Phase II of the “Construction of the second North-South 500 kW Electricity Transmission line”, the Group received a credit line facility of 100.000 thousand US dollars 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 1.918 thousand US dollars was cancelled due to the fact that actual costs incurred within this project were less than expected. The outstanding balances as at 31 December 2021 and 31 December 2020 are 8.195 thousand US dollars (equivalent to 3.538.547 thousand tenge) and 16.351 thousand US dollars (equivalent to 6.882.125 thousand tenge), respectively.

Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2

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

Two credit-line facilities of 127.500 thousand euros and 75.000 thousand euros 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 2021 and 31 December 2020 are 25.878 thousand euros (equivalent to 12.656.781 thousand tenge) and 43.130 thousand euros (equivalent to 22.288.891 thousand tenge), respectively.

Moinak Electricity Transmission Project

In 2009, for the realization of the “Moinak Electricity Transmission Project” a credit line facility from IBRD of 48.000 thousand US dollars 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 LIBOR US dollar 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 3.274 thousand US dollars was cancelled since the amount of actual expenses incurred during the project was less than expected. The outstanding balances as at 31 December 2021 and 31 December 2020 are 29.072 thousand US dollars (equivalent to 12.553.276 thousand tenge) and 31.308 thousand US dollars (equivalent to 13.177.966 thousand tenge), 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 78.000 thousand US dollars 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 US 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 6.644 thousand US dollars has been cancelled since the amount of actual costs was less than expected costs. The outstanding balances as at 31 December 2021 and 31 December 2020 are 48.165 thousand US dollars (equivalent to 20.792.886 thousand tenge) and 51.733 thousand US dollars (equivalent to 21.771.592 thousand tenge), respectively.

16. BONDS PAYABLE

In thousands of Tenge	31 December 2021	31 December 2020
Nominal value of issued bonds	118.800.000	93.500.000
Accrued coupon interest	4.562.983	4.138.458
Less: discount on bonds issued	(1.577.690)	(719.637)
Less: transaction costs	(79.794)	(62.678)
	121.705.499	96.856.143
Less: current portion of bonds repayable within 12 months	(4.562.983)	(4.138.458)
	117.142.516	92.717.685

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

(a) During the period from June to August 2016 the Group issued coupon bonds with nominal amount of 47.500.000 thousand tenge under floating interest rate equal to the inflation rate in Republic of Kazakhstan plus 2.9% with the maturity of 2031 (the minimum rate of the consumer price index is set at 5%). The coupon rate for the first coupon period from 26 May 2018 to 26 May 2019 is 9,5% per annum. The coupon rate for the period from 26 May 2018 to 26 May 2019 is 9.5% per annum. The coupon rate for the period from 26 May 2019 to 26 May 2020 is 7,9% per annum. The coupon rate for the period from 26 May 2020 to 26 May 2021 is 9,3% per annum and from 26 May 2021 to 31 December 2021 is 9,9% per annum.

All bonds under this program were acquired by Unified Accumulative Pension Fund.

Bonds were issued with discount in the amount of 111.945 thousand tenge.

(b) In August 2017, the Group placed the second tranche of coupon bonds amounting to 36.300.000 thousand tenge with a fixed rate of 11.5%.

All bonds under this program were acquired by Unified Accumulative Pension Fund and other entities.

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 Kazakhstan Stock Exchange JSC (KASE) with nominal value of 9.700.000 thousand tenge and 11% annual yield. The bonds were placed at a discount of 667.593 thousand tenge. As a result of trades, 89.6% of bonds were purchased by STB (second-tier banks), 9.9% – by other institutional investors, 0.5% – by other legal entities.

On 27 January 2021, KEGOC’s bonds were placed on Kazakhstan Stock Exchange JSC (KASE) with nominal volume of 8.869.672 thousand tenge with an average weighted yield to maturity of 11,62% per annum. The bonds were placed with a discount in the amount of 380.267 thousand tenge. Accrued coupon interest on the date of placement amounted to 159.900 thousand tenge. As a result of trades, 22.6% of bonds were purchased by broker-dealer organizations, 72.8% by other institutional investors, 4.6%– by other legal entities.

On 21 October 2021, bonds of KEGOC JSC were successfully placed on Kazakhstan Stock Exchange JSC with a nominal value 16.430.328 thousand tenge and weighted average yield to maturity of 11.5% per annum. The bonds were placed at a discount of 562.427 thousand tenge, accrued coupon interest on the placement date was 717.914 thousand tenge. As a result of trades, 86.7% of the bonds were purchased by Eurasian Development bank JSC and other banks, 13.3% - by other institutional investors.

During the year ended 31 December 2021 the Group capitalized the borrowing costs of coupon interest on the issued bonds less investment income in the amount of 1.592.927 thousand (2020 year: 310.407 thousand tenge) (Note 23).

The movement of the bonds for reconciliation with cash flow statement is presented in Note 28.

17. TRADE AND OTHER ACCOUNTS PAYABLE

As at 31 December 2021 and 31 December 2020 trade and other accounts payable:

In thousands of Tenge	31 December 2021	31 December 2020
Accounts payable for property, plant and equipment and construction works	19.189.917	19.118.365
Accounts payable for electricity purchased	3.805.412	15.982.064
Accounts payable for inventories, works and services	2.756.581	15.414.429
Less: discount	(1.266.695)	(1.978.958)
	24.485.215	48.535.900
Less: current portion of trade payables repayable within 12 months	18.512.531	40.884.883
	5.972.684	7.651.017

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

In thousands of Tenge	31 December 2021	31 December 2020
Tenge	21.907.917	45.752.581
Russian rouble	2.517.368	2.677.323
US dollar	59.930	46.721
Euro	–	59.275
	24.485.215	48.535.900

The non-current portion of accounts payable represents payables to a related party Karabatan Utility Solutions LLP, details of which are disclosed in Note 27.

18. TAXES PAYABLE OTHER THAN INCOME TAX

In thousands of Tenge	31 December 2021	31 December 2020
VAT payable	1,373,572	960,338
Contributions payable to pension fund	340,706	364,051
Personal income tax	258,593	316,597
Social tax	230,351	269,371
Social contribution payable	114,309	104,804
Property tax	66,442	-
Other	19,755	13,345
	2,403,728	2,028,506

19. OTHER CURRENT LIABILITIES

In thousands of Tenge	31 December 2021	31 December 2020
Due to employees	3,266,946	3,727,583
Other	888,825	692,878
	4,155,771	4,420,461

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

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of Tenge	2021	2020
Electricity transmission services	129,355,940	121,953,313
Technical dispatch	28,902,579	30,291,437
Balancing of electricity production and consumption	17,958,864	18,649,805
Sale of electricity for compensation of the interstate balances of electricity flows	7,067,781	5,101,651
Power regulation services	878,486	954,342
Revenue from sale of purchased electricity	33,897	21,075
Other	2,245,590	2,125,940
	186,443,137	179,097,563

In thousands of Tenge	Unit measure	31 December 2021	31 December 2020
Electricity transmission services	MWh	50,824,342	41,184,976
Technical dispatch	MWh	105,042,897	98,991,624
Balancing of electricity production and consumption	MWh	205,149,438	192,856,265
Sale of electricity for compensation of the interstate balances of electricity flows	MWh	1,389,803	969,385
Power regulation services	MW	900	1,005
Revenue from the sale of purchased electricity	MWh	5,837	3,659

In thousands of Tenge	2021	2020
Revenue recognition timeline		
The goods are transferred at a certain point in time	7,101,678	5,122,726
The services are provided over a period of time	179,341,459	173,974,837
Total revenue from contracts with customers	186,443,137	179,097,563

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

21. COST OF SALES

In thousands of Tenge	2021	2020
Depreciation and amortization	35,950,880	33,349,877
Technical losses of electric energy	24,866,088	14,709,725
Cost of purchased electricity for compensation of interstate balances of electricity flows	22,157,785	16,019,937
Payroll expenses and related taxes	18,320,948	18,292,955
Repair and maintenance expenses	7,683,172	5,641,008
Taxes other than income tax	6,185,051	9,049,154
Security services	1,292,485	1,206,494
Inventories	1,070,326	1,031,355
Cost of purchased electricity	30,974	19,392
Other	3,125,194	2,601,030
	120,682,903	101,920,927

22. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	2021	2020
Payroll expenses and related taxes	5,229,216	5,080,003
Depreciation and amortization	878,698	688,088
Taxes other than income tax	238,204	190,786
Consulting services	176,264	161,177
Utilities	70,873	68,540
Materials	66,149	46,371
Software maintenance expense	57,884	47,273
Business trip expenses	54,581	25,855
Trainings	46,806	54,177
Expenses for the Board of Directors	44,587	67,725
Insurance	26,027	28,734
Charge/(reversal) for obsolete inventories (Note 8)	1,074	57,028
Other	1,649,460	1,301,337
	8,539,823	7,817,094

23. FINANCE INCOME/(COSTS)

In thousands of Tenge	2021	2020
Finance income		
Interest income from deposits, current accounts and bonds	6,148,449	4,492,096
Income from the National Bank notes (Note 11)	681,430	794,117
Amortization of discount on accounts receivable (Note 27)	88,160	98,615
Income from revaluation of DSFK financial instruments (Note 11)	58,696	89,541
Income from recognition of premiums on long-term financial assets	-	213,089
Amortization of discount on other financial assets	-	113,683
	6,976,735	5,801,141
Less: interest capitalized into cost of qualifying asset (Note 6)	(1,608,513)	(320,901)
	5,368,222	5,480,240
Finance costs		
Bond coupon	11,962,857	8,977,984
Interest on borrowings	1,024,707	1,652,890
Commission on bank guarantees	981,849	980,762
Discounting of the other financial assets	723,342	79,439
Amortization of premiums on other financial assets	81,950	-
Amortization of loan origination fees	49,009	25,416
Interest expense on leases	31,786	96,818
Other costs on bonds issued	16,369	18,195
	14,871,869	11,831,504
Less: interest capitalized into cost of qualifying assets (Note 6)	(3,201,440)	(631,308)
	11,670,429	11,200,196

The discounting expense is mainly represented by the amortization of the discount on long-term payables to related party Karabatan Utility Solutions LLP (Note 27).

24. 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 2021, the Group incurred net foreign exchange gain in the amount of 451.045 thousand tenge (for the year ended 31 December 2020: net foreign exchange loss in the amount of 5.309.688 thousand tenge).

25. INCOME TAX EXPENSE

In thousands of Tenge	2021	2020
Current income tax		
Current income tax expense	10,675,241	10,744,150
Adjustments in respect of current income tax of previous year	(64,776)	28,168
Deferred tax		
Deferred income tax benefit	(3,002,627)	(671,414)
Total income tax expense reported in consolidated statement of comprehensive income	7,607,838	10,100,904
Deferred income tax related to items recognized in other comprehensive income during the year		
Deferred tax from revaluation of NES assets	65,148,951	-

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

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

In thousands of Tenge	2021	2020
Profit before tax from continuing operations	46,772,284	17,506,488
Profit before tax from discontinued operations	58,599,138	7,149,094
Tax at statutory income tax rate of 20%	12,855,754	13,149,646
(Reversal)/accrual of provision for expected credit loss	(30,457)	(97,995)
Adjustments in respect of current income tax of previous year	(64,776)	28,168
Accrual/(reversal) of allowance for doubtful accounts receivable from non-residents	(14,524)	10,897
Interest income from securities	(667,913)	(564,155)
Income from changes in fair value	(418,513)	(332,284)
Other permanent differences	(16,711)	88,684
Income tax expense reported in profit or loss including	11,642,860	12,282,961
• Income tax from discontinued operations	4,035,022	2,182,057
• Income tax from continuing operations	7,607,838	10,100,904

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

In thousands of Tenge	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	31 December 2021	31 December 2020	2021	2020
Accounts receivable	196.234	384.646	(43.748)	79.389
Accrued liabilities	610.002	702.392	(73.121)	108.698
Property, plant and equipment	(152.276.394)	(90.251.221)	3.119.496	483.327
Deferred tax benefit	-	-	3.002.627	671.414
Net deferred tax liabilities	(151.470.158)	(89.164.183)	-	-

For years ended 31 December changes in deferred tax liabilities are presented as follows:

In thousands of Tenge	2021	2020
At 1 January	(89.164.183)	(89.941.813)
Deferred income tax benefit recognized in profit or loss	3.002.627	671.414
Income tax (expense)/benefit on discontinued operations	(159.651)	106.216
Income tax expense recognized in OCI (Note 3)	(65.148.951)	-
At 31 December	(151.470.158)	(89.164.183)

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

In thousands of Tenge	31 December 2021	31 December 2020
Deferred tax assets	-	159.652
Deferred tax liabilities	(151.470.158)	(89.323.835)
Net deferred tax liabilities	(151.470.158)	(89.164.183)

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

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

26. DISCONTINUED OPERATIONS

In accordance with Decree of the Government of the Republic of Kazakhstan #858 from 30 November 2021 and donation agreement from 30 December 2021, the Group transferred free of charge 100% of shares in subsidiary RFC LLP to ownership of State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan. As of 30 December 2021, RFC LLP has been classified as discontinued operations and disposed from the Group.

Assets and liabilities of RFC LLP as of the date of disposal are presented as follows:

In thousands of Tenge	30 December 2021
Assets	
Property, plant and equipment	27.567
Intangible assets	14.836
Deferred tax assets	234.733
Inventories	155.465
Trade accounts receivable	25.777.422
Advances paid	983
Vat recoverable	-
Prepaid income tax	-
Other current assets	15.874
Other financial assets, current portion	5.151.508
Cash and cash equivalents	38.847.799
Total assets	70.226.187
Trade accounts payable	31.602.053
Taxes payable other than income tax	1.147.572
Income tax payable	261.182
Other liabilities	93.590
Total liabilities	33.104.397
Retired net assets	37.121.790

Losses on disposal of RFC LLP in the amount of 37,121,790 thousand tenge were recognized in the consolidated statement of changes in equity.

The results of discontinued operations included in the consolidated statement of comprehensive income is presented as follows:

In thousands of Tenge	2021	2020
Revenue from contracts with customers	211.591.935	171.561.989
Cost of Sales	(195.598.700)	(165.136.041)
General and administrative expenses	(343.451)	(492.577)
Finance income	2.194.275	1.665.765
Finance expense	(11.236)	(5.785)
Other income	81.625	54.100
Other expense	(29)	-
Accrual of allowance for expected credit losses	(407.931)	(498.357)
Profit before income tax	17.506.488	7.149.094
Income tax expense	(4.035.022)	(2.182.057)
Profit for the year from discontinued operations	13.471.466	4.967.037
Earnings per share from discontinued operations		
Basic and diluted profit for the year attributable to common shareholders of the parent (in Tenge)	51,81	19,10

The net cash flows from discontinued operations are as follows:

Net cash flows received from operating activities	15.342.483	15.028.246
Net cash flows received from/(used in) investing activities	9.203.509	(12.443.711)
Net cash flows received from financing activities	-	-

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.

Transactions with related parties for 2021 and 2020 are presented as follows:

In thousands of Tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Entities under joint control of Samruk-Kazyna	Associated of the Group
Sale of services	2021	88.141.984	13.158.299	4.311.519	658.453
	2020	67.230.306	11.900.079	4.775.623	732.943
Sale of land plots	2021	2.182.037	-	-	-
	2020	-	-	-	-
Purchase goods and services	2021	61.259.441	2.395.243	-	73.620
	2020	56.206.438	3.211.878	44.152	75.315
Purchase of property complex	2021	-	-	-	-
	2020	11.794.689	-	-	-
Amortization of discount on long-term receivables	2021	88.160	-	-	-
	2020	98.615	-	-	-
Amortization of discount on long-term accounts payable	2021	712.262	-	-	-
	2020	-	-	-	-

Receivables and payables as of 31 December from transactions with related parties are as follows::

In thousands of Tenge		Subsidiaries of Samruk-Kazyna	Associated of Samruk-Kazyna	Entities under joint control of Samruk-Kazyna	Associated of the Group
Advances given for non-current assets	2021	2.182.037	-	-	-
	2020	-	-	-	-
Current trade accounts receivables for the sale of services	2021	2.171.300	280.180	146.229	39.473
	2020	4.597.516	397.719	404.371	73.580
Accounts receivable for sale of property, plant and equipment	2021	814.315	-	-	-
	2020	922.600	-	-	-
Dividend receivable	2021	-	-	-	-
	2020	-	-	-	203.095
Accounts payables for property complex	2021	8.169.055	-	-	-
	2020	10.009.955	-	-	-
Current trade and other accounts payable for the services purchased	2021	1.831.950	175.735	-	8.596
	2020	8.086.633	586.602	12.646	9.820
Lease payables	2021	111.895	-	-	-
	2020	561.765	-	-	-

Revenue and cost of sales, trade accounts receivable and payable

The sale of services to related parties mainly represent electricity transmission, technical dispatch and services on balancing production and consumption of electricity, electrical capacity readiness services. The purchase of services from related parties mainly represents communication services, energy services, electricity purchase, electric capacity readiness services, postal service and software maintenance services.

Sale of land plots

On January 2021, the Group sold land plots, classified as assets held for sale of 5.126 thousand tenge as of 31 December 2020, to related party Samruk-Kazyna Construction JSC for 2.182.037 thousand tenge. In accordance with sale agreement, Samruk-Kazyna Construction JSC obliged to transfer premises to the ownership of the Group for the amount 2.182.037 thousand tenge.

Other accounts receivable

As of 31 December 2021, the Group had accounts receivable for the sale of property plant and equipment to related party Balkhash TES JSC in the amount of 220.494 thousand tenge (as of 31 December 2020: 220.494 thousand tenge). In accordance with sale agreement, Balkhash TES JSC had to pay the outstanding balance till the end of 2018, however, as of 31 December 2021 the amount hasn't been paid. In connection with the suspension of construction of Balkhash TES, the management of the Group decided to accrue a 100% provision for receivable in 2018.

Total amount of ECL on trade accounts receivable of related party amounted to 271.744 thousand tenge as of 31 December 2021.

Accounts payables for property complex and amortization of discount

In November-December 2020, the Group acquired a property complex from a related party – Karabatan Utility Solutions LLP in the amount of 11.794.689 thousand tenge. In accordance with the sale and purchase agreement, the Group will pay by equal annual installments until 25 March 2025. Accordingly, the Group discounted future cash flows at a discount rate of 10.25%, which is the best estimate of the market rate by the Group's Management. As of 31 December 2021, discount on accounts payable of Karabatan Utility Solutions LLP amounted to 1.266.695 thousand tenge.

As of 31 December 2020, the amount of payable net of the discount was 8.169.055 thousand tenge, of which 5.972.684 thousand tenge were included within long-term payables from related parties. During the year ended 31 December 2021, the Group recognized the expense from amortization of discount of long-term trade payables in the amount of 712.262 thousand tenge.

Lease payables

In 2017, the Group signed long-term agreement with related party Samruk-Kazyna Business Service LLP on provision of rights of use on software. As of 31 December 2021, the lease payables of the Group amounted to 111.895 thousand tenge (as of 31 December 2020: 561.765 thousand tenge).

Other

The amount of guarantee of the Government of the Republic of Kazakhstan under the IBRD loan amounted to 37.835.274 thousand tenge (as of 31 December 2020: 42.800.248 thousand tenge).

Compensation to key management personnel and all other related expenses (taxes, deductions, sick leave, holiday pay, material assistance, etc.) included in payroll expenses in the accompanying consolidated statement of comprehensive income amounted to 313.976 thousand tenge for the year ended 31 December 2021 (for the year ended 31 December 2020: 381.788 thousand tenge).

The remuneration of key management personnel mainly consists of contractual salaries and performances based remuneration.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

In thousands of Tenge	Increase/ (decrease) in basis points* / in percentage	Effect on profit before tax
For the year ended 31 December 2021		
LIBOR	125/(25)	(461.059)/92.212
EURIBOR	20/(20)	(25.314)/25.314
Inflation rate in the Republic of Kazakhstan	1%/0%	(474.139)/-
For the year ended 31 December 2020		
LIBOR	100/(25)	(418.317)/104.579
EURIBOR	20/(20)	(44.578)/44.578
Inflation rate in the Republic of Kazakhstan	1%/0%	(474.048)/-

* 1 basis point= 0,01%.

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

Foreign currency risk

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

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

In thousands of Tenge	Increase/(decrease) in the exchange rate in absolute terms (Tenge)	Increase/(decrease) in exchange rate	Effect on profit before tax
At 31 December 2021			
US dollar	86,33/(43,18)	20%/(10%)	(1.714.810)/857.405
Euro	97,56/(48,91)	20%/(10%)	(2.557.083)/1.278.542
Russian rouble	0,75/(0,75)	13%/(13%)	(196.134)/196.134
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
Russian rouble	0,84/(0,84)	15%/(15%)	(287.734)/287.784

Exchange rate of Tenge to US dollars as of the date of issuance of these consolidated financial statements presented in Note 30.

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).

Trade accounts receivable

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

Financial instruments and cash deposits

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

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

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

In thousands of Tenge	Location	Rating		31 December 2021	31 December 2020
		2021	2020		
Halyk Bank Kazakhstan JSC	Kazakhstan	BB+/stable	BB/stable	15,699,990	19,333,594
Jysan Bank JSC	Kazakhstan	B1/stable	B/negative	12,140,947	-
ForteBank JSC	Kazakhstan	B+/stable	B/stable	11,019,346	9,871,765
ATF Bank JSC	Kazakhstan	-	B-/stable	-	12,326,032
Bank Center Credit JSC	Kazakhstan	B/stable	B/stable	-	6,149,103
Kaspi Bank JSC	Kazakhstan	BB-/stable	BB-/stable	-	4,240,228
				38,860,283	51,920,722

Liquidity risk

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

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

The table below summarizes 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 2021						
Borrowings	-	5,666,360	9,472,295	15,526,933	22,684,097	53,349,685
Bonds payable	-	3,181,750	9,545,250	50,908,000	198,719,155	262,354,155
Trade and other accounts payable	-	18,675,097	-	7,076,813	-	25,751,910
Lease liability	-	111,895	-	-	-	111,895
	-	27,635,102	19,017,545	73,511,746	221,403,252	341,567,645

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	9,890,804	28,374,905	24,940,645	69,187,210
Bonds payable	-	2,414,750	7,244,250	38,636,000	155,224,542	203,519,542
Trade and other accounts payable	-	40,884,883	-	7,651,017	-	48,535,900
Lease liability	-	-	493,644	99,907	-	593,551
	-	49,280,489	17,628,698	74,761,829	180,165,187	321,836,203

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize 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 2021	31 December 2020
Debt/capital	0,16	0,20
Long-term borrowings and long-term bonds payable	152,782,161	142,561,138
Short-term borrowings and short-term bonds payable	18,417,290	18,472,897
Debt	171,199,451	161,034,035
Total liabilities	356,080,517	309,456,156
Equity	737,136,817	502,556,470
Total equity and liabilities	1,093,217,334	812,012,626

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 2021	Level 1	Level 2	Level 3
Revalued property, plant and equipment				
NES assets (Note 6)	879,981,350	-	-	879,981,350
Bonds of "Special Financial Company DSFK LLP" (Note 11)	314,418	-	-	314,418

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

Assets for which fair values are disclosed

In thousands of Tenge	31 December 2021	Level 1	Level 2	Level 3
Financial assets				
Other financial assets (Note 11)	72,182,392	-	72,182,392	-

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

Liabilities for which fair values are disclosed

In thousands of Tenge	31 December 2021	Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable (Note 16)	121,705,499	-	121,705,499	-
Borrowings (Note 15)	49,493,952	-	49,493,952	-

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

For the years ended 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020 the management assessed that the fair value of financial instruments of the Group, such as trade accounts receivable and payable, other financial assets, cash and cash equivalents, cash restricted in use, approximates their carrying amounts largely due to the short-term maturities of these instruments. Borrowings and bonds payable are stated at amortized costs which approximate their fair values.

Change in liabilities arising from financing activities

In thousands of Tenge	1 January 2021	Cash flows	Accrued interest	Paid interest	Foreign exchange movement	New leases	Other	31 December 2021
Borrowings	64,177,892	(14,614,808)	1,024,707	(1,167,132)	24,284	-	49,009	49,493,952
Bonds payable	96,856,143	25,235,121	11,962,857	(11,538,332)	-	-	(810,290)	121,705,499
Lease liability	561,765	(436,606)	31,786	(45,050)	-	-	-	111,895
Total	161,595,800	10,183,707	13,019,350	(12,750,514)	24,284	-	(761,281)	171,311,346

In thousands of Tenge	1 January 2020	Cash flows	Accrued interest	Paid interest	Foreign exchange movement	New leases	Other	31 December 2020
Borrowings	63,008,987	(6,574,597)	1,652,890	(2,093,727)	8,166,364	-	17,975	64,177,892
Bonds payable	87,316,528	9,032,407	8,977,984	(8,460,500)	-	-	(10,276)	96,856,143
Lease liability	419,543	(400,692)	96,818	(87,769)	-	533,865	-	561,765
Total	150,745,058	2,057,118	10,727,692	(10,641,996)	8,166,364	533,865	7,699	161,595,800

The Other column shows the amortization of discount and premium on financial liabilities. 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.

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.

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 2021.

Terms of loan agreements

The Group has entered into loan agreements with the EBRD and IBRD of which the total principal amount is 85.432 thousand US dollars and 25.878 thousand euros as of 31 December 2021. In accordance with loan agreements between Group and creditors, the Group must 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.

Also, the Group issued bonds and must comply with following covenants:

- Total debt to EBITDA not more than 3:1;
- Total debt to equity not more than 0.6:1.

The management believes that the Group complied with all loan covenants with EBRD and IBRD as of 31 December 2021 and 31 December 2020. The Group excludes from EBITDA the foreign exchange gain and loss, as management believes that gain and loss from foreign exchange meets the definition of non-cash transaction and shall be excluded from calculation of EBITDA as provided in the loan agreement. As of 31 December 2021, the Group excluded from EBITDA foreign exchange gain and loss of 451.045 thousand tenge for the year ended 31 December 2021 (for the year ended 31 December 2020: foreign exchange loss of 5.309.688 thousand tenge). Also, the management of the Group believes that it complied with covenants of issued bonds.

Insurance

As of 31 December 2021, the Group insured production assets with a cost of 221.316.260 thousand tenge. The insurance payments. The specified amount does not include the result of the revaluation of NET assets carried as of 1 December 2021, since the procedure for concluding an insurance contract was carried out before 1 December 2021. In the event of an insured event, the insurance payment is made within the insured amount. The Group did 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 reliability of the national electricity grid through the reconstruction of 220-500 kV transmission lines that have already reached and will reach their standard useful life in coming years and to improve the reliability of electricity supply of consumers in the Western zone of UES of Kazakhstan, as well as to maintain production assets in working condition, the Group has developed capital investment plan.

Five (2021-2025) investment program of KEGOC JSC for a total amount of 274.760.648 thousand tenge approved by the joint order #122 of the sectoral state body dated 7 April 2021 and the department of the authorized body #21-OD dated 11 March 2021 in accordance with legislation on natural monopolies of the Republic of Kazakhstan and is subject to 100% execution. However, KEGOC JSC may make changes to it and adjust the cost and timing of individual events.

As of 31 December 2021, capital commitments under the contracts entered by the Group under the investment plan amounted to 100.950.878 thousand tenge (31 December 2020: 82.980.915 thousand tenge).

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

Due to the fact that a significant part of open contracts is equipment purchased outside the Republic of Kazakhstan, the pace of production and logistics was negatively affected by the reduction in shifts and the limitation of the number of personnel at manufacturing plants, which leads to a delay in the supply of basic power equipment and, accordingly, the timing of contractual obligations of a capital nature. In addition, there is a possibility of fluctuations in the value of contractual obligations, the main reason for which is the impact of a possible change in the exchange rates of the national currency..

Activity regulation

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

The company provided regulated services from January 1 to September 30, 2021, at the following tariffs:

- for the transmission of electricity in the amount of 2.448 tenge per kWh (excluding VAT);
- for technical dispatching of supply to the grid and consumption of electric energy in the amount of 0.264 tenge per kWh (excluding VAT);
- organization of balancing the production and consumption of electricity in the amount of 0.086 tenge per kWh (excluding VAT).

These tariffs on regulated services of KEGOC JSC are determined in accordance with requirements of paragraph 3 of Article 15 of the Law of the Republic of Kazakhstan “On natural monopolies”, in accordance with which the funds allocated for the implementation of the approved investment program (amortized contributions and profits) are excluded from the current approved tariff for 2020, with the exception of fund used to repay the principal amount of loans raised for the implementation of investment program.

In accordance with order #79-OD of the Committee for the Regulation of Natural monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated August 16, 2021, the following tariffs were approved:

1. transmission of electric energy:
 - from 1 October 2021 to 30 September 2022 – 2.797 tenge/kWh (excluding VAT);
 - from 1 October 2022 to 30 September 2023 – 2.848 tenge/kWh (excluding VAT);
 - from 1 October 2023 to 30 September 2024 – 3.004 tenge/kWh (excluding VAT);
 - from 1 October 2024 to 30 September 2025 – 3.106 tenge/kWh (excluding VAT);
 - from 1 October 2025 to 30 September 2026 – 3.134 tenge/kWh (excluding VAT).
2. technical dispatching of supply to the grid and consumption of electric energy:
 - from 1 October 2021 to 30 September 2022 – 0.306 tenge/kWh (excluding VAT);
 - from 1 October 2022 to 30 September 2023 – 0.314 tenge/kWh (excluding VAT);
 - from 1 October 2023 to 30 September 2024 – 0.333 tenge/kWh (excluding VAT);
 - from 1 October 2024 to 30 September 2025 – 0.348 tenge/kWh (excluding VAT);
 - from 1 October 2025 to 30 September 2026 – 0.355 tenge/kWh (excluding VAT).
3. organization of balancing of production and consumption of electric energy:
 - from 1 October 2021 to 30 September 2022 – 0.098 tenge/kWh (excluding VAT);

- from 1 October 2022 to 30 September 2023 – 0.102 tenge/kWh (excluding VAT);
- from 1 October 2023 to 30 September 2024 – 0.105 tenge/kWh (excluding VAT);
- from 1 October 2024 to 30 September 2025 – 0.108 tenge/kWh (excluding VAT);
- from 1 October 2025 to 30 September 2026 – 0.110 tenge/kWh (excluding VAT).

30. SUBSEQUENT EVENTS

Events in the Republic of Kazakhstan

In January 2022, protests of the population began in the Mangistau region, provoked by an increase in fuel gas prices, which then spread to other regions of Kazakhstan. During the protests, several social and economic demands were put forward. Even though the Government took a set of measures to respond to the demands of the population, including lowering fuel gas prices, the protests, as a result, turned into social unrest, during which the buildings of municipalities (“akimats”) and law enforcement agencies were seized and destroyed. The main events and protests took place in the city of Almaty and the southern regions of the country.

As a result, a state of emergency was declared on January 5, 2022, which lasted until January 19, 2022. During the state of emergency, restrictions were imposed on communications (Internet and telecommunications) and the movement of both people and vehicles, including rail and air travel. At present, the situation in all regions of the country has stabilized, the state of emergency has been lifted. Engineering communications and life support systems have been fully restored, restrictions on communication and movement of both people and vehicles have been lifted.

The events did not have a significant impact on the Group’s activities, however, social tensions persist in the country, and it is impossible to predict the further development of events and their impact on the Company’s activities.

At the same time, during 2022, the Company expects an increase in expenses related to wages.

World events

On February 24, 2022, Russian President Vladimir Putin issued an appeal on the start of a “special military operation in Ukraine.” After the introduction of troops into the territory of Ukraine, the countries of the world, in particular the European Union and the United States, introduced a package of economic sanctions to prevent the further advance of Russian troops into Ukraine. The military operation and economic sanctions affected the exchange rate of the ruble, which weakened against the main world currencies by more than 40% and shows strong volatility over the entire period of the «military operation». Considering the significant economic relationship between Russia and Kazakhstan, the tenge also depreciated against world currencies by more than 15% and, as of March 18, 2022, amounted to 506.14 tenge per 1 US dollar.

The introduction of restrictive measures for the Russian financial market, as well as the oil and gas industry and the extractive industry, has already affected the rise in prices for energy resources and metals on world markets. At the moment, it is difficult to predict the impact of recent events in connection with the military operation on the global economy, and in particular on the economy of Kazakhstan, and the activities of the Group.

APPENDIX 5. COMMENTS OF MANAGEMENT TO FINANCIAL PERFORMANCE

Kazakhstan Electricity Grid Operating Company JSC

As of and for a year
ended on 31 December 2021

These comments are a summary of management's comments on the financial performance in 2021, the full version of which can be found on the website www.kase.kz

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THESE EXPLANATIONS AND COMMENTS ON THE FINANCIAL PERFORMANCE DISCLOSED IN THE CONSOLIDATED FINANCIAL STATEMENTS OF KEGOC FOR A YEAR ENDED ON 31 DECEMBER 2021 SHALL BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS OF KEGOC AND NOTES THERETO FOR THAT PERIOD. IN ADDITION, THIS OVERVIEW INCLUDES THE FORECAST STATEMENTS. THESE FORECAST STATEMENTS ARE SUBJECT TO RISKS, UNCERTAINTIES AND OTHER FACTORS OUTLINED IN THE INVESTMENT MEMORANDUM, WHICH CAN CAUSE THE SIGNIFICANT DEVIATION OF OUR ACTUAL PERFORMANCE FROM THE PERFORMANCE INDICATED IN THESE STATEMENTS OR ARISING FROM THEM. OUR ACTUAL PERFORMANCE MAY DIFFER FROM THOSE PROVIDED IN THESE FORECAST STATEMENTS.

For the year ended 31 December 2021 the Company had received operating revenues in the amount of KZT 186,443,137 thousand, including KZT 129,355,940 thousand from electricity transmission in the Company's networks, KZT 28,902,579 thousand from the dispatching of electricity supply and consumption in the grid, and KZT 17,958,864 thousand from the electricity production and consumption balancing.

The rest of the operating revenues was gained from:

- sale of electricity to compensate for hourly unscheduled deviations (KZT 7,067,781 thousand);
- sale of power control services (KZT 878,486 thousand);
- revenues from sale of renewable energy (KZT 33,897 thousand);
- sale of other services.

The carrying value of fixed assets as of 31 December 2020 amounted to KZT 976,001,316 thousand and increased by KZT 323,522,872 thousand compared to the beginning of the year (KZT 652,478,444 thousand as of 31 December 2020) due to revaluation of NPG assets as of 1 December 2021.

Our operation segments

For management purposes, the Group's activities are organized based on the rendered services into three reportable operating segments, as follows:

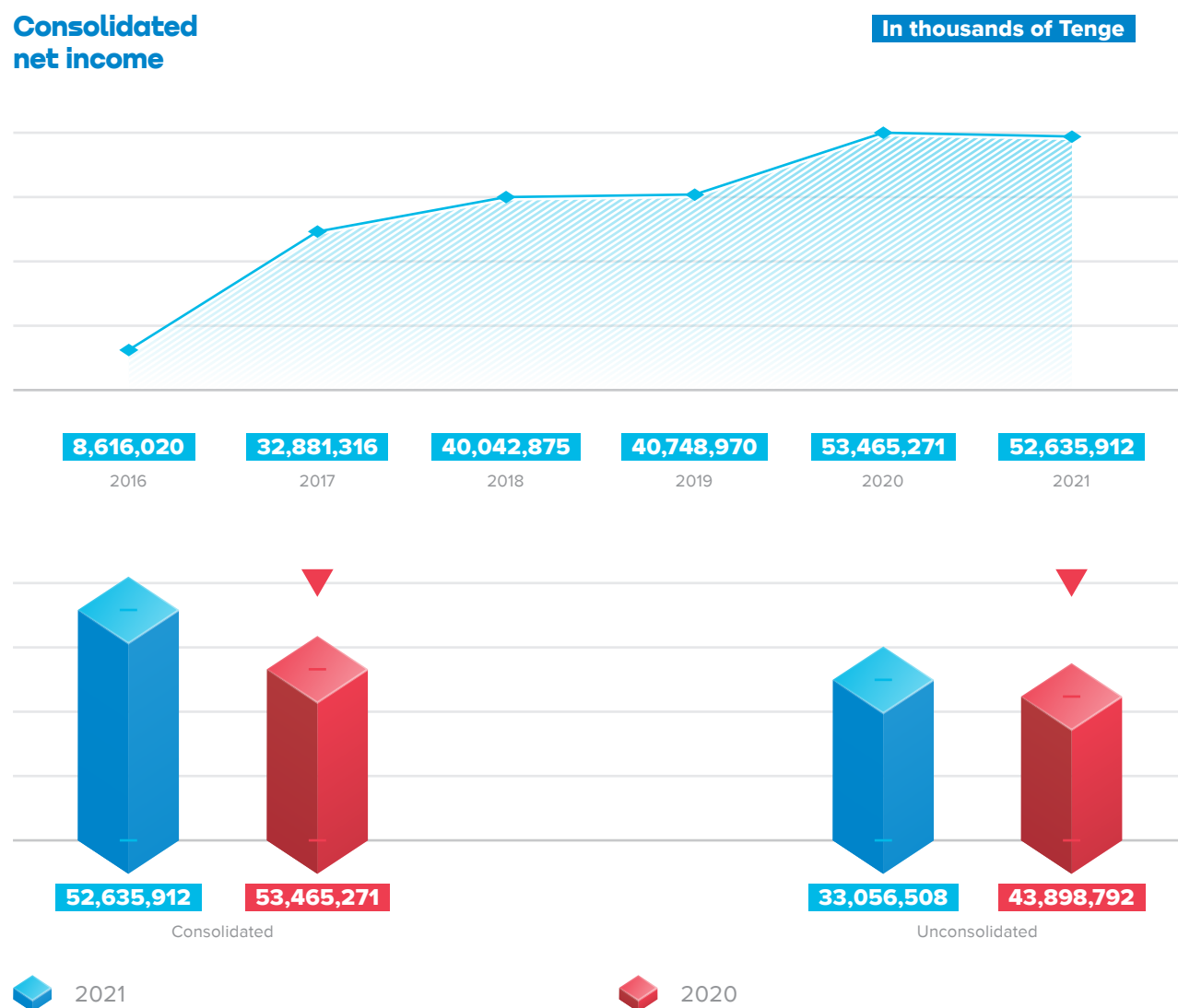
- Transmission of electricity, technical dispatch of electricity supply and consumption in the grid, and electricity production and consumption balancing.
- Power regulation services
- Sale of purchased electricity

Consolidated net income (In thousands of Tenge)

The net consolidated profit from the continuing operations of KEGOC for 12 months of 2021 decreased by 19% or KZT 9,333,788 thousand and amounted to KZT 39,164,446 thousand (KZT 48,498,234 thousand for 12 months of 2020), including KZT 33,056,508 thousand of net non-consolidated profit of KEGOC (net profit of Energoinform JSC amounted to KZT 2,175,329 thousand).

After alienation of FSC for RES LLP from KEGOC on 30 December 2021, the net profit from discontinued operations amounted to KZT 13,471,466 thousand (KZT 4,967,037 thousand for 12 months of 2020).

Consolidated net income



OPERATION RESULTS

The below table shows the KEGOC performance for the year ended 31 December 2021 and 2020:

In thousands of Tenge	Year ended		Change	
	31 December 2021	31 December 2020	absolute	%
Income	186,443,137	179,097,563	7,345,574	4
Cost of services	(120,682,903)	(101,920,927)	(18,761,976)	18
Gross profit	65,760,234	77,176,636	(11,416,402)	(15)
G&A	(8,539,823)	(7,817,094)	(722,729)	9
Selling expenses	(381,235)	(364,084)	(17,151)	4.7
Income from revaluation	2,869,512	0	2,869,512	100
Revaluation loss	(10,725,253)	0	(10,725,253)	
(Loss from)/income from impairment	(88,283)	(19,210)	(69,073)	359.6
Operating profit	48,895,152	68,976,248	(20,081,096)	(29)
Finance income	5,368,222	5,480,240	(112,018)	(2)
Financial expenses	(11,670,429)	(11,200,196)	(470,233)	4
Exchange gain/loss, net	451,045	(5,309,688)	5,760,733	(108)
Share of associate profit	260,739	358,447	(97,708)	(27)
Other income	3,921,369	876,774	3,044,595	347
Other expenses	(563,892)	(622,600)	58,708	(9)
Impairment expense under IFRS 9	110,078	39,913	70,165	176
Profit before tax	46,772,284	58,599,138	(11,826,854)	(20)
Profit tax expenses	(7,607,838)	(10,100,904)	2,493,066	(25)
Profit for the period from continuing operations	39,164,446	48,498,234	(9,333,788)	(19)
Discontinued operations *				
Profit (loss) after tax from discontinued operations	13,471,466	4,967,037	8,504,429	171
Profit for the year	52,635,912	53,465,271	(829,359)	(2)
Other comprehensive income for the reporting period, net of income tax	260,595,803	0	260,595,803	
Total comprehensive income for the reporting period	313,231,715	53,465,271	259,766,444	486

* In accordance with the Decree of the Government of the Republic of Kazakhstan No. 858 dated 30 November 2021 and the donation agreement dated 30 December 2021, KEGOC transferred a 100% stake in FSC for RES LLP to the ownership of the State Property and Privatization Committee Ministry of Finance of the Republic of Kazakhstan. As of 31 December 2021, FSC for RES LLP has been recognised as discontinued operations and is no longer a subsidiary of KEGOC JSC.

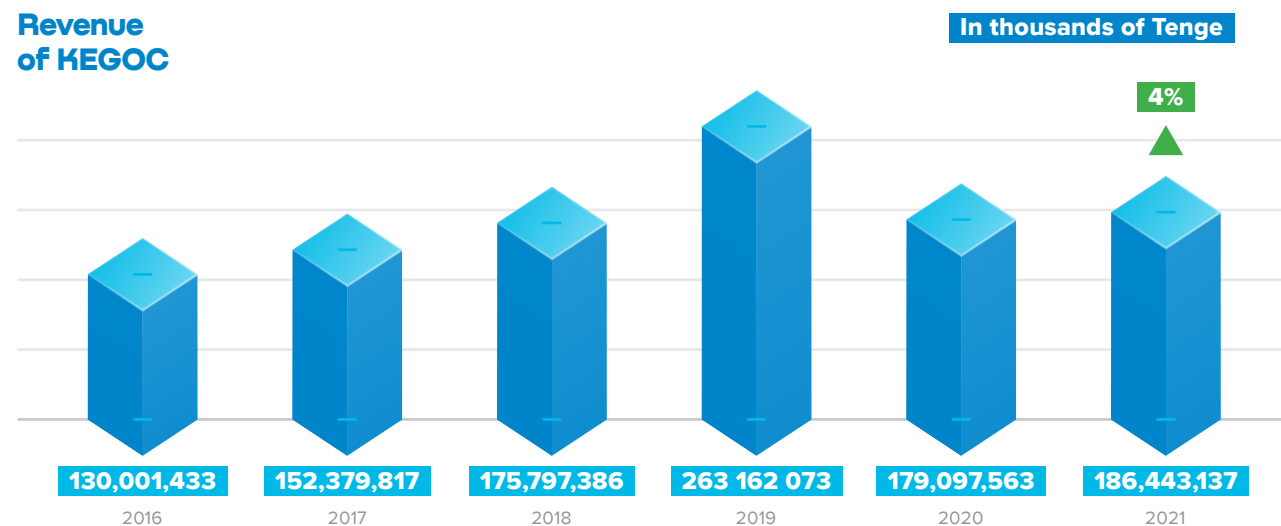
According to consolidated statement on aggregate income:

- the total income of the Company for 2021 amounted to KZT 212,895,568 thousand.
- the total expenses of the Company for 2021 amounted to KZT 160,259,656 thousand.

Revenue of KEGOC (In thousands of Tenge)

Operating income for 2021 amounted to KZT 186,443,137 thousand, which is higher than in the same period of 2020 by 4% or KZT 7,345,574 thousand.

Revenue of KEGOC



The table below shows the consolidated data of KEGOC on the income from sale of services for the year ended on 31 December 2021 and 2020:

In thousands of Tenge	Year ended		Deviation	
	31 December 2021	31 December 2020	absolute	%
Electricity transmission	129,355,940	121,953,313	7,402,627	6
Technical dispatching services	28,902,579	30,291,437	(1,388,858)	(5)
Electricity production and consumption balancing services	17,958,864	18,649,805	(690,941)	(4)
Revenues from sale of electricity to compensate for hourly unscheduled deviations	7,067,781	5,101,651	1,966,130	39
Revenue from the sale of power control services	878,486	954,342	(75,856)	(8)
Revenue from sale of the purchased electricity	33,897	21,075	12,822	61
Revenue from other services	2,245,590	2,125,940	119,650	6
Total income from sale	186,443,137	179,097,563	7,345,574	4

Electricity transmission

The table below shows the calculation of revenues from regulated services based on the tariffs approved by CRNM for 2021 and 2020:

In thousands of Tenge	Unit of measure	Year ended		
		31 December 2021	31 December 2020	%, change
Income from electricity transmission (discounted)	In thousands of Tenge	129,355,940	121,953,313	6
Actual amount of electricity transmission	million kWh	54,652	46,158	18
including the paid amount of electricity transmission	million kWh	50,824	43,600	16.6
Average tariff	KZT/kWh	2.545	2.797	(9)

The increase in income from the transmission of electricity amounted to KZT 7,402,627 thousand compared to the actual figures for the same period in 2020.

The growth of income was due to an increase in the paid volume of services by 18%, despite a decrease in the average tariff by 9%.

The actual amount of electricity transmission services in the national power grid for 12 months of 2021 amounted to 54.652 billion kWh including 50,824 billion kWh of paid volume of services.

In comparison with the actual for the same period in 2020, there was an increase in volume of services by 8.494 billion kWh or 18% (the paid, by 7.225 billion kWh or 16.6%), which is due to an increase in electricity transmission services for the participants of the wholesale market of Kazakhstan by 6.682 billion kWh, and an increase in the amount of electricity exports by 0.455 billion kWh. At the same time, there was a decrease in the volume of interstate transmission (Russia – Kazakhstan – Russia) by 0.146 billion kWh, which increased income from the provision of the service by KZT 20,208,264 thousand.

The decrease in the average tariff from 2.797 to 2.545 KZT/kWh is due to the fact that from 1 January 2021 to 30 September 2021, KEGOC has been providing electricity transmission services at 2.448 KZT/kWh without an investment component as the new tariff for the next regulated period had not been approved yet.

Income from technical dispatching services

In thousands of Tenge	Unit of measure	Year ended		
		31 December 2021	31 December 2020	%, change
Revenue from technical dispatching	In thousands of Tenge	28,902,579	30,291,437	(5)
Amount of technical dispatching services	million kWh	105,043	98,992	6
Average tariff	KZT/kWh	0.275	0.306	(10)

The revenues from technical dispatching of supply and consumption of electricity in the grid decreased compared to the actual indicators of the same period in 2020 and amounted to KZT 1,388,858 thousand.

The decrease was caused by a decrease in the average tariff by 10% (from 0.306 to 0.275 KZT/kWh), which caused a decrease in income by KZT 3,240,547 thousand, despite an increase in the volume of services by 6%.

The decrease in the average tariff by 10% from 0.306 to 0.275 KZT/kWh is due to the fact that from 1 January 2021 to 30 September 2021, KEGOC has been providing services at 0.264 KZT/kWh without an investment component as the new tariff for the next regulated period had not been approved yet.

The actual amount of services for technical dispatching of electricity supply and consumption for twelve months of 2021 amounted to 105.043 billion kWh. Compared to the actual indicators of the same period in 2020 there was increase by 6.051 billion kWh or 6%, which was due to increase in the electricity generation by energy producing organisations in Kazakhstan.

Income from electricity production and consumption balancing service

In thousands of Tenge	Unit of measure	Year ended		
		31 December 2021	31 December 2020	%, change
Income from electricity production and consumption balancing services	In thousands of Tenge	17,958,864	18,649,805	(4)
Amount of electricity production and consumption balancing services	million kWh	201,784	190,304	6
Average tariff	KZT/kWh	0.089	0.098	(9)

The income from the electricity production and consumption balancing amounted to KZT 690,941 thousand compared to the actual figures for the same period in 2020.

The decrease was caused by a decrease in the average tariff by 9% (from 0.098 to 0.089 KZT/kWh), which caused a decrease in income by KZT 1,803,142 thousand, despite an increase in the volume of services by 6%.

The decrease in the average tariff by 9% from 0.098 to 0.089 KZT/kWh is due to the fact that from 1 January 2021 to 30 September 2021, KEGOC has been providing services at 0.086 KZT/kWh without an investment component as the new tariff for the next regulated period had not been approved yet.

The actual amount of electricity production and consumption balancing services for twelve months of 2021 amounted to 201.784 billion kWh. Compared to 2020 there was an increase by 12.480 billion kWh or 6%, which was caused by increase in the electricity generation and consumption at the wholesale market of Kazakhstan.

Income from electricity sale to compensate for unscheduled hourly deviations of the interstate electricity balance flows

In thousands of Tenge	Unit of measure	Year ended		
		31 December 2021	31 December 2020	%, change
Income from electricity sale to compensate for unscheduled hourly deviations of the interstate electricity balance flows	In thousands of Tenge	7,067,781	5,101,651	39
Amount of electricity sale to compensate for unscheduled hourly deviations of the interstate electricity balance flows	thousand kWh	1,267,697	1,065,610	19
weighted average price	KZT/kWh	5.58	4.79	16

Income from the electricity sale to compensate for unscheduled hourly deviations of the interstate electricity balance flows increased by KZT 1,966,130 thousand (39%) compared to the same period last year due to an increase in sales of electricity from Kazakhstan to Russia by 202 million kWh (by KZT 967,504 thousand) and the weighted average price from 4.79 to 5.58 KZT/kWh (by KZT 998,626 thousand).

Income from the sale of power control services

In thousands of Tenge	Unit of measure	Year ended		
		31 December 2021	31 December 2020	%, change
Revenue from the sale of power control services	In thousands of Tenge	878,486	954,342	-8
Amount of power control services	MW	900	1,005	-3
weighted average price	KZT/kWh	976.10	949.59	3

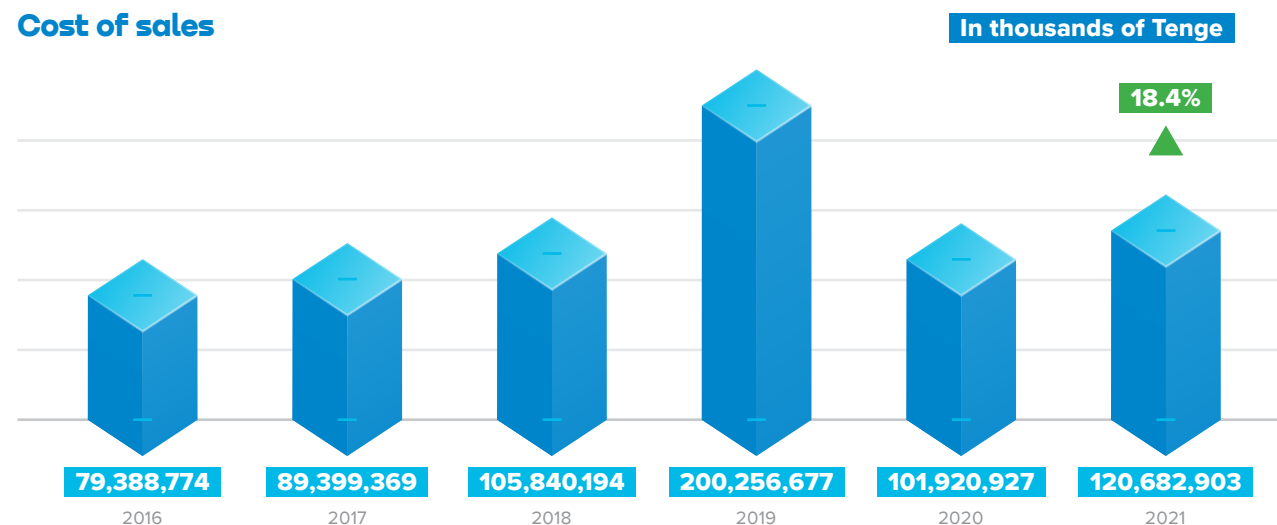
The income from the sale of power control services to non-residents (National power grid of Uzbekistan) in 2021 (KZT 878,486 thousand) as compared to 2020 (KZT 954,342 thousand) decreased by 8% or KZT 75,856 thousand, which is caused by lower volume of rendered services (by 105 MW or KZT 99,707 thousand) and the weighted average price increased from 949.59 to 976.10 KZT/kWh (by KZT 23,851 thousand) and FX rate increased from 412.87 KZT/USD (2020) to 424.39 KZT/USD (2021).

Income from sale of the purchased electricity

In thousands of Tenge	Unit of measure	Year ended		
		31 December 2021	31 December 2020	%, change
Revenue from sale of the purchased electricity	In thousands of Tenge	33,897	21,075	61
Amount of sale of the purchased RES electricity	thousand kWh	5,837	3,659	60
Price	KZT/kWh	5.81	5.76	0.8

Income from the sale of purchased electricity in a year, ended on 31 December 2021, amounted to KZT 33,897 thousand and increased by KZT 12,822 thousand compared to the same period in 2020 (KZT 21,075 thousand), mainly due to an increase in the volume of planned electricity flow to the Kyrgyz Republic by KZT 2,178 thousand kWh (from 3,659 to 5,837 thousand kWh) and prices from 5.76 to 5.8 KZT/kWh.

Cost of sales



Cost of sales (In thousands of Tenge)

The below table shows the consolidated data of KEGOC on the cost of sales for 2021 and 2020, ended 31 December:

	Year ended 31 December 2021		Year ended 31 December 2020	
	In thousands of Tenge	% of the cost of sale	In thousands of Tenge	% of the cost of sale
Depreciation and amortisation	35,950,880	30	33,349,877	33
Technical losses of electric energy	24,866,088	21	14,709,725	14
Costs of purchase of electricity to compensate for hourly deviations of interstate electricity balance flows	22,157,785	18	16,019,937	16
Payroll expenses and other deductions associated with payroll	18,320,948	15	18,292,955	18
Operation and maintenance costs	7,683,172	6	5,641,008	6
Property tax	6,185,051	5	9,049,154	9
Security expenses	1,292,485	1	1,206,494	1
Inventory	1,070,326	1	1,031,355	1
Cost of purchased electricity	30,974	0	19,392	0
Other expenses	3,125,194	3	2,601,030	3
Total cost of sales	120,682,903	100%	101,920,927	100%

Cost of sales increased by 18.4%, or KZT 18,761,979 thousand. In 2021 as compared to the same period in 2020, the cost of sales structure changed as follows:

- depreciation and amortisation increased by KZT 2,601,003 thousand (7.8%);
- technical electricity losses increased by KZT 10,156,363 thousand (69%);
- costs of purchase of electricity to compensate for hourly unscheduled deviations of interstate electricity balance flows increased by KZT 6,137,848 thousand (by 38%)

Depreciation and amortisation

Total depreciation expenses for 2021 amounted to KZT 35,950,880 thousand, that is 7.8% (KZT 2,601,003 thousand) higher than the same in 2020, mainly due to revaluation of property, plant and equipment.

Technical losses of electricity

In 2021 the cost of technical electricity losses increased compared to same period in 2020 by 69% or KZT 10,156,363 thousand. The increase in the costs is due to an increase in weighted average electricity purchase prices from producers (power plants) from 5.32 to 8.39 KZT / kWh and an increase in technical losses from 2,767,863 to 3,029,912 thousand kWh due to the growth of transmission in the Company's networks.

Costs of electricity purchase to compensate for hourly unscheduled deviations of interstate electricity balance flows.

Expenses for electricity purchase to compensate for hourly deviations of the interstate electricity balance flows for 2021 increased by 38% or by KZT 6,137,848 thousand as compared to 2020.

This change was due to:

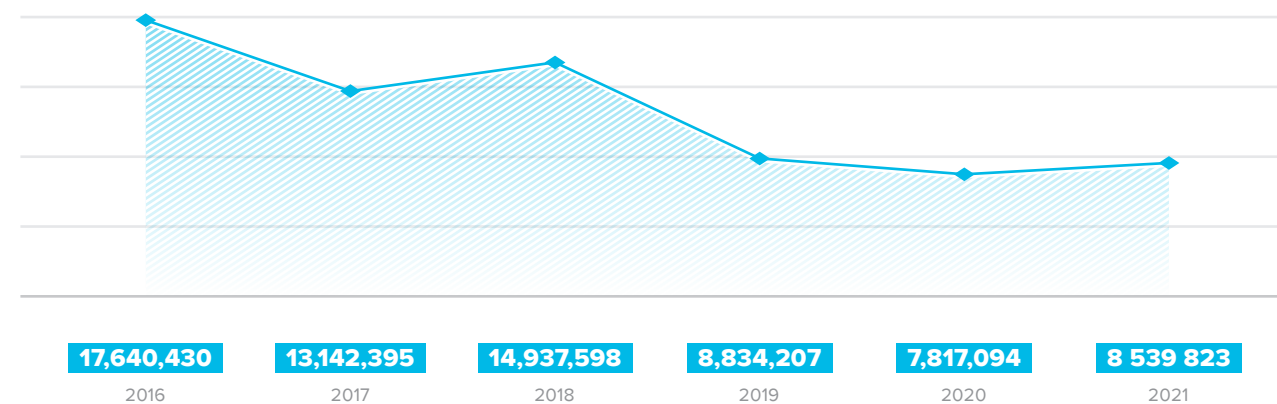
- costs increase by KZT 3,099,744 thousand as a result of an increase in the average weighted price from 15.03 to 17.48 KZT/kWh;
- costs increase by KZT 3,038,104 thousand as a result of an increase in electricity purchase from Russia for compensation of hourly deviations by 202 million kWh.

Payroll expenses and other deductions associated with payroll

Labour costs for 2021 amounted to KZT 18,320,948 thousand which is KZT 27,993 thousand or 0.2% higher than in the same period last year, mainly due to increase in salaries of the Company personnel by an average of 5.6% and indexation of tariff rates for working personnel by 4%. At the same time, the headcount of Energoinform JSC was reduced by 269 (two hundred and sixty-nine) staff positions.

General and administrative expenses

In thousands of Tenge



General and administrative expenses, In thousands of Tenge

The below table shows the consolidated data of KEGOC on the general and administrative expenses for the year ended 31 December 2021 and 2020:

	Year ended 31 December 2021			Year ended 31 December 2020	
	In thousands of Tenge	% of general and administrative costs		In thousands of Tenge	% of general and administrative costs
Payroll expenses and other deductions associated with payroll	5,229,216	61	▲	5,080,003	65
Depreciation and amortisation	878,698	10	▲	688,088	9
Taxes excluding income tax	238,204	3	▲	190,786	2
Consulting services	176,264	2	▲	161,177	2
Utility service costs	70,873	1	▲	68,540	1
Materials	66,149	1	▲	46,371	1
Technical support costs	57,884	1	▲	47,273	1
Business trip expenses	54,581	1	▲	25,855	0
Education and trainings	46,806	1	▼	54,177	1
Expenses for the Board of Directors	44,587	1	▼	67,725	1
Insurance expenses	26,027	0	▼	28,734	0
Accrual of provision for obsolete inventories	1,074	0	▼	57,028	1
Rental costs	-	-	▼	22,806	0
Other	1,649,460	19	▲	1,278,531	16
Total general and administrative expenses	8,539,823	100%	▲	7,817,094	100%

General and administrative expenses amounted to KZT 8,539,823 thousand, which is higher by KZT 722,729 thousand than the same period of 2020.

Payroll expenses and other deductions associated with payroll

The labour costs for 2021 amounted to KZT 5,229,216 thousand, which is KZT 149,213 thousand or 2.9% higher compared with the same period last year. This increase was due to an increase in official salaries of the Company's employees by an average of 5.6%. At the same time, the number of administrative and managerial personnel as reduced by 35 (thirty-five) units.

Depreciation and amortization of administrative expenses

Depreciation of administrative expenses amounted to KZT 878,698 thousand, which is 27.7% thousand higher compared to the same period in 2020 as a result of re-qualification of depreciation expenses.

Taxes excluding income tax

The tax expense was KZT 238,204 thousand, which is KZT 47,418 thousand higher than the same period in 2020, mainly due to changes in the classifier of fixed assets and reducing the tax base for property tax.

Utility costs

The expenses amounted to KZT 70,873 thousand, which is higher compared with the indicator for the same period in 2020 by KZT 2,333 thousand due to an increase in tariffs for utility services.

Cash flows

The table below summarises the results of the operating, investment and financing activities for the specified periods:

In thousands of Tenge	Year ended	
	31 December 2021	31 December 2020
Net cash from operations	83,868,968	96,701,950
Net cash from investment activities	(62,321,093)	(65,795,180)
Net cash from financing activities	(31,345,871)	(30,689,649)
Net change in cash and cash equivalents	(9,797,996)	217,120
Effect of FX changes on foreign currencies cash balance	(115,531)	460,732
Cash and cash equivalents as of the beginning of the period	21,867,205	21,179,282
Cash and cash equivalents as of the end of the period	11,933,828	21,867,205

As of 31 September 2021, cash and cash equivalents amounted to KZT 11,933,828 thousand, and decreased by KZT 9,933,377 thousand (45.4%) as compared to the same period in 2020.

Net cash from operating activities

Net cash flow from operations for 2021 amounted to KZT 83,868,968 thousand, which is lower than the same in 2020 by KZT 12,832,982 thousand, or 13.2%, mainly as a result of an increase in payments to suppliers.

Net cash from investments

Net cash outflow for investing activities in 2021 amounted to KZT 62,321,093 thousand, which is KZT 3,474,087 thousand or 5.5% lower compared to the same year in 2020, mainly due to the expiration of deposits and their further placement.

Net cash from financing activities

Net cash outflow for financial activities for a year ended on 31 December 2021, amounted to KZT 31,345,871 thousand, which is KZT 656,222 thousand higher compared to the same period in 2020, mainly due to the payment of dividends.

Liquidity

The below table shows the calculation of KEGOC's net debt:

In thousands of Tenge	Currency	Year ended	
		31 December 2021	31 December 2020
Non-current liabilities under the loans received ⁽¹⁾	USD / EUR	(35,639, 645)	(49,843, 453)
Current liabilities under the loans received ⁽¹⁾	KZT	(13,854, 307)	(14,334, 439)
Non-current liabilities under the outstanding bonds	KZT	(117,142, 516)	(92,717, 685)
Current liabilities under the charged coupon interests	KZT	(4,562, 983)	(4,138, 458)
Cash and cash equivalents	KZT	11,933,828	21,867,205
Bonds of Samruk-Kazyna	USD / KZT	30,144,252	30,213,089
Bank deposits	KZT	26,529,980	29,656,027
Notes of the National Bank of the Republic of Kazakhstan	KZT	13,646,481	28,823,615
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	KZT	1,850,569	1,816,832
Interest accrued on Samruk-Kazyna bonds	KZT	254,333	254,334
Dividends receivable from an associate	USD / KZT	0	203,095
Interest accrued on Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	KZT	18,305	17,163
Bonds of DSFK LLP	KZT	314,418	310,175
Net debt		(86,507, 285)	(47,872, 500)

(1) Liabilities include financial guarantees, credits and loans of the company which represent the major amount of liabilities.

(2) Bank deposits include short-term deposits at local banks.

As of 31 December 2021, cash and cash equivalents amounted to KZT 11,933,828 thousand. Outstanding loan debt amounted to KZT 171,199,451 thousand and increased by KZT 10,165,416 thousand in comparison with 2020.

Net debt amounted to KZT 86,507,285 thousand and increased by KZT 38,634,785 thousand compared to the same period last year.

Cash at the deposits by currency:

Deposit currency in thousand	31 December 2021		31 December 2020	
	Foreign Currency	KZT	Foreign Currency	KZT
USD	60,393	26,339,490	59,050	24,454,590
KZT		190,490		5,201,437
Total in In thousands of Tenge		26,529,980		29,656,027

Outstanding loan and bond liabilities

Loans

As of 30 September 2021, the outstanding loan balance included the loans provided by the International Bank for Reconstruction and Development (IBRD) and European Bank for Reconstruction and Development (EBRD). These loans were provided under credit facilities for implementation of the following projects: Kazakhstan Electricity Transmission Rehabilitation Project phase II, Construction of 500 kV Second Transmission Line of Kazakhstan North-South Transit, Moinak Electricity Transmission Project, and Alma Electricity Transmission Project.

Maturity period, security, and amount for each loan are shown in the table below:

Loan agreement	Bank	Outstanding amount for the loan as of 31 Dec. 2021			Maturity date	Loan security
		In thousands of Tenge	USD thousand	EUR thousand		
Loan Agreement No. 4805-KZ dated 22 November 2005	IBRD	3,540,759	8,195	-	2 times a year until 15 December 2019	No.7MBR 035e dated 18 November 2005
Loan Agreement No. 38647 dated 05 June 2008	EBRD	12,785,418	-	25,878	2 times a year Facility A and B(a): until 12 February 2023, Facility B(b): until 12 February 2020, Facility B (c), 12 February 2017	Unsecured
Loan Agreement No.7738-KZ dated 12 November 2009	IBRD	12,575,460	29,071	-	2 times a year until 15/09/2034	11SGG004 dated 12 November 2009
7965-KZ dated 25 December 2010	IBRD	20,592,315	48,165	-	2 times a year until 15 July 2035	No.11SGG010 dated 24 December 2010
Total		49,493,952	85,431	25,878		

As on 31 December 2021 and 31 December 2020 the outstanding loan liabilities are as follows:

In thousands of Tenge	As on	
	31 December 2021	31 December 2020
International Bank for Reconstruction and Development (IBRD)	36,708,534	41,647,967
European Bank for Reconstruction and Development (EBRD)	12,785,418	22,529,925
Total	49,493,952	64,177,892
Due within 12 months less current outstanding amount under the loans provided by IBRD and EBRD	(13,854,307)	(14,334,439)
	35,639,645	49,843,453

As of 31 December 2021 and 31 December 2020, the accrued, unpaid interest on the Company's loans amounted to KZT 196,888 thousand and KZT 343,237 thousand, respectively.

As of 31 December 2021 and 31 December 2020, the unamortised portion of the loan administration fee amounted to KZT 244,426 thousand and KZT 285,919 thousand, respectively.

As of 31 December 2021, the information on the maturity dates was as follows:

In thousands of Tenge	IBRD	EBRD	Total
Short-term part of the loan	5,282,842	8,571,465	13,854,307
1 to 2 years	2,506,220	4,213,953	6,720,173
2 to 3 years	2,506,220	-	2,506,220
3 to 4 years	2,506,221	-	2,506,221
over 4 years	23,907,031	-	23,907,031
Long-term part of the loan	31,425,692	4,213,953	35,639,645
Total	36,708,534	12,785,418	49,493,952

As of 31 December 2021 and 31 December 2020, the outstanding amount was denominated in the following currencies:

In thousands of Tenge	31 December 2021		31 December 2020	
	in KZT	in foreign currency	in KZT	in foreign currency
USD loans	36,708,534	85,431	41,647,967	98,948
EUR loans	12,785,418	25,878	22,529,925	43,596
Total in In thousands of Tenge	49,493,952		64,177,892	

As on 31 December 2021 and 31 December 2020, the Company did not have any overdue amounts of the principal debt and interest.

In thousands of Tenge	Bank	Draft	As on	
			31 December 2021	31 December 2020
Loan Agreement No. 4805-KZ dated 22 November 2005	IBRD	North-South Transit	3,540,759	6,886,810
Loan Agreement No. 38647 dated 05 June 2008	EBRD	Kazakhstan Electricity Transmission Rehabilitation Project, phase 2	12,785,418	22,529,925
Loan Agreement No.7738-KZ dated 12 November 2009	IBRD	Moinak Project	12,575,460	13,205,949
7965-KZ dated 25 December 2010	IBRD	Alma Project	20,592,315	21,555,208
Total			49,493,952	64,177,892

Bonds

As on 31 December 2021 and 31 December 2020 the outstanding bond liabilities are as follows:

In thousands of Tenge	As on	
	31 December 2021	31 December 2020
Nominal value of bonds issued	118,800,000	93,500,000
Accrued coupon interest	4,562,983	4,138,458
Less: discount on issued bonds	(1,577,690)	(719,637)
Less: transaction costs	(79,794)	(62,678)
Total	121,705,499	96,856,143
Less the current portion of bonds payable within 12 months	(4,562,983)	(4,138,458)
Total non-current liabilities under the outstanding bonds	117,142,516	92,717,685

To finance the project of construction of 500 kV OHTL Semey – Aktogay –Taldykorgan – Alma, the Company, in accordance with the decision of the Board of Directors, registered on 4 May 2016 the first bond programme of KEGOC worth of KZT 83.8 billion. As a part of this bond programme, the Company made two bond issues with different conditions defined in issue prospectuses.

Main parameters of the bond issues (the first issue):

Type of securities	coupon bonds
National ID number:	KZP01Y15F281
ISIN:	KZ2C00003572
Nominal value, KZT	1,000.00
Issue amount, KZT million:	47,500.00
Float start:	26.05.16
Float end:	25 May 2031
Repayment start:	26 May 2031
Float period:	15 years
Coupon rate:	Floating, depending on the level of inflation in Kazakhstan, plus credit risk 290 bp; the inflation corridor: 5-16 percent.
Frequency of coupon payments:	once a year
Coupon payment start:	26 May annually

To finance the remaining part of the project, the Company made the second bond issue in the amount of KZT 36.3 billion (registration by the National Bank of the Republic of Kazakhstan dated 03 July 2017): 24.8% of bonds were bought out by the second-tier banks, 63.8%, by other institutional investors, 2.7%, by broker/dealer companies, 8.7% by other legal entities.

Main parameters of the bond issues (second issue):

Type of securities	coupon bonds
National ID number:	KZP02Y15F289
ISIN:	KZ2C00003978
Nominal value, KZT	1,000.00
Issue amount, KZT million:	36,300.00
Float start:	29 August 2017
Float end:	28 August 2032
Repayment start:	29 August 2032
Float period:	15 years
Coupon rate:	11.5% per annum (fixed)
Frequency of coupon payments:	once a year
Coupon payment start:	29 August annually

To implement the project for rehabilitation of 220-500 kV OHTL at KEGOC branches, on 28 May 2020 KEGOC placed the bonds on Kazakhstan Stock Exchange JSC (KASE) with total amount of KZT 9.7 billion.

Based on the remaining funding demand, the Company issued bonds in the amount of KZT 8.9 billion in January 2021 and in the amount of KZT 16.6 billion in October 2021.

The securities were placed under the first bond issue of the second bond programme of the issuer with total amount of KZT 80 billion.

Main parameters of the bond issues (the first issue):

Type of securities	coupon bonds
ISIN:	KZ2C00006658
Nominal value, KZT	1,000.00
Issue amount, KZT million:	35,000.00
Number of bonds	35,000,000 pcs
Float start:	28 May 2020
Float end:	28 May 2035
Repayment start:	28 May 2035
Float period:	15 years
Coupon rate:	fixed

Key performance indicators (KPIs)

The management team of the Company and the Board of Directors regularly monitor the following key performance indicators (KPIs) and consider them as a tool for assessment of the company's business and strategy.

Financial KPIs

The management of the Company and the Board of Directors quarterly monitor the KPIs calculated based on the IFRS consolidated financial statements.

Strategic	a. Definition/Calculation
ROACE	Net income + interest expenses (1-T))/ACE*100%, where T=corporate income tax rate, ACE = Average capital employed at the beginning and at the end of the period, which shows the Company's average capital employed in the reported period.
EBITDA margin	EBITDA/Operating income 100%, where EBITDA = Operating income – cost of services without depreciation – general and administrative expenses without depreciation – sale costs without depreciation
Profitability of operations	A/B, where A = Net income; B = General expenses excluding corporate income tax
ROIC	A/B*100, where A = NOPLAT – (revenues – cost of sale – general and administrative costs – sales costs) * (1-rate corporate income tax) B = average (over the period) invested capital IC

Financial stability indicators

The management of the Company and the Board of Directors monitor the operating results of the Company based on a series of the following KPIs:

Indicator	Definition/Calculation
Net debt/EBITDA	A/B, where A = a sum of cash raised by the Company as loans less cash and cash equivalents; B = income before interest and financing, non-cash expenses due to depreciation and disposal, income taxes, and also depreciation of fixed assets and amortisation of intangible assets.
Debt/EBITDA	A/B, where A = borrowed funds raised by the Company, B = Operating income – cost of services without depreciation – general and administrative expenses without depreciation – sale costs without depreciation for the past 12 months
Debt/Capital	A/B, where A = borrowed capital, B = equity
EBITDA / Interest expense	A/B, where A = Operating income – cost of services without depreciation – general and administrative expenses without depreciation – sale costs without depreciation for the past 12 months, B = interest expenses including capitalized interest for the past 12 months

The Company monitors KPIs in order to analyse the financial stability and liquidity. The policy of Samruk-Kazyna for debt management and financial stability, and loan agreements have some covenants, the breach of which will result in financial risks and will require corrective actions.

In thousands of Tenge	Year ended	
	31 December 2021	31 December 2020
ROACE, %	7.70	9.48
ROIC, %	6.67	10.54
Net debt/EBITDA (not more than 4)	1.51	1.19
EBITDA margin, % (excluding FSC RES LLP)	50.20	56.92
Profitability of operations, % (excluding FCS RES LLP)	33.42	32.51

Current liquidity ratio	1.61	1.69
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Financial stability ratios established by Samruk-Kazyna		
Debt/EBITDA (not more than 3.50)	1.82	1.56
Debt/Capital (not more than 1.00)	0.23	0.32
EBITDA/interest expenses (not less than 3.00)	9.56	10.16

ROACE and ROIC for 12 months ended 31 December 2021, compared to 12 months ended 31 December 2020, degraded as a result increase in the amount of capital employed.

Degradation of EBITDA margin is mainly due to increase of currency exchange difference costs.

In 2021, the established financial stability indicators and covenants have not been violated.

CURRENT LOAN AGREEMENTS

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

In 2005 to implement the project for Construction of 500 kV Second Transmission Line of Kazakhstan North-South Transit, phase II, KEGOC received credit facility to the amount of USD 100,000 thousand from the IBRD for 17 years including first five years of grace period. The credit facility is secured by the guarantee of the Government of the Republic of Kazakhstan. The loan interest is a six-month LIBOR plus overall spread, and repaid twice a year. In 2011, the undisbursed part of IBRD loan to the amount of USD 1,918 thousand was cancelled because the actual Project costs incurred during that Project appeared to be lower than expected. As of 31 December 2021 and 31 December 2020, the outstanding loan was USD 8,195 thousand (equivalent to KZT 3,538,547 thousand) and USD 16,351 thousand (equivalent to KZT 6,882,125 thousand), respectively.

Kazakhstan Electricity Transmission Rehabilitation Project, Phase II

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

Two credit facilities to the amount of EUR 127,500 thousand and EUR 75,000 thousand granted by EBRD for 15 years including first four years of grace period. The loan interest is a six-month EUROBOR plus 3.85% margin, and repaid twice a year. As at 31 December 2021 and 31 December 2020, the outstanding loan was EUR 25,878 thousand (equivalent to KZT 12,656,781 thousand) and EUR 43,130 thousand (equivalent to KZT 22,288,891 thousand), respectively.

Moinak Electricity Transmission Project

In 2009 to implement the Moinak Electricity Transmission Project, KEGOC received a credit facility to the amount of USD 48,000 thousand granted by IBRD for 25 years, including first five years of grace period. The credit facility is secured by the guarantee of the Government of Kazakhstan. The loan interest is a six-month LIBOR plus 0.85% fixed spread, and repaid twice a year. In May 2013, the undisbursed part of IBRD loan to the amount of USD 3,274 thousand was cancelled because the actual Project costs appeared to be lower than expected. As of 31 December 2021 and 31 December 2020, the loan outstanding was USD 29,072 thousand (equivalent KZT to 12,553,276 thousand) and USD 31,308 thousand (equivalent to KZT 13,177,966 thousand), respectively.

Alma Electricity Transmission Project

In 2010 to implement the Alma Electricity Transmission Project, KEGOC received a credit facility to the amount of USD 78,000 thousand from the IBRD for 25 years including first five years of grace period. The credit facility is secured by the guarantee of the Government of the Republic of Kazakhstan. The loan interest is a six-month LIBOR plus 1.15% fixed spread, and repaid twice a year. In July 2014, the undisbursed part of IBRD loan to the amount of USD 6,644 thousand was cancelled because the actual Project costs were lower than expected. As of 31 December 2021 and 31 December 2020, the balance of the loan outstanding is USD 48,165 thousand (equivalent KZT to 20,792,886 thousand) and USD 51,733 thousand (equivalent to KZT 21,771,592 thousand), respectively.

CAPEX

The business activities are capital-intensive and require significant investments in rehabilitation and development of the existing business. The capital demand include:

- capital expenditures to ensure the reliability of the energy system of Kazakhstan and the sustainability of the business, aimed at maintaining and modernizing the existing integrity and operational capacity of our assets, and the associated cash flows that increase the useful lives of assets;
- capital expenditures to expand the operations for improvement of the operational capacity or profitability of the existing or new assets through construction projects.

The Company made capital expenditures to maintain production assets and other fixed assets directly involved in the operational process in the amount of KZT 33,572.531 million and KZT 25,312.009 million in 2021 and 2020, respectively, including investments in a large-scale Rehabilitation of 220-500 kV OHTLs in MES branches (KZT 13,758.415 million and KZT 14,066.862 million).

In Q4 2021, the Company's capital expenditures for the expansion of operations amounted to KZT 6,262.622 million compared to KZT 10,404.645 million in Q4 2020 (in 2020, KEGOC acquired the infrastructure facilities of SEZ NIPT), and are in mainly investments in the main operating assets of the Company, including major investment projects: West Kazakhstan Electricity Transmission Reinforcement Project (KZT 3,837.036 million) and Turkestan External Power Supply Reinforcement Project (KZT 2,071,636 million).

KEY FACTORS AND RISKS THAT AFFECTED THE FINANCIAL STANDING AND PERFORMANCE RESULTS OF KEGOC

In the course of its activity the Company faces many uncertainty risks including, but not limited to, the interest risk, credit risk, liquidity risk, and exchange risk. More detailed list of the Company's risks is given in the Investment Memorandum of the Company available on the web-site of the Kazakhstan Stock Exchange (www.kase.kz).

Decrease in cap tariff levels, including the application of a compensating tariff

To manage the risk, the Company carries out the following activities:

- Participation in working groups to amend legislative acts regulating the activities of natural monopolies;
- Analysing the performance of tariff estimates and investment programme and, if necessary, preparation and submission to the Committee on Regulation of Natural Monopolies of pro-posals for the adjustment of tariff estimates for regulated services and the investment pro-gramme (without changing the cap tariff levels);
- Submission to the Committee on Regulation of Natural Monopolies of reports on the implementation of tariff estimates for regulated services and the investment programme.

Changes of the tariff policy in Kazakhstan and failure to comply with the approved tariff estimates for the regulated services and the investment programmes included in the approved tariffs or their cap levels, all these could adversely affect the business of the Company, financial performance and standing.

Currency risk

Fluctuation of the exchange rates of USD and other currencies to KZT can have a negative effect on the Company's business, its financial standing and performance. The Company's revenues are generated in KZT and the major part of its debt and interest expenses are in USD and EUR. That is why the growth of the market exchange rates of USD and(or) EUR to KZT can decrease the Company's revenue as compared to its expenses and affect its performance.

KEGOC's loan debts was KZT 36,973,585 thousand as of 30 September 2021.

In order to regulate the currency risk, the company placed on deposit accounts USD 60.4 million (KZT 26,077,963 thousand) as of 30 September 2021, which would secure the debt service payments for about two (2) years.

Interest rate risk

The Company is exposed to the market interest risk is primarily because of the Company's long-term loans with floating interest rates. The Company does not apply any hedging tools to reduce the potential risks because the management team considers the interest risk as insignificant due to regular revision of interest rates.

As on 30 September 2021, the Company's borrowings and issued bonds nominated in KZT, USD and EUR (KZT 153,716,846 thousand) had a floating interest rate and a fixed rate for the second bond issue. The Company is exposed to the changes in the fair value due to interest rates fluctuation.

The interest-bearing assets of the Company comprise the short-term tenge and US dollar bank deposits as on 31 December 2021 to the total amount of KZT 26,268,452 thousand with a fixed interest rate.

Due to the discontinuation of LIBOR rates publication in 2022, the IBRD has determined SOFR as a new reference rate for loans in US dollars (the reference interest rate in the US dollar money market, based on observed rates of the REPO cost of borrowing money overnight secured by US Treasury securities).

Seasonality

The amount of the rendered system services has a clear seasonal nature. In the autumn-winter periods the amount of services increases due to the growth of electricity demand. In summer and spring periods the demand decreases and the scope of system services decreases as well.

Deficit in the power system

Currently, there is a shortage of electricity and capacity in the UPS of Kazakhstan, caused by an increase in consumption and a lack of generating capacities to cover the needs of the UPS of Kazakhstan, including due to their emergency maintenance, which in turn may adversely affect the Company's operations.

According to the Law of the Republic of Kazakhstan "On the Electric Power Industry", KEGOC JSC is the System Operator of the UPS of Kazakhstan and as such cooperates with the power systems of neighbouring states to manage and maintain stability of parallel operation modes.

In accordance with the Power system parallel operation intra-governmental agreement between Kazakhstan and Russia dated 20 November 2009 (hereinafter referred to as the Intergovernmental Agreement), KEGOC and PJSC Inter RAO conclude a contract on an annual basis to purchase electricity from Russia to compensate for hourly unscheduled deviations in the actual interstate balance flow on the border between UPS of Kazakhstan and UES of Russia (hereinafter referred to as the Deviation Compensation Contract).

Given the deficit in the UPS of Kazakhstan, the maintenance of frequency and coverage of imbalances in the UPS of Kazakhstan is provided, among other things, through collaboration within the framework of parallel work with the UES of Russia in accordance with the Deviation Compensation Contract. In this regard, there is a risk of growth of KEGOC's expenses for compensation of deviations in the UPS of Kazakhstan as a part of delivery of the functions of the System Operator of the UPS of Kazakhstan.